UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2017
OR

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

For the transition period from to

Commission File Number: 001-38044

Okta, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**26-4175727**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

301 Brannan Street
San Francisco, California 94107
(Address of Principal executive offices)

Registrant's telephone number, including area code: (888) 722-7871

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

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

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

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

As of August 31, 2017, the number of shares of registrant's Class A common stock outstanding was 19,261,581 and the number of shares of the registrant's Class B common stock outstanding was 76,321,131.

Okta, Inc.

Table of Contents

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding our financial outlook and market positioning. These forward-looking statements are made as of the date they were first issued and were based on current expectations, estimates, forecasts and projections as well as the beliefs and assumptions of management. Words such as “expect,” “anticipate,” “should,” “believe,” “hope,” “target,” “project,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “intend,” “shall” and variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. The forward-looking statements are contained principally in “Management’s Discussion and Analysis of Financial Condition and Result of Operations” and “Risk Factors.”

Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond Okta’s control. Okta’s actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to, risks detailed in “Risk Factors” in this Quarterly Report on Form 10-Q as well as other documents that may be filed by the Company from time to time with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q to conform these statements to actual results or to changes in our expectations.

PART I

Item. 1 Financial Statements

OKTA, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	July 31, 2017	January 31, 2017
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 126,464	$ 23,282
Short-term investments	86,755	14,390
Accounts receivable, net of allowances of $1,261 and $1,306	35,304	34,544
Deferred commissions	13,279	13,549
Prepaid expenses and other current assets	12,884	7,025
Total current assets	274,686	92,790
Property and equipment, net	13,302	11,026
Deferred commissions, noncurrent	9,248	10,050
Intangible assets, net	11,051	9,155
Goodwill	6,282	2,630
Other assets	1,658	4,984
Total assets	$ 316,227	$ 130,635
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 9,848	$ 11,897
Accrued expenses and other current liabilities	4,399	5,853
Accrued compensation	11,334	9,866
Deferred revenue	127,218	108,012
Total current liabilities	152,799	135,628
Deferred revenue, noncurrent	4,108	5,711
Other liabilities, noncurrent	6,451	4,947
Total liabilities	163,358	146,286
Commitments and contingencies (Note 8)		
Redeemable convertible preferred stock	—	227,954
Stockholders' equity (deficit):		
Preferred stock	—	—
Class A common stock	2	—
Class B common stock	8	2
Additional paid-in capital	496,801	44,469
Accumulated other comprehensive income (loss)	70	(167)
Accumulated deficit	(344,012)	(287,909)
Total stockholders' equity (deficit)	152,869	(243,605)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	$ 316,227	$ 130,635

See notes to condensed consolidated financial statements.

OKTA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Revenue				
Subscription	$ 56,080	$ 33,439	$ 104,437	$ 61,002
Professional services and other	4,915	3,997	9,565	8,221
Total revenue	60,995	37,436	114,002	69,223
Cost of revenue				
Subscription	12,691	8,466	23,848	15,926
Professional services and other	6,991	5,314	13,297	10,233
Total cost of revenue	19,682	13,780	37,145	26,159
Gross profit	41,313	23,656	76,857	43,064
Operating expenses				
Research and development	16,923	9,655	32,282	18,421
Sales and marketing	39,597	28,421	76,777	54,822
General and administrative	11,948	6,142	23,587	13,087
Total operating expenses	68,468	44,218	132,646	86,330
Operating loss	(27,155)	(20,562)	(55,789)	(43,266)
Other income, net	382	56	363	88
Loss before income taxes	(26,773)	(20,506)	(55,426)	(43,178)
Provision for income taxes	229	95	477	176
Net loss	$ (27,002)	$ (20,601)	$ (55,903)	$ (43,354)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.29)	$ (1.10)	$ (0.83)	$ (2.32)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	93,576	18,802	67,125	18,687

See notes to condensed consolidated financial statements.

OKTA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Net loss	$ (27,002)	$ (20,601)	$ (55,903)	$ (43,354)
Net change in unrealized gains (losses) on available-for-sale securities	(12)	2	(12)	34
Foreign currency translation adjustments	181	(102)	249	(55)
Other comprehensive income (loss)	169	(100)	237	(21)
Comprehensive loss	$ (26,833)	$ (20,701)	$ (55,666)	$ (43,375)

See notes to condensed consolidated financial statements.

OKTA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Six Months Ended July 31,	
	2017	**2016**
Operating activities:		
Net loss	$ (55,903)	$ (43,354)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and accretion	3,288	1,972
Stock-based compensation	20,884	7,033
Amortization of deferred commissions	8,333	6,389
Other	689	(114)
Changes in operating assets and liabilities:		
Accounts receivable	(1,311)	690
Deferred commissions	(7,261)	(6,122)
Prepaid expenses and other assets	(5,940)	(3,403)
Accounts payable	1,183	1,650
Accrued compensation	2,562	(2,901)
Accrued expenses and other liabilities	(52)	(169)
Deferred revenue	17,604	11,456
Net cash used in operating activities	(15,924)	(26,873)
Investing activities:		
Capitalization of internal-use software costs	(2,743)	(2,325)
Purchases of property and equipment and other	(5,156)	(3,029)
Purchases of securities available for sale	(86,776)	—
Proceeds from sales of securities available for sale	1,538	2,207
Proceeds from maturities and redemption of securities available for sale	12,835	5,000
Net cash provided by (used in) investing activities	(80,302)	1,853
Financing activities:		
Proceeds from initial public offering, net of underwriters' discounts and commissions	199,948	—
Payments of deferred offering costs	(4,038)	(806)
Proceeds from stock option exercises, net of repurchases, and other	3,916	660
Principal payments on financing arrangements	(273)	(143)
Net cash provided by (used in) financing activities	199,553	(289)
Effects of changes in foreign currency exchange rates on cash and cash equivalents	134	(54)
Net increase (decrease) in cash, cash equivalents and restricted cash	103,461	(25,363)
Cash, cash equivalents and restricted cash at beginning of year	23,282	58,081
Cash, cash equivalents and restricted cash at end of year	$ 126,743	$ 32,718
Supplementary cash flow disclosure:		
Non-cash investing and financing activities:		
Vesting of early exercised common stock options	$ 693	$ 707
Issuance of common stock in connection with warrant exercises	272	—
Deferred offering costs, accrued but not yet paid	—	207
Property and equipment and other, accrued but not yet paid	271	987
Issuance of common stock in connection with business combination	2,160	—
Conversion of redeemable convertible preferred stock to common stock	228,362	—
Reconciliation of cash, cash equivalents and restricted cash within the condensed consolidated balance sheets to the amounts shown in the statements of cash flows above:		
Cash and cash equivalents	$ 126,464	$ 28,835
Restricted cash, noncurrent included in Other Assets	279	3,883
Total cash, cash equivalents and restricted cash	$ 126,743	$ 32,718

See notes to condensed consolidated financial statements.

OKTA, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Overview and Basis of Presentation

Description of Business

Okta, Inc. (the Company) pioneered identity in the cloud. The Okta Identity Cloud enables customers to secure their users and connect them to technology, anywhere, anytime and from any device. The Company was originally incorporated in January 2009 as SaaSure Inc., a California corporation, and, in April 2010, the Company reincorporated in Delaware as Okta, Inc. The Company is headquartered in San Francisco, California.

Initial Public Offering

In April 2017, the Company completed an initial public offering (IPO), in which the Company issued and sold 12,650,000 shares of its newly authorized Class A common stock, which included 1,650,000 shares sold pursuant to the exercise by the underwriters' option to purchase additional shares at a public offering price of $17.00 per share. The Company received aggregate proceeds of $200.0 million from the IPO, net of underwriters' discounts and commissions, before deducting offering costs of approximately $5.6 million. Immediately prior to the completion of the IPO, all shares of common stock then outstanding were reclassified as Class B common stock, and all shares of redeemable convertible preferred stock then outstanding were converted into 59,491,640 shares of common stock on a one-to-one basis and then reclassified into Class B common stock. See Note 9 for additional details.

As of July 31, 2017, 16,934,899 shares of the Company's Class A common stock and 78,552,887 shares of Class B common stock were outstanding. The Class A common stock outstanding includes the shares issued in the IPO and shares converted from Class B common stock upon exercise of stock options subsequent to the IPO.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements, which include the accounts of the Company and its wholly owned subsidiaries, have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. All intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of January 31, 2017, included herein, was derived from the audited financial statements as of that date. The unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the balance sheet, statements of operations, statements of comprehensive loss and the statements of cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full fiscal year ending January 31, 2018 or any future period.

The Company's fiscal year ends on January 31. References to fiscal 2018, for example, refer to the fiscal year ending January 31, 2018.

The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's final prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on April 7, 2017 (the Prospectus).

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company bases its estimates on historical experience and on other assumptions that its management believes are reasonable under the circumstances. Actual results could vary from those estimates. The Company's most significant estimates and judgments involve revenue recognition with respect to the determination of the relative selling prices for the Company's services, determination of the fair value of the Company's common stock prior to the completion of the IPO, valuation of the Company's stock-based awards, valuation of deferred income tax assets and contingencies.

Significant Accounting Policies

The Company's significant accounting policies are discussed in "Index to Consolidated Financial Statements-Note 2. Summary of Significant Accounting Policies" in the Prospectus. There have been no significant changes to these policies for the six months ended July 31, 2017, except as noted below:

Stock-Based Compensation

All stock-based compensation to employees, including the purchase rights issued under the Company's 2017 Employee Stock Purchase Plan (ESPP), is based on the fair value of the awards on the date of grant. Prior to the IPO, the fair value of the Company's common stock was determined by the estimated fair value of the Company's common stock at the time of grant. After the IPO, the fair value is determined using the market closing price of its Class A common stock on the date of grant. The Company uses the Black-Scholes option pricing model to measure the fair value of its stock options and the purchase rights issued under the ESPP and equity awards issued to non-employees. The unvested options issued to non-employees are remeasured to fair value at the end of each reporting period. This cost is recognized as an expense following the straight-line attribution method, over the requisite service period, for stock options, restricted stock units (RSUs) and restricted stock, and over the offering period, for the purchase rights issued under the ESPP. Prior to adoption of ASU 2016-09, the stock-based compensation was recorded net of estimated forfeitures.

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09, "*Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*." This new guidance was intended to simplify several areas of accounting for stock-based compensation arrangements, including the accounting for income taxes, the classification of excess tax benefits on the statement of cash flows and the accounting for forfeitures. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company adopted this guidance in the three months ended April 30, 2017. The new guidance allows entities to account for forfeitures as they occur. The Company elected to account for forfeitures as they occur and adopted this provision on a modified retrospective basis. An adjustment of $0.2 million representing cumulative prior years' impact was recognized as an adjustment to decrease retained earnings in the period of adoption. The adoption of the amendments related to the accounting for income taxes and classification of excess tax benefits on the statement of cash flows were adopted prospectively. See Note 11 for further details of the effects of adoption of the new accounting standard on income taxes. Adoption of all other changes in the new guidance did not have a significant impact on the Company's consolidated financial statements.

Net Loss per Share

The Company computes basic and diluted net loss per share attributable to common stockholders in conformity with the two-class method required for participating securities. Under the two-class method, basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase, without consideration for potentially dilutive securities as they do not share in losses. The diluted net loss per share attributable to common stockholders is computed giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, options to purchase common stock, unvested RSUs, employee stock purchase plan, shares subject to repurchase from early exercised options, and common stock and restricted stock issued in connection with certain business combinations are considered

common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as the effect is antidilutive.

Since the Company's IPO, Class A and Class B common stock are the only outstanding equity of the Company. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to 10 votes per share. Shares of Class B common stock may be converted into Class A common stock at any time at the option of the stockholder on a one-for-one basis, and are automatically converted into Class A common stock upon sale or transfer, subject to certain limited exceptions. Shares of Class A common stock are not convertible.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) and has modified the standard thereafter. The standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU 2014-09, as amended, becomes effective for the Company on February 1, 2018. The standard permits the use of either the retrospective or modified retrospective transition method. Under the retrospective transition method, the standard applies to contracts in all reporting periods presented. Under the modified retrospective transition method, the standard applies only to contracts still open as of February 1, 2018, recognizing in beginning retained earnings an adjustment for the cumulative effect of the change and providing additional disclosures comparing results to previous rules. The Company is currently evaluating the retrospective transition method.

Upon initial evaluation, the Company believes the key changes in the standard that may impact its accounting for revenue recognition include contract modifications. In addition, the requirement to defer incremental contract acquisition costs and recognize them over the contract period or expected customer life will affect the Company’s determination of the related period of benefit for amortization purposes and have a material impact on accounting for sales commissions for the periods presented. The Company has assigned internal resources, engaged a third-party service provider and is currently evaluating the impacts of planned systems implementations. The Company will continue to evaluate and analyze all other aspects of Topic 606 that may impact it.

In January 2016, the FASB issued ASU No. 2016-01 (Subtopic 825-10), *Financial Instruments Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which primarily affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The accounting for other financial instruments, such as loans, investments in debt securities and financial liabilities is largely unchanged. ASU 2016-01 is effective for fiscal years, beginning after December 15, 2018 and interim periods in fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842), *Leases* (ASU 2016-02), which supersedes the guidance in topic ASC 840, Leases. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations* (Topic 805) *Clarifying the Definition of a Business* (ASU 2017-04), which amends the guidance of FASB Accounting Standards Codification Topic 805, “Business Combinations,” adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is permitted under certain circumstances. The Company has not early adopted this guidance and is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment* (ASU 2017-04), which removes the second step of the goodwill impairment test that requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This guidance is effective for interim and annual reporting periods beginning after December 15, 2019 and will be applied prospectively. Management does not expect the adoption of this guidance to have any impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation* (Topic 718) *Scope of Modification Accounting* (ASU 2017-09), which clarifies which changes to the terms or conditions of a share-based payment award are subject to the guidance on modification accounting. Entities would apply the modification accounting guidance unless the value, vesting requirements and classification of a share-based payment award are the same immediately before and after a change to the terms or conditions of the award. This guidance is effective for annual and interim periods beginning after December 15, 2017, and would be applied prospectively to awards modified on or after the effective date. Early adoption is permitted. The Company has not early adopted this guidance and is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

3. Business Combinations

On February 17, 2017, the Company acquired the rights to hire certain employees and a non-exclusive intellectual property license from Stormpath, Inc. (Stormpath), a privately-held technology company which had built a user management and authentication service for software development teams. The transaction has been accounted for as a business combination and is expected to enhance the Company's product offerings and service by leveraging the talents of the engineering teams. The total consideration of $3.7 million, consisting of 200,000 shares of common stock valued at $2.2 million issued to Stormpath and replacement awards of $1.5 million issued to the hired employees, was recognized as goodwill. See Note 10 for further details on replacement awards issued in this transaction. Goodwill is not deductible for tax purposes.

Pro forma results of operations for the transaction have not been presented as they were not material to the condensed consolidated statements of operations.

In addition, the Company issued an incremental 800,000 shares of restricted common stock valued at $8.6 million to Stormpath in connection with the transaction. These shares of restricted common stock will vest ratably on the first and second anniversaries of the transaction date upon achieving the respective performance conditions, including the continued employment of certain employees with Okta and the wind down of the Stormpath, Inc. entity. The aggregate fair value, as determined on the date of the transaction, of the shares of restricted common stock will be recognized as post-combination stock-based compensation in the statement of operations over two years based on an accelerated attribution method. See Note 10 for further details.

4. Cash Equivalents and Short-Term Investments

The amortized costs, unrealized gains and losses and estimated fair values of the Company's cash equivalents and short-term investments as of July 31, 2017 and January 31, 2017 were as follows (in thousands):

	As of July 31, 2017 (unaudited)			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Cash equivalents:				
Money market funds	$ 95,495	$ —	$ —	$ 95,495
Commercial paper	15,020	—	—	15,020
U.S. treasury securities	4,996	—	—	4,996
Total cash equivalents	$ 115,511	$ —	$ —	$ 115,511
Investments:				
Commercial paper	18,913	—	—	18,913
U.S. treasury securities	45,083	1	(3)	45,081
Corporate debt securities	22,771	1	(11)	22,761
Total short-term investments	$ 86,767	$ 2	$ (14)	$ 86,755
Total	$ 202,278	$ 2	$ (14)	$ 202,266

	As of January 31, 2017			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Cash equivalents:				
Money market funds	$ 10,565	$ —	$ —	$ 10,565
Investments:				
Asset-backed securities	1,538	—	—	1,538
Corporate debt securities	12,842	13	(3)	12,852
Total short-term investments	$ 14,380	$ 13	$ (3)	$ 14,390
Total	$ 24,945	$ 13	$ (3)	$ 24,955

All short-term investments were designated as available-for-sale securities as of July 31, 2017 and January 31, 2017.

The Company had 15 and five short-term investments in unrealized loss positions as of July 31, 2017 and January 31, 2017, respectively. There were no material gross unrealized gains or losses from available-for-sale securities and no material realized gains or losses from available-for-sale securities that were reclassified out of accumulated other comprehensive income for the three and six months ended July 31, 2017 or 2016.

For available-for-sale debt securities that have unrealized losses, the Company evaluates whether (i) it has the intention to sell any of these investments and (ii) whether it is not more likely than not that it will be required to sell any of these available-for-sale debt securities before recovery of the entire amortized cost basis. Based on this evaluation, the Company determined that there were no other-than-temporary impairments associated with short-term investments as of July 31, 2017 and January 31, 2017.

The following tables present the contractual maturities of the Company's short-term investments as of July 31, 2017 and January 31, 2017 (in thousands):

	As of July 31, 2017 (unaudited)	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 58,288	$ 58,276
Due between one to five years	28,479	28,479
	$ 86,767	$ 86,755

	As of January 31, 2017	
	Amortized Cost	Estimated Fair Value
Due within one year	$ 12,842	$ 12,852
Due between one to five years	1,538	1,538
	$ 14,380	$ 14,390

5. Fair Value Measurements

The Company measures its financial assets at fair value each reporting period using a fair value hierarchy that prioritizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Three levels of inputs may be used to measure as follows:

Level 1-Valuations based on observable inputs that reflect quoted prices for identical assets or liabilities in active markets.

Level 2-Valuations based on inputs that are directly or indirectly observable in the marketplace.

Level 3-Valuations based on unobservable inputs that are supported by little or no market activity.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis using the above input categories (in thousands):

	As of July 31, 2017 (unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash equivalents:				
Money market funds	$ 95,495	$ —	$ —	$ 95,495
Commercial paper	—	15,020	—	15,020
U.S. treasury securities	—	4,996	—	4,996
Total cash equivalents	$ 95,495	$ 20,016	$ —	$ 115,511
Short-term investments:				
Commercial paper	$ —	$ 18,913	$ —	$ 18,913
U.S. treasury securities	—	45,081	—	45,081
Corporate debt securities	—	22,761	—	22,761
Total short-term investments	—	86,755	—	86,755
Total cash equivalents and short-term investments	$ 95,495	$ 106,771	$ —	$ 202,266

	As of January 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash equivalents:				
Money market funds	$ 10,565	$ —	$ —	$ 10,565
Short-term investments:				
Asset-backed securities	$ —	$ 1,538	$ —	$ 1,538
Corporate debt securities	—	12,852	—	12,852
Total short-term investments	—	14,390	—	14,390
Total cash equivalents and short-term investments	$ 10,565	$ 14,390	$ —	$ 24,955
Liabilities:				
Series B redeemable convertible preferred stock warrant	$ —	$ —	$ 304	$ 304

Level 3 instruments consist solely of the Company's Series B redeemable convertible preferred stock warrant liability. During the three months ended April 30, 2017, the Series B redeemable convertible preferred stock warrant was exercised, the corresponding warrant liability was remeasured to fair value, recognized in other income, net in the condensed consolidated statements of operations, and reclassified to additional paid-in capital.

The change in the fair value of the Series B redeemable convertible preferred stock warrant was as follows (in thousands):

Balance at January 31, 2017	$ 304
Increase in fair value of warrant through exercise date	103
Reclassification of remaining warrant liability to additional paid-in capital	(407)
Balance at July 31, 2017	$ —

The Company had no transfers between levels of the fair value hierarchy of its assets measured at fair value.

The carrying amounts of certain financial instruments, including cash held in banks, accounts receivable, accounts payable and the financing arrangements (see Note 7) approximate fair value due to their short-term maturities and are excluded from the fair value table above.

6. Goodwill and Intangible Assets, net

Goodwill

During the three months ended April 30, 2017, the Company recorded $3.7 million of goodwill related to its transaction with Stormpath (see Note 3). As of July 31, 2017 and January 31, 2017, goodwill was $6.3 million and $2.6 million, respectively. No goodwill impairments were recorded during the three and six months ended July 31, 2017 and 2016, respectively.

Intangible Assets, net

Intangible assets consisted of the following (in thousands):

	As of July 31, 2017 (unaudited)		
	Gross	Accumulated Amortization	Net
Capitalized internal-use software costs	$ 14,178	$ (3,744)	$ 10,434
Software licenses	1,023	(406)	617
Purchased developed technology	570	(570)	—
	$ 15,771	$ (4,720)	$ 11,051

	As of January 31, 2017		
	Gross	Accumulated Amortization	Net
Capitalized internal-use software costs	$ 10,859	$ (2,487)	$ 8,372
Software licenses	1,093	(314)	779
Purchased developed technology	570	(566)	4
	$ 12,522	$ (3,367)	$ 9,155

The Company capitalized $1.9 million and $1.2 million of internal-use software costs in the three months ended July 31, 2017 and 2016, respectively, and $3.3 million and $2.6 million in the six months ended July 31, 2017 and 2016, respectively. Included in the total amounts capitalized are stock-based compensation expense of $0.4 million and $0.1 million in the three months ended July 31, 2017 and 2016, respectively, and $0.6 million and $0.2 million in the six months ended July 31, 2017 and 2016, respectively.

Amortization expense was $0.7 million and $0.4 million for the three months ended July 31, 2017 and 2016, respectively, and $1.4 million and $0.7 million for the six months ended July 31, 2017 and 2016, respectively.

7. Debt and Financing Arrangements

Loan and Security Agreement

On March 10, 2014, the Company entered into a line of credit and term loan agreement with Silicon Valley Bank (SVB) in the amounts of $5.0 million and $10.0 million, respectively. On June 17, 2015, the Company expanded its line of credit from $5.0 million to $20.0 million and extended the term by one year to mature on March 10, 2017. The term loan facility expired during the year ended January 31, 2015 and no amounts were drawn. On November 21, 2016, the Company amended the agreement to extend the maturity date to November 21, 2018 and increase the borrowing capacity of the line of credit (Revolving Line) to $40.0 million. The available amount, not to exceed $40.0 million, is based on certain revenue metrics and is reduced by letters of credit totaling $5.4 million as of July 31, 2017 and January 31, 2017 established in connection with facility lease agreements.

Proceeds from loans made under the Revolving Line may be borrowed, repaid and reborrowed until November 21, 2018. Repayment of any outstanding proceeds are payable on November 21, 2018, but may be prepaid without penalty. Borrowings under the Revolving Line bear interest at an annual rate based on the one-year Prime rate plus a spread of 0.75%. Interest is payable quarterly. The Company is required to pay a quarterly facility fee to SVB of 0.15% per annum on the average undrawn portion available under the facility plus balances of outstanding letters of credits. Additionally, the Company is required to pay an upfront, one-time, commitment fee of $0.1 million and annual anniversary fees of $0.1 million on the amendment's first and second anniversary dates.

As of July 31, 2017 and January 31, 2017, no amounts had been drawn under the Revolving Line and the Company was in compliance with all covenants pursuant to the loan and security agreement.

As part of the initial loan agreement, upon closing, the Company granted SVB a warrant to purchase 187,500 shares of common stock at $1.40 per share, with a potential to acquire up to an additional 112,500 shares of common stock at the same price, which right would be triggered upon future amounts drawn under the loan agreement. No additional amounts were drawn under the credit facility and as such, the conditional warrant to acquire up to an additional 112,500 shares was not issued. The fair value of the common stock warrant at the time of issuance was recorded as debt issuance costs. Upon exercise of the warrant in March 2017, 168,750 shares were issued and 18,750 shares were withheld by the Company in lieu of cash exercise.

Financing Arrangements

In May 2015, the Company purchased software and related maintenance and support from a third party under a financing arrangement with a gross value of $0.9 million at an implicit interest rate of 5.0%. The financed obligation will be due in April 2018, and as of July 31, 2017 and January 31, 2017, $0.3 million and $0.4 million, respectively, was outstanding under this obligation.

In January 2017, the Company acquired additional software licenses from a third party under a separate financing arrangement with a gross value of $0.4 million at an implicit interest rate of 4.5%. The financed obligation will be due in January 2019 and as of July 31, 2017 and January 31, 2017, $0.2 million and $0.4 million respectively, was outstanding under this obligation.

8. Commitments and Contingencies

Leases

The Company leases office space under noncancelable operating leases for its San Francisco, California headquarters, as well as its offices in San Jose, California; Bellevue, Washington; London, England; Sydney, Australia; and Toronto, Canada. These office leases expire on various dates through August 2026.

Certain facility lease agreements contain rent holidays, allowances and rent escalation provisions. For these leases, the Company recognizes the related rental expense on a straight-line basis over the lease period of the facility and records the difference between amounts charged to operations and amounts paid as deferred rent. These rent holidays, allowances and rent escalations are considered in determining the straight-line expense to be recorded over the lease term. Deferred rent was $5.0 million and $4.8 million as of July 31, 2017 and January 31, 2017, respectively, and the current and noncurrent portions are included in accrued expenses and other current liabilities and other liabilities, noncurrent, respectively, in the condensed consolidated balance sheets. Rent expense was $2.5 million and $1.9 million for the three months ended July 31, 2017 and 2016, respectively, and $4.7 million and $3.6 million for the six months ended July 31, 2017 and 2016, respectively.

In conjunction with the execution of the leases, letters of credit in the aggregate amount of $5.4 million were issued and outstanding as of July 31, 2017 and January 31, 2017, respectively. No draws have been made under such letters of credit.

In July 2017, the Company entered into a non-cancellable contractual agreement with a third-party provider of datacenter hosting facilities for a period of three years. Future annual commitments under this agreement are $10.0 million.

As of July 31, 2017, the future minimum lease payments by fiscal year under the financing arrangements and various operating leases are as follows (in thousands):

	Financing Arrangements	Operating Leases	Purchase Obligations	Total
Remainder of 2018	$ 289	$ 5,772	$ 5,095	$ 11,156
2019	212	11,902	10,301	22,415
2020	—	8,496	10,301	18,797
2021	—	5,108	4,167	9,275
2022	—	4,725	—	4,725
Thereafter	—	10,449	—	10,449
Total minimum lease payments	$ 501	$ 46,452	$ 29,864	$ 76,817
Less: amount representing interest	(35)	—	—	(35)
Present value of minimum lease payments	$ 466	$ 46,452	$ 29,864	$ 76,782

Legal Matters

From time to time in the normal course of business, the Company may be subject to various legal matters such as threatened or pending claims or proceedings. There were no such material matters as of July 31, 2017.

9. Stockholders' Equity (Deficit)

Redeemable Convertible Preferred Stock

Immediately prior to the completion of the IPO, all shares of redeemable convertible preferred stock then outstanding were converted into 59,491,640 shares of common stock on a one-to-one basis and then immediately reclassified into Class B common stock. As of July 31, 2017, there were no shares of redeemable convertible preferred stock issued and outstanding.

Common Stock

Immediately prior to the completion of the IPO, all shares of common stock then outstanding were reclassified into Class B common stock. Shares offered and sold in the IPO consisted of the newly authorized shares of Class A common stock.

As of July 31, 2017, the Company had authorized 1,000,000,000 shares of Class A common stock and had authorized 120,000,000 shares of Class B common stock, each with par value $0.0001 per share. As of January 31, 2017, the Company had authorized 120,000,000 shares of common stock with par value $0.0001 per share. As of July 31, 2017, 16,934,899 shares of Class A common stock and 78,552,887 shares of Class B common stock were issued and outstanding.

Holders of Class A and Class B common stock are entitled to one vote per share and 10 votes per share, respectively, and the shares of Class A common stock and Class B common stock are identical, except for voting and conversion rights.

10. Employee Incentive Plans

The Company's equity incentive plans provide for granting stock options, RSUs and restricted stock awards to employees, consultants, officers and directors. In addition, the Company offers an ESPP to eligible employees.

Stock-based compensation expense by award type was as follows (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Stock options	$ 6,127	$ 3,664	$ 12,152	$ 7,033
RSUs	1,435	—	1,501	—
ESPP	2,015	—	2,800	—
Restricted stock awards	768	—	1,520	—
Restricted common stock	1,633	—	2,911	—
Total	$ 11,978	$ 3,664	$ 20,884	$ 7,033

Stock-based compensation expense was recorded in the following cost and expense categories in the Company's condensed consolidated statements of operations (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Cost of revenue				
Subscription	$ 1,056	$ 446	$ 1,742	$ 839
Professional services and other	738	313	1,207	586
Research and development	4,438	736	7,739	1,354
Sales and marketing	3,021	1,412	5,396	2,766
General and administrative	2,725	757	4,800	1,488
Total	$ 11,978	$ 3,664	$ 20,884	$ 7,033

Stock-based compensation expense recorded to research and development in the condensed consolidated statements of operations exclude amounts that were capitalized related to internal-use software for the three and six months ended July 31, 2017 and 2016. See Note 6 for further details.

Equity Incentive Plans

The Company has two equity incentive plans: the 2009 Stock Plan (2009 Plan) and the 2017 Equity Incentive Plan (2017 Plan). Upon the completion of the Company's IPO in April 2017, the Company ceased granting equity under the 2009 Plan, and all shares that remained available for future issuance under the 2009 Plan at that time were transferred to the 2017 Plan. As of July 31, 2017, 33,360,239 options to purchase Class B common stock granted under the 2009 Plan remain outstanding.

Stock Options

A summary of the Company's stock option activity and related information is as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of January 31, 2017	32,866,862	$ 6.01	8.2	$ 145,570
Granted	2,596,568	11.03		
Exercised	(1,285,555)	3.04		
Canceled	(817,636)	7.55		
Outstanding as of July 31, 2017	33,360,239	$ 6.48	7.9	$ 516,132
As of July 31, 2017				
Vested and exercisable	14,864,075	$ 4.16	6.8	$ 264,429

No stock options were granted in the three months ended July 31, 2017. The weighted-average grant-date fair value of options granted was $3.91 for the three months ended July 31, 2016, and $5.36 and $3.86 for the six months ended July 31, 2017 and 2016, respectively. The aggregate fair value of stock options vested was $8.4 million, and $3.3 million for the three months ended July 31, 2017 and 2016, respectively, and $13.0 million and $5.9 million for the six months ended July 31, 2017 and 2016, respectively. The intrinsic value of the options exercised, which represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option, was $5.3 million and $1.3 million for the three months ended July 31, 2017 and 2016, respectively, and $19.3 million and $1.7 million for the six months ended July 31, 2017 and 2016, respectively.

As of July 31, 2017, there was a total of $67.4 million of unrecognized stock-based compensation expense, which is expected to be recognized over a weighted-average period of 3.0 years.

The Company used the Black-Scholes option pricing model to estimate the fair value of stock options granted with the following assumptions:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
		(unaudited)		
Expected volatility	—	42.9%-43.8%	40.3%-40.5%	42.9%-44.3%
Expected term (in years)	—	5.8-6.4	6.0-6.4	5.8-6.4
Risk-free interest rate	—	1.13%-1.50%	2.06%-2.21%	1.13%-1.54%
Expected dividend yield	—	—	—	—

Options Subject to Early Exercise

Prior to the IPO, at the discretion of the board of directors, certain options were exercisable immediately at the date of grant but subject to a repurchase right, under which the Company may buy back any unvested shares at their original exercise price in the event of an employee's termination prior to full vesting. The consideration received for an exercise of an unvested option is considered to be a deposit of the exercise price and the related dollar amount is recorded as a liability. The liabilities are reclassified into equity as the awards vest. As of July 31, 2017 and January 31, 2017, the Company had $1.7 million and $2.2 million, respectively, recorded in accrued expenses and other current liabilities related to early exercises of options to acquire 323,574 and 467,180 shares of Class B common stock, respectively.

Restricted Stock Units

The Company granted 2,161,102 and 2,219,927 RSUs with an aggregate fair value of $50.6 million and $51.6 million in the three and six months ended July 31, 2017, respectively, of which all are unvested and outstanding as of July 31, 2017. As of July 31, 2017, there was $49.8 million of unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted-average period of 3.8 years.

Equity Awards Issued in Connection with Business Combinations

In connection with the Stormpath transaction, the Company issued 800,000 shares of restricted common stock to Stormpath with an aggregate fair value of $8.6 million to be recognized as post combination stock-based compensation. The restricted common stock will vest ratably on the first and second anniversaries of the transaction date upon achievement of the respective performance conditions, including the continued employment of certain employees with the Company and the wind down of the Stormpath, Inc. entity. The stock-based compensation expense related to the restricted common stock has a requisite service period of two years and will be recognized using an accelerated attribution method due to the existence of performance conditions.

As of July 31, 2017, there was $5.7 million of unrecognized compensation expense related to restricted common stock which is expected to be recognized over the remaining weighted average life of 1.1 years. These shares of restricted common stock were separately authorized by the Company's board of directors, and did not reduce the number of shares available for future issuance under the 2009 Plan or the 2017 Plan.

The Company separately entered into retention arrangements with certain employees of Stormpath and issued 598,500 restricted stock awards under the 2009 Plan with an aggregate fair value of $6.6 million with performance conditions, including continued employment of certain employees with the Company and the wind down of the Stormpath, Inc. entity. The restricted stock awards will vest ratably over two or three years from the transaction date. Additionally, the Company granted 518,900 service-based stock options under the 2009 Plan to certain Stormpath employees with an aggregate fair value of $2.5 million to vest ratably over the requisite four-year service period.

The restricted stock awards and stock options offered directly to Stormpath employees for employment with the Company are deemed replacement awards and a portion of such awards are considered compensation for pre-combination service. Of the $9.1 million total aggregate fair value of the awards, $1.5 million is related to pre-combination service and is recognized as goodwill and a reduction to the post-combination compensation expense. The post-combination expenses for the restricted stock awards and stock options are $5.5 million and $2.1 million, respectively. The expense related to the restricted stock awards will be recognized over two or three years based on an accelerated attribution method. The expense for the stock options will be recognized ratably over the requisite service period.

As of July 31, 2017, there was $4.0 million of unrecognized compensation expense related to unvested restricted stock awards, which is expected to be recognized over the remaining weighted average life of 1.6 years.

As of July 31, 2017, there was $1.9 million of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over the remaining weighted average life of 2.5 years. The related stock options expense and activity are included within the Stock Options discussions above.

All of these shares are outstanding as of July 31, 2017.

Employee Stock Purchase Plan

In February 2017, the Company's board of directors adopted, and in March 2017, the Company's stockholders approved the 2017 Employee Stock Purchase Plan, or the ESPP, which became effective prior to the completion of the IPO. The ESPP initially reserves and authorizes the issuance of up to a total of 3,000,000 shares of Class A common stock to participating employees. Except for the initial offering period, the ESPP provides for 12-month offering periods beginning June 21 and December 21 of each year, and each offering period will consist of two six-month purchase periods. The initial offering period began April 7, 2017 and will end on June 20, 2018.

On each purchase date, eligible employees will purchase the shares at a price per share equal to 85% of the lesser of (1) the fair market value of our stock on the offering date or (2) the fair market value of our stock on the purchase date.

As of July 31, 2017, there was $8.6 million of unrecognized stock-based compensation expense related to the ESPP that is expected to be recognized over the remaining term of the initial offering period.

The Company estimated the fair value of ESPP purchase rights using a Black-Scholes option pricing model with the following assumptions:

	Three Months Ended July 31,	Six Months Ended July 31,
	2017	2017
	(unaudited)	
Expected volatility	31.8%-34.2%	31.8%-37.4%
Expected term (in years)	0.5-1.0	0.5-1.2
Risk-free interest rate	1.12%-1.22%	0.95%-1.22%
Expected dividend yield	—	—

11. Income Taxes

For the three and six months ended July 31, 2017, the Company recorded a tax provision of $0.2 million and $0.5 million on a pretax loss of $26.8 million and $55.4 million, respectively. The effective tax rate for the three and six months ended July 31, 2017 was (0.9)%. The effective tax rates differ from the statutory rates primarily as a

result of providing no benefit on pretax losses incurred in the United States, as the Company has determined that the benefit of the losses is not more likely than not to be realized.

For the three and six months ended July 31, 2016, the Company recorded a tax provision of $0.1 million and $0.2 million on a pretax loss of $20.5 million and $43.2 million, respectively. The effective tax rates for the three and six months ended July 31, 2016 were (0.5)% and (0.4)%, respectively. The effective tax rates differ from the statutory rates primarily as a result of providing no benefit on pretax losses incurred in the United States, as the Company has determined that the benefit of the losses is not more likely than not to be realized.

The Company adopted ASU 2016-09, Compensation - *Stock Compensation (Topic 718)*, effective February 1, 2017. Upon adoption, the Company recorded a retrospective increase of $0.3 million in gross U.S. deferred tax assets for previously unrecognized excess tax benefits that existed as of January 31, 2017, and a corresponding increase of $0.3 million in valuation allowance against these deferred tax assets, as the Company's U.S. deferred tax assets are subject to a full valuation allowance. As such, the net impact to the Company's retained earnings was zero. The adopted guidance requires all of the tax effects related to share-based payments to be recorded through the income statement. The Company's income tax rate may fluctuate based upon its stock price and the amount of stock options exercised and equity awards vested in a particular quarter.

12. Net Loss Per Share

The following table presents the calculation of basic and diluted net loss per share (dollars in thousands, except per share data):

	Three Months Ended July 31,			
	2017		2016	
	Class A	Class B	Class A	Class B
	(unaudited)			
Numerator:				
Net loss	$ (4,227)	$ (22,775)	$ —	$ (20,601)
Denominator:				
Weighted-average shares outstanding - basic and diluted	14,650	78,926	—	18,802
Net loss per share attributable to common stockholders - basic and diluted:	$ (0.29)	$ (0.29)	$ —	$ (1.10)

	Six Months Ended July 31,			
	2017		2016	
	Class A	Class B	Class A	Class B
	(unaudited)			
Numerator:				
Net loss	$ (7,546)	$ (48,357)	$ —	$ (43,354)
Denominator:				
Weighted-average shares outstanding - basic and diluted	9,061	58,064	—	18,687
Net loss per share attributable to common stockholders - basic and diluted:	$ (0.83)	$ (0.83)	$ —	$ (2.32)

As the Company was in a loss position for all periods presented, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential common shares outstanding would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows (in thousands):

	As of July 31,	
	2017	2016
Conversion of convertible preferred stock	—	59,465
Conversion of common stock warrant	—	188
Conversion of convertible preferred stock warrant	—	29
Restricted common stock issued and outstanding	800	—
Issued and outstanding stock options	33,360	30,501
Unvested RSUs issued and outstanding	2,210	—
Unvested restricted stock awards issued and outstanding	599	—
Shares committed under the ESPP	1,082	—
Unvested shares subject to repurchase	324	603
	38,375	90,786

13. Related Party Transactions

Certain members of the board of directors serve as directors of and/or are executive officers of and, in some cases, are investors in, companies that are customers or vendors of the Company. Certain of the Company's executive officers also serve as directors of or serve in an advisory capacity to companies that are customers or vendors of the Company. Related party transactions were not material as of and for the three and six months ended July 31, 2017 and 2016.

14. Subsequent Events

In August 2017, the Company executed an amendment to its San Jose lease to add space and extend the lease term through August 2024. The incremental commitment for the additional space is $6.3 million with tenant improvements up to $0.8 million.

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 our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Prospectus. As discussed in the section titled "Note About Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" under Part II, Item 1A in this Quarterly Report on Form 10-Q and in our Prospectus. Our fiscal year ends January 31.

Overview

Okta is the leading independent provider of identity for the enterprise. Okta pioneered identity in the cloud. The Okta Identity Cloud is our category-defining platform that enables our customers to securely connect people to technology, anywhere, anytime and from any device. Every business day, over two million people use Okta to securely access a wide range of cloud applications, websites, mobile applications and services from a multitude of devices. Workforces sign into our platform to seamlessly access the applications they need to do their most important work. Organizations use our platform to provide their customers with more modern experiences online and via mobile devices, and to connect with partners to streamline their operations. Developers leverage our platform to securely embed identity into their software.

Our approach to identity eliminates duplicative, sprawling credentials and disparate authentication policies, allowing our customers to simplify and scale their IT infrastructures more efficiently as the number of users, devices, clouds and other technologies in their ecosystem grows. With the Okta Identity Cloud, our customers are able to achieve fast time to value, lower costs and increase efficiency while improving compliance and providing security that is persistent, perimeter-less and context-aware. These benefits are delivered through multiple products on a unified platform, superior cloud architecture and our vast and increasing network of integrations.

We founded the company in 2009 to reinvent identity for the modern cloud era. From the beginning, we recognized that identity is the foundation for connections and trust between users and technology. Since our inception, we have consistently innovated to enhance our platform and expand our product offerings.

In parallel to this product innovation, we have rapidly expanded the breadth and depth of the Okta Application Network, which provides customers with a pre-integrated set of cloud, mobile and web applications that spans the functionality of our products. As of July 31, 2017, we had over 5,000 integrations with third-party software applications.

We offer our platform through a SaaS business model. We focus on adding and retaining customers and increasing their spending with us through expanding the number of users who access our platform and up-selling additional products. We sell our solution directly through our field and inside sales teams, as well as indirectly through channel partners. Our subscription fees include the use of our service and our technical support and management of our platform. We base subscription fees primarily on the products used and the number of users on our platform, both internal and external. We typically invoice customers in advance in annual installments for subscriptions to our platform.

Components of Results of Operations

Revenue

Subscription Revenue. Subscription revenue primarily consists of fees for access to our cloud-based platform and related support. We generate subscription fees pursuant to noncancelable contracts. Subscription revenue is driven primarily by the number of customers, the number of users per customer and the products used. We typically invoice customers in advance in annual installments for subscriptions to our platform. We recognize subscription revenue ratably over the term of the subscription period beginning on the date access to our platform is provided, provided all other revenue recognition criteria have been met.

Professional Services and Other. Professional services revenue includes fees from assisting customers in implementing and optimizing the use of our products. These services include application configuration, system integration and training services.

We generally invoice customers monthly as the work is performed for time and materials arrangements. We generally have standalone value for our professional services and recognize revenue for the estimated fair value as a separate unit of accounting as services are performed or for those fixed-fee contracts, upon completion of the services.

Overhead Allocation and Employee Compensation Costs

We allocate shared costs, such as facilities (including rent, utilities and depreciation on equipment shared by all departments), information technology costs, and recruiting costs to all departments based on headcount. As such, allocated shared costs are reflected in each cost of revenue and operating expense category. Employee compensation costs include salaries, bonuses, benefits and stock-based compensation for each operating expense category and sales commissions for sales and marketing.

Cost of Revenue and Gross Margin

Cost of Subscription Revenue. Cost of subscription revenue primarily consists of expenses related to hosting our services and providing support. These expenses include employee-related costs for employees associated with our cloud-based infrastructure and our customer support organizations, third-party hosting fees, software and maintenance costs, outside services associated with the delivery of our subscription services, travel-related costs, amortization expense associated with capitalized internal-use software and acquired technology, and allocated overhead.

We intend to continue to invest additional resources in our platform infrastructure and our platform support organizations. As we continue to invest in technology innovation, we expect to have increased capitalized internal-use software costs and related amortization. We expect our investment in technology to expand the capability of our platform enabling us to improve our gross margin over time. The level and timing of investment in these areas could affect our cost of subscription revenue in the future.

Cost of Professional Services and Other. Cost of professional services consists primarily of employee-related costs for our professional services delivery team, travel-related costs, and costs of outside services associated with supplementing our internal staff. The cost of providing professional services has historically been higher than the associated revenue we generate.

Gross Margin. Gross margin is gross profit expressed as a percentage of total revenue. Our gross margin may fluctuate from period to period as our revenue fluctuates, and as a result of the timing and amount of investments to expand our hosting capacity, our continued efforts to build platform support and professional services teams, increased stock-based compensation expenses, as well as the amortization of costs associated with capitalized internal-use software and acquired intangible assets.

Operating Expenses

Research and Development. Research and development expenses consist primarily of employee compensation costs and overhead allocation. We believe that continued investment in our platform is important for our growth. We expect our research and development expenses will increase in absolute dollars as our business grows.

Sales and Marketing. Sales and marketing expenses consist primarily of employee compensation costs, costs of general marketing activities and promotional activities, travel-related expenses and allocated overhead. Commissions earned by our sales force that are direct and incremental and can be associated specifically with a noncancelable subscription contract are deferred and amortized over the same period that revenue is recognized for the related noncancelable contract. We expect our sales and marketing expenses will increase in absolute dollars and continue to be our largest operating expense category for the foreseeable future as we expand our sales and marketing efforts. However, we expect our sales and marketing expenses to decrease as a percentage of our revenue as our revenue grows.

General and Administrative. General and administrative expenses consist primarily of employee compensation costs for finance, accounting, legal and human resources personnel. In addition, general and administrative expenses include non-personnel costs, such as legal and other professional fees, and all other supporting corporate expenses not allocated to other departments.

We expect to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance and reporting obligations pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), and increased expenses for insurance, investor relations and professional services. We expect our general and administrative expenses will increase in absolute dollars as our business grows.

Other Income, Net

Other income, net consists of interest income from our investment holdings, and expenses resulting from the revaluation of our redeemable convertible preferred stock warrant liability and interest expense.

Provision for Income Taxes

Provision for income taxes consists of U.S. federal and state income taxes and income taxes in certain foreign jurisdictions in which we conduct business. We maintain a full valuation allowance on our federal and state deferred tax assets as we have concluded that it is not more likely than not that the deferred assets will be realized.

Results of Operations

The following tables set forth our results of operations for the periods presented in dollars and as a percentage of our revenue:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
	(dollars in thousands)			
Revenue				
Subscription	$ 56,080	$ 33,439	$ 104,437	$ 61,002
Professional services and other	4,915	3,997	9,565	8,221
Total revenue	60,995	37,436	114,002	69,223
Cost of revenue				
Subscription[(1)]	12,691	8,466	23,848	15,926
Professional services and other[(1)]	6,991	5,314	13,297	10,233
Total cost of revenue	19,682	13,780	37,145	26,159
Gross profit	41,313	23,656	76,857	43,064
Operating expenses				
Research and development[(1)]	16,923	9,655	32,282	18,421
Sales and marketing[(1)]	39,597	28,421	76,777	54,822
General and administrative[(1)]	11,948	6,142	23,587	13,087
Total operating expenses	68,468	44,218	132,646	86,330
Operating loss	(27,155)	(20,562)	(55,789)	(43,266)
Other income, net	382	56	363	88
Loss before income taxes	(26,773)	(20,506)	(55,426)	(43,178)
Provision for income taxes	229	95	477	176
Net loss	$ (27,002)	$ (20,601)	$ (55,903)	$ (43,354)

(1) Includes stock-based compensation expense as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
	(dollars in thousands)			
Cost of subscription revenue	$ 1,056	$ 446	$ 1,742	$ 839
Cost of professional services and other	738	313	1,207	586
Research and development	4,438	736	7,739	1,354
Sales and marketing	3,021	1,412	5,396	2,766
General and administrative	2,725	757	4,800	1,488
Total stock-based compensation expense	$ 11,978	$ 3,664	$ 20,884	$ 7,033

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Revenue				
Subscription	92 %	89 %	92 %	88 %
Professional services and other	8	11	8	12
Total revenue	100	100	100	100
Cost of revenue				
Subscription	21	23	21	23
Professional services and other	11	14	12	15
Total cost of revenue	32	37	33	38
Gross profit	68	63	67	62
Operating expenses				
Research and development	28	26	28	27
Sales and marketing	64	76	67	79
General and administrative	20	16	21	19
Total operating expenses	112	118	116	125
Operating loss	(45)	(55)	(49)	(63)
Other income, net	1	—	—	—
Loss before income taxes	(44)	(55)	(49)	(63)
Provision for income taxes	—	—	—	—
Net loss	(44)%	(55)%	(49)%	(63)%

Comparison of the Three Months Ended July 31, 2017 and 2016

Revenue

	Three Months Ended July 31,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Revenue:				
Subscription	$ 56,080	$ 33,439	$ 22,641	68%
Professional services and other	4,915	3,997	918	23
Total revenue	$ 60,995	$ 37,436	$ 23,559	63
Percentage of revenue:				
Subscription	92%	89%		
Professional services and other	8	11		
Total	100%	100%		

Subscription revenue increased by $22.6 million, or 68%, for the three months ended July 31, 2017 compared to the three months ended July 31, 2016. The increase was primarily due to the addition of new customers who also have greater Annual Contract Value (ACV) as well as an increase in users and sales of additional products to existing customers as reflected by our Dollar-Based Retention Rate of 123% as of July 31, 2017, an increase from 120% as of July 31, 2016.

Professional services and other revenue increased by $0.9 million, or 23%, for the three months ended July 31, 2017 compared to the three months ended July 31, 2016. The increase in professional services revenue primarily related to an increase in implementation services priced on a time and material basis, associated with an increase in the number of new customers purchasing our subscription services.

Cost of Revenue, Gross Profit and Gross Margin

	Three Months Ended July 31,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Cost of revenue:				
Subscription	$ 12,691	$ 8,466	$ 4,225	50%
Professional services and other	6,991	5,314	1,677	32
Total cost of revenue	$ 19,682	$ 13,780	$ 5,902	43
Gross profit	$ 41,313	$ 23,656	$ 17,657	75
Gross margin:				
Subscription	77 %	75 %		
Professional services and other	(42)	(33)		
Total gross margin	68	63		

Cost of subscription revenue increased by $4.2 million, or 50%, for the three months ended July 31, 2017 compared to the three months ended July 31, 2016, primarily due to an increase of $2.0 million in employee compensation costs related to higher headcount to support the growth in our subscription services and an increase of $1.0 million in data center costs as we increased capacity to support our growth.

Our gross margin for subscription revenue increased from 75% during the three months ended July 31, 2016 to 77% during the three months ended July 31, 2017, due to economies of scale as our subscription revenue increased. While our gross margins for subscription revenue may fluctuate in the near-term as we invest in our growth, we expect our subscription revenue gross margin to increase over time as we achieve additional economies of scale.

Cost of professional services and other revenue increased by $1.7 million, or 32%, for the three months ended July 31, 2017, compared to the three months ended July 31, 2016, primarily due to an increase of $1.5 million in employee compensation costs related to higher headcount.

Our gross margin for professional services and other revenue decreased to (42)% during the three months ended July 31, 2017 from (33)% during the three months ended July 31, 2016 due to the shift during the year ended January 31, 2016 to price our professional services on a time and materials basis. Professional services and other revenue during the three months ended July 31, 2016 included $1.8 million of professional services that were recognized on a completed contract basis, for which a significant portion of the related costs were incurred in earlier periods. Professional services and other revenue during the three months ended July 31, 2017 included professional services that were predominately recognized on a time and materials basis, for which the related costs were incurred in the same period.

Operating Expenses

Research and Development Expenses

	Three Months Ended July 31,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Research and development	$ 16,923	$ 9,655	$ 7,268	75%
Percentage of revenue	28%	26%		

Research and development expenses increased $7.3 million, or 75%, for the three months ended July 31, 2017 compared to the three months ended July 31, 2016. The increase was primarily due to an increase of $6.9 million in employee compensation costs due to higher headcount and the post combination compensation expense related to the equity awards issued in connection with business combination. Additionally, allocated overhead costs

increased by $0.6 million driven by higher headcount. These increases were partially offset by an increase of $0.7 million of capitalized internal-use software costs.

Sales and Marketing Expenses

	Three Months Ended July 31,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Sales and marketing	$ 39,597	$ 28,421	$ 11,176	39%
Percentage of revenue	64%	76%		

Sales and marketing expenses increased $11.2 million, or 39%, for the three months ended July 31, 2017 compared to the three months ended July 31, 2016. The increase was primarily due to an increase of $8.3 million in employee compensation costs related to headcount growth, an increase of $0.6 million related to marketing and event costs primarily driven by increases in demand generation programs, advertising, sponsorships and brand awareness efforts aimed at acquiring new customers and an increase of $1.3 million in allocated overhead costs.

General and Administrative Expenses

	Three Months Ended July 31,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
General and administrative	$ 11,948	$ 6,142	$ 5,806	95%
Percentage of revenue	20%	16%		

General and administrative expenses increased $5.8 million, or 95%, for the three months ended July 31, 2017 compared to the three months ended July 31, 2016. The increase was primarily due to an increase of $4.4 million in employee compensation costs primarily related to higher headcount to support our continued growth, an increase of $0.9 million in costs from professional services comprised primarily of legal, accounting, and consulting fees and an increase of $0.6 million in allocated overhead costs.

Comparison of the Six Months Ended July 31, 2017 and 2016

Revenue

	Six Months Ended July 31,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Revenue:				
Subscription	$ 104,437	$ 61,002	$ 43,435	71%
Professional services and other	9,565	8,221	1,344	16
Total revenue	$ 114,002	$ 69,223	$ 44,779	65
Percentage of revenue:				
Subscription	92%	88%		
Professional services and other	8	12		
Total	100%	100%		

Subscription revenue increased by $43.4 million, or 71%, for the six months ended July 31, 2017 compared to the six months ended July 31, 2016. The increase was primarily due to the addition of new customers who also have greater ACV, as well as an increase in users and sales of additional products to existing customers as

reflected by our Dollar-Based Retention Rate of 123% as of July 31, 2017, an increase from 120% as of July 31, 2016.

Professional services and other revenue increased by $1.3 million, or 16%, for the six months ended July 31, 2017 compared to the six months ended July 31, 2016. The increase in professional services revenue primarily related to an increase in implementation services priced on a time and material basis, associated with an increase in the number of new customers purchasing our subscription services.

Cost of Revenue, Gross Profit and Gross Margin

	Six Months Ended July 31,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Cost of revenue:				
Subscription	$ 23,848	$ 15,926	$ 7,922	50%
Professional services and other	13,297	10,233	3,064	30
Total cost of revenue	$ 37,145	$ 26,159	$ 10,986	42
Gross profit	$ 76,857	$ 43,064	$ 33,793	78
Gross margin:				
Subscription	77 %	74 %		
Professional services and other	(39)	(24)		
Total gross margin	67	62		

Cost of subscription revenue increased by $7.9 million, or 50%, for the six months ended July 31, 2017 compared to the six months ended July 31, 2016, primarily due to an increase of $3.8 million in employee compensation costs related to higher headcount to support the growth in our subscription services, and an increase of $1.8 million in data center costs as we increased capacity to support our growth. Additionally, allocated overhead costs increased by $0.8 million driven by higher headcount.

Our gross margin for subscription revenue increased to 77% during the six months ended July 31, 2017, up from 74% during six months ended July 31, 2016, due to economies of scale as our subscription revenue increased. While our gross margins for subscription revenue may fluctuate in the near-term as we invest in our growth, we expect our subscription revenue gross margin to increase over time as we achieve additional economies of scale.

Cost of professional services and other revenue increased by $3.1 million, or 30%, for the six months ended July 31, 2017, compared to the six months ended July 31, 2016, primarily due to an increase of $2.7 million in employee compensation costs related to higher headcount.

Our gross margin for professional services and other revenue decreased to (39)% from (24)% during the six months ended July 31, 2017 as compared to the six months ended July 31, 2016, due to the shift during the year ended January 31, 2016 to price our professional services on a time and materials basis. Professional services and other revenue during the six months ended July 31, 2016 included $4.3 million of professional services that were recognized on a completed contract basis, for which a significant portion of the related costs were incurred in earlier periods. Professional services and other revenue during the six months ended July 31, 2017 included professional services that were predominately recognized on a time and materials basis, for which the related costs were incurred in the same period.

Operating Expenses

Research and Development Expenses

	Six Months Ended July 31,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Research and development	$ 32,282	$ 18,421	$ 13,861	75%
Percentage of revenue	28%	27%		

Research and development expenses increased $13.9 million, or 75%, for the six months ended July 31, 2017 compared to the six months ended July 31, 2016. The increase was primarily due to an increase of $12.5 million in employee compensation costs due to higher headcount and the post combination compensation expense related to the equity awards issued in connection with the Stormpath business combination. Additionally, allocated overhead costs increased by $1.2 million. These increases were partially offset by an increase of $0.8 million of capitalized internal-use software costs.

Sales and Marketing Expenses

	Six Months Ended July 31,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Sales and marketing	$ 76,777	$ 54,822	$ 21,955	40%
Percentage of revenue	67%	79%		

Sales and marketing expenses increased $22.0 million, or 40%, for the six months ended July 31, 2017, compared to the six months ended July 31, 2016. The increase was primarily due to an increase of $15.5 million in employee compensation costs related to headcount growth, an increase of $2.5 million in allocated overhead costs, an increase of $2.0 million related to marketing and event costs primarily driven by increases in demand generation programs, advertising, sponsorships and brand awareness efforts aimed at acquiring new customers, and an increase of $0.9 million related to employee time and expense to support our expanding customer base.

General and Administrative Expenses

	Six Months Ended July 31,			
	2017	2016	$ Change	% Change
	(dollars in thousands)			
General and administrative	$ 23,587	$ 13,087	$ 10,500	80%
Percentage of revenue	21%	19%		

General and administrative expenses increased $10.5 million, or 80%, for the six months ended July 31, 2017 compared to the six months ended July 31, 2016. The increase was primarily due to an increase of $7.8 million in employee compensation costs related to higher headcount to support our continued growth, an increase of $1.9 million in costs from professional services comprised primarily of legal, accounting, and consulting fees, and an increase of $1.0 million in allocated overhead costs.

Key Business Metrics

We review a number of operating and financial metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

	As of July 31,	
	2017	2016
Customers with ACV above $100,000	539	354
Dollar-Based Retention Rate for the trailing 12 months ended	123%	120%

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
	(dollars in thousands)			
Calculated Billings	$ 71,677	$ 46,455	$ 131,605	$ 80,679

Number of Customers with Annual Contract Value Above $100,000

As of July 31, 2017, we had over 3,650 customers on our platform. We believe that our ability to increase the number of customers on our platform is an indicator of our market penetration, the growth of our business, and our potential future business opportunities. Increasing awareness of our platform and capabilities, coupled with the mainstream adoption of cloud technology, has expanded the diversity of our customer base to include organizations of all sizes across all industries. Over time, larger customers have constituted a greater share of our revenue, which has contributed to an increase in average revenue per customer. The number of customers who have greater than $100,000 in ACV with us was 539 and 354 as of July 31, 2017 and 2016, respectively. We expect this trend to continue as larger enterprises recognize the value of our platform and replace their legacy IAM infrastructure. We define a customer as a separate and distinct buying entity, such as a company, an educational or government institution, or a distinct business unit of a large company that has an active contract with us or one of our partners to access our platform.

Dollar-Based Retention Rate

Our ability to generate revenue is dependent upon our ability to maintain our relationships with our customers and to increase their utilization of our platform. We believe we can achieve these goals by focusing on delivering value and functionality that enables us to both retain our existing customers and expand the number of users and products used within an existing customer. We assess our performance in this area by measuring our Dollar-Based Retention Rate. Our Dollar-Based Retention Rate measures our ability to increase revenue across our existing customer base through expansion of users and products associated with a customer as offset by churn and contraction in the number of users or products associated with a customer.

Our Dollar-Based Retention Rate is based upon our ACV which is calculated based on the terms of that customer's contract and represents the total contracted annual subscription amount as of that period end. We calculate our Dollar-Based Retention Rate as of a period end by starting with the ACV from all customers as of twelve months prior to such period end, or Prior Period ACV. We then calculate the ACV from these same customers as of the current period end, or Current Period ACV. Current Period ACV includes any upsells and is net of contraction or attrition over the trailing twelve months but excludes revenue from new customers in the current period. We then divide the total Current Period ACV by the total Prior Period ACV to arrive at our Dollar-Based Retention Rate.

Our Dollar-Based Retention Rate has consistently exceeded 100%, which is primarily attributable to an expansion of users and up-selling additional products within our existing customers. Larger enterprises often implement a limited initial deployment of our platform before increasing their deployment on a broader scale.

Calculated Billings

Calculated Billings represent our total revenue plus the change in deferred revenue in the period. Calculated Billings in any particular period reflects sales to new customers plus subscription renewals and upsells to existing customers, and represent amounts invoiced for subscription, support and professional services. We typically invoice customers in advance in annual installments for subscriptions to our platform.

Calculated Billings increased 54% in the three months ended July 31, 2017 over the three months ended July 31, 2016 and increased 63% in the six months ended July 31, 2017 over the six months ended July 31, 2016.

As our Calculated Billings continue to grow in absolute terms, we expect our Calculated Billings growth rate to trend down over time.

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. generally accepted accounting principles, or GAAP, we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the below referenced non-GAAP financial information, collectively, to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance, and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only, and should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

Non-GAAP Gross Profit and Non-GAAP Gross Margin

We define non-GAAP gross profit and non-GAAP gross margin as GAAP gross profit and GAAP gross margin, adjusted for stock-based compensation expense and amortization of acquired intangibles.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
	(dollars in thousands)			
Gross profit	$ 41,313	$ 23,656	$ 76,857	$ 43,064
Add:				
Stock-based compensation expense included in cost of revenue	1,794	759	2,949	1,425
Amortization of acquired intangibles	—	47	4	94
Non-GAAP gross profit	$ 43,107	$ 24,462	$ 79,810	$ 44,583
Gross margin	68%	63%	67%	62%
Non-GAAP gross margin	71%	65%	70%	64%

Non-GAAP Operating Loss and Non-GAAP Operating Margin

We define non-GAAP operating loss and non-GAAP operating margin as GAAP operating loss and GAAP operating margin, adjusted for stock-based compensation expense and amortization of acquired intangibles.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
	(dollars in thousands)			
Operating loss	$ (27,155)	$ (20,562)	$ (55,789)	$ (43,266)
Add:				
Stock-based compensation expense	11,978	3,664	20,884	7,033
Amortization of acquired intangibles	—	47	4	94
Non-GAAP operating loss	$ (15,177)	$ (16,851)	$ (34,901)	$ (36,139)
Operating margin	(45)%	(55)%	(49)%	(63)%
Non-GAAP operating margin	(25)%	(45)%	(31)%	(52)%

Free Cash Flow

We define Free Cash Flow as net cash used in operating activities, less cash used for purchases of property and equipment and capitalized internal-use software costs.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
	(in thousands)			
Net cash used in operating activities	$ (6,238)	$ (11,838)	$ (15,924)	$ (26,873)
Less:				
Purchases of property and equipment	(2,708)	(2,102)	(5,156)	(3,029)
Capitalized internal-use software costs	(1,535)	(1,093)	(2,743)	(2,325)
Free Cash Flow	$ (10,481)	$ (15,033)	$ (23,823)	$ (32,227)
Net cash provided by (used in) investing activities	$ (88,519)	$ 1,012	$ (80,302)	$ 1,853
Net cash provided by (used in) financing activities	$ (555)	$ 48	$ 199,553	$ (289)

Calculated Billings

We define Calculated Billings as total revenue plus the change in deferred revenue during the period.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
	(in thousands)			
Total revenue	$ 60,995	$ 37,436	$ 114,002	$ 69,223
Add:				
Deferred revenue (end of period)	131,326	90,981	131,326	90,981
Less:				
Deferred revenue (beginning of period)	(120,644)	(81,962)	(113,723)	(79,525)
Calculated Billings	$ 71,677	$ 46,455	$ 131,605	$ 80,679

Liquidity and Capital Resources

As of July 31, 2017, our principal sources of liquidity were cash, cash equivalents and short-term investments totaling $213.2 million, which were held for working capital purposes, as well as the available balance of our credit facility, described further below. Our cash equivalents and investments were comprised primarily of money market funds, U.S. treasury securities, commercial paper and corporate debt securities. We have generated significant operating losses and negative cash flows from operations as reflected in our accumulated deficit and condensed consolidated statements of cash flows. We expect to continue to incur operating losses and negative cash flows from operations for the foreseeable future.

In April 2017, upon completion of our initial public offering (IPO), the Company received aggregate proceeds of $200.0 million, net of underwriters' discounts and commissions, before deducting offering costs of approximately $5.6 million. Historically, we have financed our operations primarily through the net proceeds we received through private sales of equity securities, as well as payments received from customers for subscription and professional services. We believe our existing cash and cash equivalents, our investments, our credit facility, and cash provided by sales of our products and services will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our subscription growth rate, subscription renewal activity, billing frequency, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced product offerings, and the continuing market adoption of our platform. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies this could reduce our ability to compete successfully and harm our results of operations.

In March 2014, we entered into a loan and security agreement with Silicon Valley Bank for a line of credit and term loan of $5.0 million and $10.0 million, respectively. The line of credit was originally available over a two-year period, expiring in March 2016, based on certain revenue metrics, not to exceed $5.0 million. In June 2015 we amended our credit facility to increase the line of credit to $20.0 million and extend the maturity date to March 2017. In November 2016, we amended our credit facility again to increase the line of credit to $40.0 million and extend the maturity date to November 2018. The available amount, not to exceed $40.0 million, is based on certain revenue metrics and is reduced by letters of credit totaling $5.4 million as of July 31, 2017 established in connection with facility lease agreements. As of July 31, 2017, we had no outstanding balance on the line of credit.

A significant majority of our customers pay in advance for annual subscriptions. Therefore, a substantial source of our cash is from our deferred revenue, which is included on our condensed consolidated balance sheet as a liability. Deferred revenue consists of the unearned portion of billed fees for our subscriptions, which is recognized as revenue in accordance with our revenue recognition policy. As of July 31, 2017 we had deferred revenue of $131.3 million, of which $127.2 million was recorded as a current liability and is expected to be recorded as revenue in the next 12 months, provided all other revenue recognition criteria have been met.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended July 31,	
	2017	**2016**
	(in thousands)	
Net cash used in operating activities	$ (15,924)	$ (26,873)
Net cash provided by (used in) investing activities	(80,302)	1,853
Net cash provided by (used in) financing activities	199,553	(289)
Effects of changes in foreign currency exchange rates on cash and cash equivalents	134	(54)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 103,461	$ (25,363)

Operating Activities

Our largest source of operating cash is cash collections from our customers for subscription and professional services. Our primary uses of cash from operating activities are for employee-related expenditures, marketing expenses and third-party hosting costs. Historically, we have generated negative cash flows from operating activities and have supplemented working capital requirements through net proceeds from the private sale of equity securities and in the current period from the net proceeds of our IPO.

During the six months ended July 31, 2017, cash used in operating activities was $15.9 million primarily due to our net loss of $55.9 million, adjusted for non-cash charges of $33.2 million and net cash inflows of $6.8 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of stock-based compensation, amortization of deferred commissions, and depreciation and amortization of property and equipment and intangible assets. The primary drivers of the changes in operating assets and liabilities related to a $17.6 million increase in deferred revenue, and an increase of $3.7 million in accounts payable, accrued compensation and other accrued expenses, offset by an increase of $1.3 million in accounts receivable, a decrease of $5.9 million in prepaid expenses and other assets and a $7.3 million increase in deferred commissions.

During the six months ended July 31, 2016, cash used in operating activities was $26.9 million primarily due to our net loss of $43.4 million, adjusted for non-cash charges of $15.3 million and net cash inflows of $1.2 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of stock-based compensation, amortization of deferred commissions, and depreciation and amortization of property and equipment and intangible assets. The primary drivers of the changes in operating assets and liabilities related to a $0.7 million decrease in accounts receivable, a $11.5 million increase in deferred revenue, a $1.7 million increase in accounts payable, offset by a $2.9 million decrease in accrued compensation, a $3.4 million increase in prepaid expenses and other assets, and a $6.1 million increase in deferred commissions.

Investing Activities

Net cash used in investing activities during the six months ended July 31, 2017 of $80.3 million was primarily attributable to the purchases of investments of $86.8 million, purchases of property and equipment of $5.2 million to support additional office space and headcount, and the capitalization of internal-use software costs of $2.7 million associated with the development of additional significant features and functionality to our platform. These activities were partially offset by proceeds from the sale and maturities of investments of $14.4 million.

Net cash provided by investing activities during the six months ended July 31, 2016 of $1.9 million was primarily attributable to proceeds from the sales and maturities of investments of $7.2 million, which was partially offset by purchases of property and equipment of $3.0 million to support additional office space and headcount, and the capitalization of internal-use software costs of $2.3 million associated with the development of additional features and functionality of our platform.

Financing Activities

Cash provided by financing activities during the six months ended July 31, 2017 of $199.6 million was primarily attributable to proceeds from the completion of our IPO of $200.0 million, net of underwriters' discounts and commissions, proceeds from the exercise of stock options of $3.9 million, net of repurchases, offset by $4.0 million in payments related to deferred offering costs and principal payments on a financing arrangement of $0.3 million.

Cash used in financing activities during the six months ended July 31, 2016 was $0.3 million and was primarily the result of $0.8 million in payments related to deferred offering costs and principal payments under a financing arrangement of $0.1 million, partially offset by $0.7 million in proceeds from the exercise of stock options, net of repurchases.

Obligations and Other Commitments

Our principal commitments consist of obligations under our operating leases for office space and data center hosting facilities. The following table summarizes our contractual obligations as of July 31, 2017:

	Payments Due by Period				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
	(in thousands)				
Operating lease obligations	$ 11,661	$ 17,075	$ 9,301	$ 8,415	$ 46,452
Other obligations	10,668	19,697	—	—	30,365
Total contractual obligations	$ 22,329	$ 36,772	$ 9,301	$ 8,415	$ 76,817

In August 2017, we executed an amendment to our San Jose lease to add space and extend the lease term through August 2024. See Note 14. Subsequent Events to our condensed consolidated financial statements for more information.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our condensed consolidated balance sheets, condensed consolidated statements of operations and comprehensive loss, or condensed consolidated statements of cash flows.

Off-Balance Sheet Arrangements

As of July 31, 2017, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

We prepare our condensed consolidated financial statements in accordance with GAAP. In the preparation of these condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates, which we discuss below.

The Company's significant accounting policies are discussed in "Index to Consolidated Financial Statements-Note 2. Summary of Significant Accounting Policies" in the Prospectus. There have been no significant changes to these policies for the six months ended July 31, 2017, except as described in Note 2 of our condensed consolidated financial statements "Summary of Significant Accounting Policies".

Recent Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements "Summary of Significant Accounting Policies-New Accounting Pronouncements" for more information.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Risk

The functional currencies of our foreign subsidiaries are the respective local currencies. Most of our sales are denominated in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the United States, the United Kingdom, Canada and Australia. Our condensed consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments. During the six months ended July 31, 2017 and 2016, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our condensed consolidated financial statements.

Interest Rate Risk

We had cash, cash equivalents and short-term investments totaling $213.2 million as of July 31, 2017, of which $202.3 million was invested in money market funds, commercial paper, U.S. treasury securities and corporate debt securities. Our cash and cash equivalents are held for working capital purposes. Our short-term investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our investment portfolio are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates. Due in part to these factors, our future investment income may fall short of our expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our short-term investments as “available for sale,” no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary.

As of July 31, 2017, a hypothetical 10% relative change in interest rates would not have had a material impact on the value of our cash equivalents or investment portfolio. Fluctuations in the value of our cash equivalents and investment portfolio caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income (loss), and are realized only if we sell the underlying securities prior to maturity.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

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

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. 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, 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 is also 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 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

From time to time in the normal course of business, the Company may be subject to various legal matters such as threatened or pending claims or proceedings. There were no material such matters as of July 31, 2017.

Item 1A. Risk Factors

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, as well as the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations". The occurrence of any of the events or developments described below, or of additional risks and uncertainties not presently known to us or that we currently deem immaterial, could materially and adversely affect our business, results of operations, financial condition and growth prospects. In such an event, the market price of our Class A common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business

We have a limited operating history, which makes it difficult to forecast our revenue and evaluate our business and future prospects.

We have been in existence since 2009, and much of our growth has occurred in recent periods. As a result of our limited operating history, our ability to forecast our future results of operations and plan for and model future growth is limited and subject to a number of uncertainties. We have encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. Additionally, the sales cycle for the evaluation and implementation of our platform, which typically extends for multiple months for enterprise deals, may also cause us to experience a delay between increasing operating expenses and the generation of corresponding revenue, if any. Accordingly, we may be unable to prepare accurate internal financial forecasts or replace anticipated revenue that we do not receive as a result of delays arising from these factors, and our results of operations in future reporting periods may be below the expectations of investors. If we do not address these risks successfully, our results of operations could differ materially from our estimates and forecasts or the expectations of investors, causing our business to suffer and our stock price to decline.

We have experienced rapid growth in recent periods, and our recent growth rates may not be indicative of our future growth. As our costs increase, we may not be able to generate sufficient revenue to achieve and, if achieved, maintain profitability.

From fiscal 2015 to fiscal 2016 our revenue grew from $41.0 million to $85.9 million, an increase of 109% and from fiscal 2016 to fiscal 2017, our revenue grew from $85.9 million to $160.3 million, an increase of 87%. In future periods, we may not be able to sustain revenue growth consistent with recent history, or at all. We believe our revenue growth depends on a number of factors, including, but not limited to, our ability to:

- price our products effectively so that we are able to attract and retain customers without compromising our profitability;
- attract new customers, successfully deploy and implement our platform, increase our existing customers' use of our platform and provide our customers with excellent customer support;
- introduce our platform to new markets outside of the United States;
- successfully compete against larger companies and new market entrants; and
- increase awareness of our brand on a global basis.

If we are unable to accomplish any of these tasks, our revenue growth will be harmed. We also expect our operating expenses to increase in future periods, and if our revenue growth does not increase to offset these anticipated increases in our operating expenses, our business, financial position and results of operations will be harmed, and we may not be able to achieve or maintain profitability.

We have a history of losses, and we expect to incur losses for the foreseeable future.

We have incurred significant net losses in each year since our inception, including net losses of $59.1 million, $76.3 million and $83.5 million in fiscal 2015, 2016 and 2017, respectively. We expect to continue to incur net losses for the foreseeable future. Because the market for our platform is rapidly evolving and has not yet reached widespread adoption, it is difficult for us to predict our future results of operations. We expect our operating expenses to significantly increase over the next several years as we hire additional personnel, particularly in sales and marketing, expand and improve the effectiveness of our distribution channels, expand our operations and infrastructure, both domestically and internationally, and continue to develop our platform. In addition, as we grow, we will incur additional significant legal, accounting and other expenses as a public company that we did not incur as a private company. If our revenue does not increase to offset these increases in our operating expenses, we will not be profitable in future periods. While historically, our total revenue has grown, not all components of our total revenue have grown consistently. Further, in future periods, our revenue growth could slow or our revenue could decline for a number of reasons, including slowing demand for our software, increasing competition, any failure to gain or retain channel partners, a decrease in the growth of our overall market, or our failure, for any reason, to continue to capitalize on growth opportunities. As a result, our past financial performance should not be considered indicative of our future performance. Any failure by us to achieve or sustain profitability on a consistent basis could cause the value of our common stock to decline.

If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service and customer satisfaction or adequately address competitive challenges.

We have experienced, and may continue to experience, rapid growth and organizational change, which has placed, and may continue to place, significant demands on our management and our operational and financial resources. We have also experienced significant growth in the number of users and logins and in the amount of data that our Software-as-a-Service, or SaaS, hosting infrastructure supports. Finally, our organizational structure is becoming more complex as we improve our operational, financial and management controls as well as our reporting systems and procedures. We will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining our culture of rapid innovation, teamwork and attention to customer success, which has been central to our growth so far. If we fail to manage our anticipated growth and change in a manner that preserves the key aspects of our corporate culture, the quality of our platform may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers and employees.

We have established international offices, including offices in the United Kingdom, Canada and Australia and we may continue to expand our international operations into other countries in the future. Our expansion has placed, and our expected future growth will continue to place, a significant strain on our managerial, customer operations, research and development, marketing and sales, administrative, financial and other resources. If we are unable to manage our continued growth successfully, our business and results of operations could suffer.

In addition, as we expand our business, it is important that we continue to maintain a high level of customer service and satisfaction. As our customer base continues to grow, we will need to expand our account management, customer service and other personnel, and our network of independent software vendors, or ISVs, and channel partners, to provide personalized account management and customer service. If we are not able to continue to provide high levels of customer service, our reputation, as well as our business, results of operations and financial condition, could be harmed.

We face intense competition, especially from larger, well-established companies, and we may lack sufficient financial or other resources to maintain or improve our competitive position.

The market for identity solutions is intensely competitive, and we expect competition to increase in the future from established competitors and new market entrants. Our competitors for internal use cases include authentication, provisioning, adaptive multi-factor authentication and mobility management providers, many of which are large companies such as Computer Associates, Citrix, IBM, Microsoft, Oracle, RSA (a division of Dell Technologies) and Symantec and companies, such as VMware, that have acquired identity management solution providers in recent years. For external use cases, we generally compete with internally developed systems. We also face competition from small, private niche companies that offer point products that attempt to address certain of the problems that our platform solves. In addition, with the recent increase in large merger and acquisition transactions in the technology industry, particularly transactions involving cloud-based technologies, there is a greater likelihood that we will compete with other large technology companies in the future. Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages such as greater name recognition and longer operating histories, larger sales and marketing budgets and resources,

broader distribution and established relationships with ISVs, channel partners and customers, greater customer support resources, greater resources to make acquisitions, lower labor and development costs, larger and more mature intellectual property portfolios and substantially greater financial, technical and other resources.

In addition, some of our larger competitors have substantially broader product offerings and leverage their relationships based on other products or incorporate functionality into existing products to gain business in a manner that discourages users from purchasing our products, including through selling at zero or negative margins, product bundling or closed technology platforms. Potential customers may also prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. These larger competitors often have broader product lines and market focus and will therefore not be as susceptible to downturns in a particular market. Our competitors may also seek to repurpose their existing offerings to provide identity solutions with subscription models. Conditions in our market could change rapidly and significantly as a result of technological advancements, partnering by our competitors or continuing market consolidation. New start-up companies that innovate and large competitors that are making significant investments in research and development may invent similar or superior products and technologies that compete with our products. In addition, some of our competitors may enter into new alliances with each other or may establish or strengthen cooperative relationships with systems integrators, third-party consulting firms or other parties. Any such consolidation, acquisition, alliance or cooperative relationship could lead to pricing pressure and our loss of market share and could result in a competitor with greater financial, technical, marketing, service and other resources, all of which could harm our ability to compete. Furthermore, organizations may be more willing to incrementally add solutions to their existing infrastructure from competitors than to replace their existing infrastructure with our products. These competitive pressures in our market or our failure to compete effectively may result in price reductions, fewer orders, reduced revenue and gross margins, increased net losses, and loss of market share. Any failure to meet and address these factors could harm our business, results of operations and financial condition.

If we are unable to attract new customers, sell additional products to our existing customers or develop new products and enhancements to our products that achieve market acceptance, our revenue growth and profitability will be harmed.

To increase our revenue and achieve and maintain profitability, we must add new customers or sell additional products to our existing customers. Numerous factors, however, may impede our ability to add new customers and sell additional products to our existing customers, including our inability to convert new organizations into paying customers, failure to attract and effectively train new sales and marketing personnel, failure to retain and motivate our current sales and marketing personnel, failure to develop or expand relationships with channel partners, failure to successfully deploy products for new customers and provide quality customer support once deployed or failure to ensure the effectiveness of our marketing programs. In addition, if prospective customers do not perceive our platform to be of sufficiently high value and quality, we will not be able to attract the number and types of new customers that we are seeking.

In addition, our ability to attract new customers and increase revenue from existing customers depends in large part on our ability to enhance and improve our existing products and to introduce compelling new products that reflect the changing nature of our markets. The success of any enhancement to our products depends on several factors, including timely completion and delivery, competitive pricing, adequate quality testing, integration with existing technologies and our platform and overall market acceptance. If we are unable to successfully develop new products, enhance our existing products to meet customer requirements, or otherwise gain market acceptance, our business, results of operations and financial condition would be harmed.

Further, to grow our business, we must convince developers to adopt and build their external portals on our platform. We believe that these developer-built portals facilitate greater usage and customization of our products. If these developers stop developing on or supporting our platform, we will lose the benefit of network effects that have contributed to the growth in our number of customers, and our business, results of operations and financial condition could be harmed.

Our business depends on our customers renewing their subscriptions and purchasing additional licenses or subscriptions from us. Any material decline in our Dollar-Based Retention Rate would harm our future results of operations.

To continue to grow our business, it is important that our customers renew their subscriptions when existing contract terms expire and that we expand our commercial relationships with our existing customers. Our customers have no obligation to renew their subscriptions, and our customers may decide not to renew their subscriptions with

a similar contract period, at the same prices and terms or with the same or a greater number of users. We have experienced significant growth in the number of users of our platform, but we do not know whether we will continue to achieve similar user growth rates in the future. In the past, some of our customers have elected not to renew their agreements with us, and it is difficult to accurately predict long-term customer retention and expansion rates. Our customer retention and expansion may decline or fluctuate as a result of a number of factors, including our customers' satisfaction with our products, our product support, our prices and pricing plans, the prices of competing software products, reductions in our customers' spending levels, user adoption of our platform, deployment success, utilization rates by our customers, new product releases and changes to the packaging of our product offerings. If our customers do not purchase additional subscriptions or renew their subscriptions, renew on less favorable terms or fail to add more users, our revenue may decline or grow less quickly than anticipated, which would harm our future results of operations. Furthermore, if our contractual license terms were to shorten it could lead to increased volatility of, and diminished visibility into, future recurring revenue. If our sales of new or recurring subscriptions and software-related support service contracts decline from existing customers, our revenue and revenue growth may decline, and our business will suffer.

If there are interruptions or performance problems associated with our technology or infrastructure, our existing customers may experience service outages, and our new customers may experience delays in the deployment of our platform.

Our continued growth depends, in part, on the ability of our existing and potential customers to access our platform 24 hours a day, seven days a week, without interruption or degradation of performance. We may experience disruptions, data loss, outages and other performance problems with our infrastructure due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints, denial-of-service attacks or other security-related incidents. In some instances, we may not be able to identify the cause or causes of these performance problems immediately or in short order. We may not be able to maintain the level of service uptime and performance required by our customers, especially during peak usage times and as our products become more complex and our user traffic increases. For example, in October 2016, a distributed denial-of-service attack against Dyn, a domain name service vendor we use (acquired by Oracle), prevented many of our customers and their users in the United States from accessing our platform or applications authenticated by our platform and resulted in our failing to meet certain contracted uptime levels under our service level agreements and the issuance of service credits to some of our customers, although the dollar value of such credits were not material. If our platform is unavailable or if our customers are unable to access our products or deploy them within a reasonable amount of time, or at all, our business would be harmed. Since our customers rely on our service to access and complete their work, any outage on our platform would impair the ability of our customers to perform their work, which would negatively impact our brand, reputation and customer satisfaction. Moreover, we depend on services from various third parties to maintain our infrastructure and distribute our products via the Internet. Any disruptions in these services, including as a result of actions outside of our control, would significantly impact the continued performance of our products. In the future, these services may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of these services could result in decreased functionality of our products until equivalent technology is either developed by us or, if available from another provider, is identified, obtained and integrated into our infrastructure. If we do not accurately predict our infrastructure capacity requirements, our customers could experience service shortfalls. We may also be unable to effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology.

Any of the above circumstances or events may harm our reputation, cause customers to terminate their agreements with us, impair our ability to obtain subscription renewals from existing customers, impair our ability to grow our customer base, subject us to financial penalties and liabilities under our service level agreements, and otherwise harm our business, results of operations and financial condition.

A network or data security incident may allow unauthorized access to our network or data or our customers' data, harm our reputation, create additional liability and adversely impact our financial results.

Increasingly, companies are subject to a wide variety of attacks on their networks and systems on an ongoing basis. In addition to traditional computer "hackers," malicious code (such as viruses, worms and ransomware), employee theft or misuse, and denial-of-service attacks, sophisticated nation-state and nation-state supported actors now engage in attacks (including advanced persistent threat intrusions). Despite significant efforts to create security barriers to such threats, it is virtually impossible for us to entirely mitigate these risks. The security measures we have integrated into our internal networks and platform, which are designed to detect unauthorized activity and prevent or minimize security breaches, may not function as expected or may not be sufficient to protect

our internal networks and platform against certain attacks. In addition, techniques used to sabotage or to obtain unauthorized access to networks in which data is stored or through which data is transmitted change frequently and generally are not recognized until launched against a target. As a result, we may be unable to anticipate these techniques or implement adequate preventative measures to prevent an electronic intrusion into our networks.

Our customers' storage and use of data concerning, among others, their employees, contractors, customers and partners is essential to their use of our platform, which stores, transmits and processes customers' proprietary information and personally identifiable information. If a breach of customer data security were to occur, as a result of third-party action, employee error, malfeasance or otherwise, and the confidentiality, integrity or availability of our customers' data was disrupted, we could incur significant liability to our customers and to individuals or businesses whose information was being stored by our customers, and our platform may be perceived as less desirable, which could negatively affect our business and damage our reputation. In addition, a network or security breach could result in the loss of customers and make it more challenging to acquire new customers. Because techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures.

In addition, security breaches impacting our platform could result in a risk of loss or unauthorized disclosure of this information, which, in turn, could lead to litigation, governmental audits and investigations and possible liability, damage our relationships with our existing customers, and have a negative impact on our ability to attract and retain new customers. Furthermore, as a well-known provider of identity solutions, any such breach, including a breach of our customers' networks, could compromise our networks or networks secured by our products, creating system disruptions or slowdowns and exploiting security vulnerabilities of our or our customers' networks, and the information stored on our or our customers' networks could be accessed, publicly disclosed, altered, lost or stolen, which could subject us to liability and cause us financial harm. These breaches, or any perceived breach, of our networks, our customers' networks, or other networks secured by our products, whether or not any such breach is due to a vulnerability in our platform, may also undermine confidence in our platform or our industry and result in damage to our reputation, negative publicity, loss of ISVs, channel partners, customers and sales, increased costs to remedy any problem, and costly litigation. In addition, a breach of the security measures of one of our key channel partners or ISVs could result in the exfiltration of confidential corporate information or other data that may provide additional avenues of attack, and if a high profile security breach occurs with respect to another SaaS provider, our customers and potential customers may lose trust in the security of the SaaS business model generally, which could adversely impact our ability to retain existing customers or attract new ones, potentially causing a negative impact on our business. Any of these negative outcomes could adversely impact market acceptance of our products and could harm our business, results of operations and financial condition.

Third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information or otherwise compromise the security of our internal networks, electronic systems and/or physical facilities in order to gain access to our data or our customers' data, which could result in significant legal and financial exposure, a loss of confidence in the security of our platform, interruptions or malfunctions in our operations, and, ultimately, harm to our future business prospects and revenue. We may be required to expend significant capital and financial resources to protect against such threats or to alleviate problems caused by breaches in security.

We may experience quarterly fluctuations in our results of operations due to a number of factors that make our future results difficult to predict and could cause our results of operations to fall below analyst or investor expectations.

Our quarterly results of operations fluctuate from quarter to quarter as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including, but not limited to:

- the level of demand for our platform;
- the timing and success of new product introductions by us or our competitors or any other change in the competitive landscape of our market;
- pricing pressure as a result of competition or otherwise;
- seasonal buying patterns for IT spending;

- errors in our forecasting of the demand for our products, which could lead to lower revenue, increased costs or both;
- increases in and timing of sales and marketing and other operating expenses that we may incur to grow and expand our operations and to remain competitive;
- credit or other difficulties confronting our channel partners;
- adverse litigation judgments, settlements or other litigation-related costs;
- changes in the legislative or regulatory environment;
- fluctuations in foreign currency exchange rates;
- costs related to the acquisition of businesses, talent, technologies or intellectual property, including potentially significant amortization costs and possible write-downs; and
- general economic conditions in either domestic or international markets, including geopolitical uncertainty and instability.

Any one or more of the factors above may result in significant fluctuations in our results of operations. You should not rely on our past results as an indicator of our future performance.

The variability and unpredictability of our quarterly results of operations or other operating metrics could result in our failure to meet our expectations or those of analysts that cover us or investors with respect to revenue or other metrics for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our Class A common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

Any actual or perceived failure by us to comply with our privacy policy or legal or regulatory requirements in one or multiple jurisdictions could result in proceedings, actions or penalties against us.

Our customers' storage and use of data concerning, among others, their employees, contractors, customers and partners is essential to their use of our platform. We have implemented various features intended to enable our customers to better comply with applicable privacy and security requirements in their collection and use of data, but these features do not ensure their compliance and may not be effective against all potential privacy concerns.

Many jurisdictions have enacted or are considering enacting privacy and/or data security legislation, including laws and regulations applying to the collection, use, storage, transfer, disclosure and/or processing of personal information. The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to the businesses of our customers may limit the use and adoption of our service and reduce overall demand for it. These privacy and data security related laws and regulations are evolving and may result in increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. In addition, we are subject to certain contractual obligations regarding the collection, use, storage, transfer, disclosure and/or processing of personal information. Although we are working to comply with those federal, state, and foreign laws and regulations, industry standards, contractual obligations and other legal obligations that apply to us, those laws, regulations, standards and obligations are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another, other requirements or legal obligations, our practices or the features of our platform. In addition, some of our customers rely on our certification under the Federal Risk and Authorization Management Program, or FedRAMP, to help satisfy their own legal and regulatory compliance requirements.

Any failure or perceived failure by us to comply with federal, state or foreign laws or regulations, industry standards, contractual obligations or other legal obligations, or any actual or suspected security incident, whether or not resulting in unauthorized access to, or acquisition, release or transfer of personal information or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business. Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations, or other legal obligations could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business.

We also expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States, the European Union and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. In addition to government activity, privacy advocacy groups and technology and other industries are considering various new, additional or different self-regulatory standards that may place additional burdens on us. Future laws, regulations, standards and other obligations, and changes in the interpretation of existing laws, regulations, standards and other obligations could impair our or our customers' ability to collect, use or disclose information relating to consumers, which could decrease demand for our applications, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards, contractual obligations and other obligations may require us to incur additional costs and restrict our business operations. Such laws and regulations may require companies to implement privacy and security policies, permit users to access, correct and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, and, in some cases, obtain individuals' consent to use personal information for certain purposes. If we fail to comply with federal, state and international data privacy laws and regulations our ability to successfully operate our business and pursue our business goals could be harmed.

Our failure to comply with applicable laws and regulations, or to protect such data, could result in enforcement action against us, including fines and public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill (both in relation to existing customers and prospective customers), any of which could harm our business, results of operations and financial condition.

Since many of the features of our applications involve the processing of personal information from our customers and their employees, contractors, customers, partners and others, any inability to adequately address privacy concerns, even if unfounded, or to comply with applicable privacy or data security laws, regulations and policies, could result in liability to us, damage to our reputation, inhibition of sales and to our business.

Around the world, there are numerous lawsuits in process against various technology companies that process personal information. If those lawsuits are successful, it could increase the likelihood that our company may be exposed to liability for our own policies and practices concerning the processing of personal information and could hurt our business. Furthermore, the costs of compliance with, and other burdens imposed by laws, regulations and policies concerning privacy and data security that are applicable to the businesses of our customers may limit the use and adoption of our platform and reduce overall demand for it. Privacy concerns, whether or not valid, may inhibit market adoption of our platform. Additionally, concerns about security or privacy may result in the adoption of new legislation that restricts the implementation of technologies like ours or requires us to make modifications to our platform, which could significantly limit the adoption and deployment of our technologies or result in significant expense to modify our platform.

We publicly post our privacy policies and practices concerning our processing, use and disclosure of the personally identifiable information provided to us by our website visitors. Our publication of our privacy policies and other statements we publish that provide promises and assurances about privacy and security can subject us to potential state and federal action if they are found to be deceptive or misrepresentative of our practices.

Evolving and changing definitions of what constitutes "Personal Information" and "Personal Data" within the European Union, the United States and elsewhere, especially relating to classification of IP addresses, machine or device identification numbers, location data and other information, may limit or inhibit our ability to operate or expand our business, including limiting technology alliance partners that may involve the sharing of data.

If our platform is perceived to cause, or is otherwise unfavorably associated with, violations of privacy or data security requirements, it may subject us or our customers to public criticism and potential legal liability. Existing and potential privacy laws and regulations concerning privacy and data security and increasing sensitivity of consumers to unauthorized processing of personal information may create negative public reactions to technologies, products and services such as ours. Public concerns regarding personal information processing, privacy and security may cause some of our customers' end users to be less likely to visit their websites or otherwise interact with them. If enough end users choose not to visit our customers' websites or otherwise interact with them, our customers could stop using our platform. This, in turn, may reduce the value of our service and slow or eliminate the growth of our business.

Our financial results may fluctuate due to increasing variability in our sales cycles.

We plan our expenses based on certain assumptions about the length and variability of our sales cycle. These assumptions are based upon historical trends for sales cycles and conversion rates associated with our existing customers. As we continue to focus on sales to larger organizations, we expect our sales cycles to lengthen and become less predictable, which may harm our financial results. Factors that may influence the length and variability of our sales cycle include, among other things:

- the need to raise awareness about the uses and benefits of our platform, including our external use case;
- the need to allay privacy and security concerns;
- the discretionary nature of purchasing and budget cycles and decisions;
- the competitive nature of evaluation and purchasing processes;
- announcements or planned introductions of new products, features or functionality by us or our competitors; and
- often lengthy purchasing approval processes.

Our increasing focus on sales to larger organizations may further increase the variability of our financial results. If we are unable to close one or more expected significant transactions with large organizations in a particular period, or if an expected transaction is delayed until a subsequent period, our results of operations for that period, and for any future periods in which revenue from such transaction would otherwise have been recognized, may be harmed.

We provide service level commitments under our customer contracts. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service, or face contract termination with refunds of prepaid amounts related to unused subscriptions, which could harm our business, results of operations and financial condition.

Our customer agreements contain service level agreements, under which we guarantee specified availability of our platform. In light of our historical experience with meeting our service level commitments, we do not currently have any material liabilities accrued on our balance sheet for these commitments. Any failure of or disruption to our infrastructure could make our platform unavailable to our customers. If we are unable to meet the stated service level commitments to our customers or suffer extended periods of unavailability of our platform, we may be contractually obligated to provide affected customers with service credits for future subscriptions, or customers could elect to terminate and receive refunds for prepaid amounts related to unused subscriptions. For example, in October 2016, a distributed denial-of-service attack against Dyn, a domain name service vendor we use (acquired by Oracle), prevented many of our customers and their users in the United States from accessing our platform or applications authenticated by our platform and resulted in our failing to meet certain contracted uptime levels under our service level agreements and the issuance of service credits to some of our customers. Our revenue, other results of operations and financial condition could be harmed if we suffer unscheduled downtime that exceeds the service level commitments under our agreements with our customers, and any extended service outages could adversely affect our business and reputation as customers may elect not to renew and we could lose future sales.

If we fail to offer high-quality customer support, our business and reputation will suffer.

Once our platform is deployed to our customers, our customers rely on our support services to resolve any related issues. High-quality customer education and customer support is important for the successful marketing and sale of our products and for the renewal of existing customers. The importance of high-quality customer support will increase as we expand our business and pursue new organizations. If we do not help our customers quickly resolve post-deployment issues and provide effective ongoing customer support, our ability to upsell additional products to existing customers would suffer and our reputation with existing or potential customers would be harmed.

Our growth depends, in part, on the success of our strategic relationships with third parties.

To grow our business, we anticipate that we will continue to depend on relationships with third parties, such as channel partners. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. Our competitors may be effective in providing incentives to third parties to favor their products or services over subscriptions to our platform. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our applications by potential customers. If we are unsuccessful in establishing or

maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired, and our results of operations may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our applications or increased revenue.

Because we recognize revenue from subscriptions and support services over the term of the relevant service period, downturns or upturns in sales are not immediately fully reflected in our results of operations.

We recognize recurring subscriptions and related support services revenue monthly over the term of the relevant period. As a result, much of the revenue we report each quarter is the recognition of deferred revenue from recurring subscriptions and related support services contracts entered into during previous quarters. Consequently, a decline in new or renewed recurring subscriptions and software-related support service contracts in any one quarter will not be fully reflected in revenue in that quarter, but will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in new or renewed sales of our recurring subscriptions and software-related support services are not reflected in full in our results of operations until future periods. Revenue from our recurring subscriptions and software-related support services also makes it difficult for us to rapidly increase our revenue through additional service sales in any period, as revenue from new and renewal software-related service contracts must be recognized over the applicable service period.

If we fail to adapt to rapid technological change, our ability to remain competitive could be impaired.

The industry in which we compete is characterized by rapid technological change, frequent introductions of new products and evolving industry standards. Our ability to attract new customers and increase revenue from existing customers will depend in significant part on our ability to anticipate industry standards and trends and continue to enhance existing products or introduce or acquire new products on a timely basis to keep pace with technological developments. The success of any enhancement or new product depends on several factors, including the timely completion and market acceptance of the enhancement or new product. Any new product we develop or acquire might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate significant revenue. If any of our competitors implements new technologies before we are able to implement them, those competitors may be able to provide more effective products than ours at lower prices. Any delay or failure in the introduction of new or enhanced products could harm our business, results of operations and financial condition.

Adverse general economic and market conditions and reductions in IT and identity spending may reduce demand for our products, which could harm our revenue, results of operations and cash flows.

Our revenue, results of operations and cash flows depend on the overall demand for our products. Concerns about the systemic impact of a potential widespread recession (in the United States or internationally), energy costs, geopolitical issues or the availability and cost of credit could lead to increased market volatility, decreased consumer confidence and diminished growth expectations in the U.S. economy and abroad, which in turn could result in reductions in IT and identity spending by our existing and prospective customers. Prolonged economic slowdowns may result in customers requesting us to renegotiate existing contracts on less advantageous terms to us than those currently in place or defaulting on payments due on existing contracts or not renewing at the end of the contract term.

In addition, the economies of countries in Europe have been experiencing weakness associated with high sovereign debt levels, weakness in the banking sector and uncertainty over the future of the Eurozone. We have current and potential new customers in Europe. If economic conditions in Europe and other key markets for our applications continue to remain uncertain or deteriorate further, many customers may delay or reduce their information technology spending.

Our customers may merge with other entities who use alternative identity solutions and, during weak economic times, there is an increased risk that one or more of our customers will file for bankruptcy protection, either of which may harm our revenue, profitability and results of operations. We also face risk from international customers that file for bankruptcy protection in foreign jurisdictions, particularly given that the application of foreign bankruptcy laws may be more difficult to predict. In addition, we may determine that the cost of pursuing any claim may outweigh the recovery potential of such claim. As a result, broadening or protracted extension of an economic downturn could harm our business, revenue, results of operations and cash flows.

If we are unable to ensure that our products interoperate with a variety of operating systems and software applications that are developed by others, our platform may become less competitive and our results of operations may be harmed.

The number of people who access the Internet through mobile devices and access cloud-based software applications through mobile devices, including smartphones and handheld tablets or laptop computers, has increased significantly in the past few years and is expected to continue to increase. While we have created mobile applications and mobile versions of our products, if these mobile applications and products do not perform well, our business may suffer. We are also dependent on third party application stores that may prevent us from timely updating our current products or uploading new products. In addition, our products interoperate with servers, mobile devices and software applications predominantly through the use of protocols, many of which are created and maintained by third parties. We therefore depend on the interoperability of our products with such third-party services, mobile devices and mobile operating systems, as well as cloud-enabled hardware, software, networking, browsers, database technologies and protocols that we do not control. Any changes in such technologies that degrade the functionality of our products or give preferential treatment to competitive services could adversely affect adoption and usage of our platform. Also, we may not be successful in developing or maintaining relationships with key participants in the mobile industry or in developing products that operate effectively with a range of operating systems, networks, devices, browsers, protocols and standards. In addition, we may face different fraud, security and regulatory risks from transactions sent from mobile devices than we do from personal computers. If we are unable to effectively anticipate and manage these risks, or if it is difficult for our customers to access and use our platform, our business, results of operations and financial condition may be harmed.

If we fail to enhance our brand cost-effectively, our ability to expand our customer base will be impaired and our business, results of operations and financial condition may suffer.

We believe that developing and maintaining awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our existing and future products and is an important element in attracting new customers. Furthermore, we believe that the importance of brand recognition will increase as competition in our market increases. Successful promotion of our brand will depend largely on the effectiveness of our marketing efforts and on our ability to provide reliable and useful products at competitive prices. In the past, our efforts to build our brand have involved significant expenses. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to attract new customers or retain our existing customers to the extent necessary to realize a sufficient return on our brand-building efforts, and our business, results of operations and financial condition could suffer.

Failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our products.

Our ability to increase our customer base and achieve broader market acceptance of our products will depend to a significant extent on our ability to expand our marketing and sales operations. We plan to continue expanding our direct sales force and engaging additional channel partners, both domestically and internationally. This expansion will require us to invest significant financial and other resources. Our business will be harmed if our efforts do not generate a corresponding increase in revenue. We may not achieve anticipated revenue growth from expanding our direct sales force if we are unable to hire and develop talented direct sales personnel, if our new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time or if we are unable to retain our existing direct sales personnel. We also may not achieve anticipated revenue growth from our channel partners if we are unable to attract and retain additional motivated channel partners, if any existing or future channel partners fail to successfully market, resell, implement or support our products for their customers, or if they represent multiple providers and devote greater resources to market, resell, implement and support the products and solutions of these other providers. For example, some of our channel partners also sell or provide integration and administration services for our competitors' products, and if such channel partners devote greater resources to marketing, reselling and supporting competing products, this could harm our business, results of operations and financial condition.

Our ability to introduce new products and features is dependent on adequate research and development resources. If we do not adequately fund our research and development efforts, we may not be able to compete effectively and our business and results of operations may be harmed.

To remain competitive, we must continue to develop new products, applications and enhancements to our existing platform. This is particularly true as we further expand and diversify our capabilities. Maintaining adequate research and development resources, such as the appropriate personnel and development technology, to meet the demands of the market is essential. If we are unable to develop products internally due to certain constraints, such as high employee turnover, lack of management ability or a lack of other research and development resources, this may force us to expand into a certain market or strategy via an acquisition for which we could potentially pay too much or fail to successfully integrate into our operations. Further, many of our competitors expend a considerably greater amount of funds on their respective research and development programs, and those that do not may be acquired by larger companies that would allocate greater resources to our competitors' research and development programs. Our failure to maintain adequate research and development resources or to compete effectively with the research and development programs of our competitors would give an advantage to such competitors and may harm our business, results of operations and financial condition.

Interruptions or delays in the services provided by third-party data centers or internet service providers could impair the delivery of our platform and our business could suffer.

We host our platform using Amazon Web Services, or AWS, data centers, a provider of cloud infrastructure services. All of our products reside on hardware owned or leased and operated by us in these locations. Our operations depend on protecting the virtual cloud infrastructure hosted in AWS by maintaining its configuration, architecture and interconnection specifications, as well as the information stored in these virtual data centers and which third-party internet service providers transmit. Although we have disaster recovery plans that utilize multiple AWS locations, any incident affecting their infrastructure that may be caused by fire, flood, severe storm, earthquake, power loss, telecommunications failures, unauthorized intrusion, computer viruses and disabling devices, natural disasters, war, criminal act, military actions, terrorist attacks and other similar events beyond our control could negatively affect our platform. A prolonged AWS service disruption affecting our platform for any of the foregoing reasons could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the AWS services we use.

AWS enables us to order and reserve server capacity in varying amounts and sizes distributed across multiple regions. AWS provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. AWS may terminate the agreement by providing 30 days prior written notice and may, in some cases, terminate the agreement immediately for cause upon notice.

Our platform is accessed by a large number of customers, often at the same time. As we continue to expand the number of our customers and products available to our customers, we may not be able to scale our technology to accommodate the increased capacity requirements, which may result in interruptions or delays in service. In addition, the failure of AWS data centers or third-party internet service providers to meet our capacity requirements could result in interruptions or delays in access to our platform or impede our ability to scale our operations. In the event that our AWS service agreements are terminated, or there is a lapse of service, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our platform as well as delays and additional expense in arranging new facilities and services.

Our success depends, in part, on the integrity and scalability of our systems and infrastructures. System interruption and the lack of integration, redundancy and scalability in these systems and infrastructures may harm our business, results of operations and financial condition.

Our success depends, in part, on our ability to maintain the integrity of our systems and infrastructure, including websites, information and related systems. System interruption and a lack of integration and redundancy in our information systems and infrastructure may adversely affect our ability to operate websites, process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations. We may experience occasional system interruptions that make some or all systems or data unavailable or prevent us from efficiently providing access to our platform. We also rely on third-party computer systems, broadband and other communications systems and service providers in connection with providing access to our platform generally. Any interruptions, outages or delays in our systems and infrastructure, our business and/or third parties, or deterioration in the performance of these systems and infrastructure, could impair our ability to provide access to our platform. Fire, flood, power loss, telecommunications failure, hurricanes, tornadoes, earthquakes, other natural disasters, acts of war or terrorism and similar events or disruptions may damage or interrupt computer, broadband or other communications systems and infrastructure at any time. Any of these events could cause system interruption, delays and loss of critical data, and could prevent us from providing access to our platform. While we have backup

systems for certain aspects of their operations, disaster recovery planning by its nature cannot be sufficient for all eventualities. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. If any of these events were to occur, it could harm our business, results of operations and financial condition.

We rely on software and services from other parties. Defects in or the loss of access to software or services from third parties could increase our costs and adversely affect the quality of our products.

We rely on technologies from third parties to operate critical functions of our business, including cloud infrastructure services and customer relationship management services. Our business would be disrupted if any of the third-party software or services we utilize, or functional equivalents thereof, were unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices. In each case, we would be required to either seek licenses to software or services from other parties and redesign our products to function with such software or services or develop these components ourselves, which would result in increased costs and could result in delays in our product launches and the release of new product offerings until equivalent technology can be identified, licensed or developed, and integrated into our products. Furthermore, we might be forced to limit the features available in our current or future products. These delays and feature limitations, if they occur, could harm our business, results of operations and financial condition.

Real or perceived errors, failures, vulnerabilities or bugs in our products, including deployment complexity, could harm our business and results of operations.

Errors, failures, vulnerabilities or bugs may occur in our products, especially when updates are deployed or new products are rolled out. Our platform is often used in connection with large-scale computing environments with different operating systems, system management software, equipment and networking configurations, which may cause errors or failures of products, or other aspects of the computing environment into which our products are deployed. In addition, deployment of our products into complicated, large-scale computing environments may expose errors, failures, vulnerabilities or bugs in our products. Any such errors, failures, vulnerabilities or bugs may not be found until after they are deployed to our customers. Real or perceived errors, failures, vulnerabilities or bugs in our products could result in negative publicity, loss of customer data, loss of or delay in market acceptance of our products, loss of competitive position, or claims by customers for losses sustained by them, all of which could harm our business, results of operations and financial condition.

If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, generate reduced revenue and incur costly litigation to protect our rights.

Our success is dependent, in part, upon protecting our proprietary information and technology. We rely on a combination of patents, copyrights, trademarks, service marks, trade secret laws and contractual restrictions to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create products that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our products may be unenforceable under the laws of certain jurisdictions and foreign countries. Further, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States, and mechanisms for enforcement of intellectual property rights in some foreign countries may be inadequate. To the extent we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information may increase. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our technology and intellectual property.

We rely in part on trade secrets, proprietary know-how and other confidential information to maintain our competitive position. Although we enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances, no assurance can be given that these agreements will be effective in controlling access to and distribution of our products and proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products.

To protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Such litigation could be costly, time consuming and distracting to management and could

result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our products, impair the functionality of our products, delay introductions of new products, result in our substituting inferior or more costly technologies into our products, or injure our reputation. In addition, we may be required to license additional technology from third parties to develop and market new products, and we cannot assure you that we could license that technology on commercially reasonable terms or at all, and our inability to license this technology could harm our ability to compete.

Our results of operations may be harmed if we are subject to a protracted infringement claim or a claim that results in a significant damage award.

We expect that software product developers will increasingly be subject to infringement claims as the number of products and competitors grows and the functionality of products in different industry segments overlaps. Other companies have claimed in the past, and may claim in the future, that we infringe upon their intellectual property rights. A claim may also be made relating to technology that we acquire or license from third parties. If we were subject to a claim of infringement, regardless of the merit of the claim or our defenses, the claim could:

- require costly litigation to resolve and the payment of substantial damages;
- require significant management time;
- cause us to enter into unfavorable royalty or license agreements;
- require us to discontinue the sale of some or all of our products;
- require us to indemnify our customers or third-party service providers; and/or
- require us to expend additional development resources to redesign our products.

Any one or more of the above could harm our business, results of operations and financial condition.

We use open source software in our products, which could negatively affect our ability to offer our products and subject us to litigation or other actions.

We use open source software in our products and may use more open source software in the future. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. However, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Litigation could be costly for us to defend, have a negative effect on our results of operations and financial condition or require us to devote additional research and development resources to change our products. In addition, if we were to combine our proprietary software products with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar products with less development effort and time. If we inappropriately use open source software, or if the license terms for open source software that we use change, we may be required to re-engineer our products, incur additional costs, discontinue the sale of some or all of our products or take other remedial actions.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or assurance of title or controls on origin of the software. In addition, many of the risks associated with usage of open source software, such as the lack of warranties or assurances of title, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source software, but we cannot be sure that all of our use of open source software is in a manner that is consistent with our current policies and procedures, or will not subject us to liability.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

Our agreements with customers and other third parties may include indemnification or other provisions under which we agree to indemnify or otherwise be liable to them for losses suffered or incurred as a result of claims of intellectual property infringement, damages caused by us to property or persons, or other liabilities relating to or arising from the use of our platform or other acts or omissions. The term of these contractual provisions often survives termination or expiration of the applicable agreement. We have not to date received claims from third parties alleging we are infringing their intellectual property. However, as we continue to grow, the possibility of these and other intellectual property rights claims against us may increase. For any intellectual property rights indemnification claim against us or our customers, we will incur significant legal expenses and may have to pay damages, license fees and/or stop using technology found to be in violation of the third party's rights. Large indemnity payments could harm our business, results of operations and financial condition. We may also have to seek a license for the technology. Such license may not be available on reasonable terms, if at all, and may significantly increase our operating expenses or may require us to restrict our business activities and limit our ability to deliver certain products. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense and/or cause us to alter our platform, which could negatively affect our business.

From time to time, customers require us to indemnify or otherwise be liable to them for breach of confidentiality, violation of applicable law or failure to implement adequate security measures with respect to their data stored, transmitted, or accessed using our platform. Although we normally contractually limit our liability with respect to such obligations, the existence of such a dispute may have adverse effects on our customer relationship and reputation and we may still incur substantial liability related to them.

Any assertions by a third party, whether or not successful, with respect to such indemnification obligations could subject us to costly and time-consuming litigation, expensive remediation and licenses, divert management attention and financial resources, harm our relationship with that customer and other current and prospective customers, reduce demand for our platform, and harm our brand, business, results of operations and financial condition.

We may face particular privacy, data security and data protection risks in Europe due to the recent invalidation of the Safe Harbors Program and the new European General Data Protection Regulation.

In the European Community, Directive 95/46/EC, or the Directive, has required European Union member states to implement data protection laws to meet the strict privacy requirements of the Directive. Among other requirements, the Directive regulates transfers of personally identifiable data that is subject to the Directive, or Personal Data, to third countries, such as the United States, that have not been found to provide adequate protection to such Personal Data. Our customers have in the past relied upon our adherence to the U.S. Department of Commerce's Safe Harbor Privacy Principles and compliance with the U.S.-EU and U.S.-Swiss Safe Harbor Frameworks as agreed to and set forth by the U.S. Department of Commerce, and the European Union and Switzerland, which established a means for legitimating the transfer of Personal Data by data controllers in the European Economic Area, or EEA, to the United States. As a result of the October 6, 2015 European Union Court of Justice, or ECJ, opinion in Case C-362/14 (Schrems v. Data Protection Commissioner) regarding the adequacy of the U.S.-EU Safe Harbor Framework, the U.S.-EU Safe Harbor Framework is no longer deemed to be a valid method of compliance with requirements set forth in the Directive (and member states' implementations thereof) regarding the transfer of Personal Data outside of the EEA.

Negotiators from the European Union and United States reached political agreement on a successor to the Safe Harbor framework that will be referred to as the EU-US Privacy Shield. On May 26, 2016 the European Parliament adopted a resolution and on July 8, 2016 the European Member States representatives approved the final version of the EU-US Privacy Shield, paving the way forward for the adoption of the decision by the European Commission. As of August 1, 2016, interested companies have been permitted to register for the program. There continue to be concerns about whether the Privacy Shield will face additional challenges. Until the remaining legal uncertainties regarding the future of the EU-US Privacy Shield are settled and we determine whether we will participate in the program, we will continue to face uncertainty as to whether our efforts to comply with our obligations under European privacy laws will be sufficient. If we are investigated by a European data protection authority, we may face fines and other penalties. Any such investigation or charges by European data protection authorities could have a negative effect on our existing business and on our ability to attract and retain new customers.

In light of the ECJ opinion in Case C-362/14, we offer our customers other methods to enable compliant data transfers from the EEA to the United States and have begun to undertake efforts to conform transfers of Personal Data from the EEA based on current regulatory obligations, the guidance of data protection authorities, and evolving best practices. Despite this, we may be unsuccessful in establishing conforming means or means that are acceptable to our customers of transferring such data from the EEA, including due to ongoing legislative activity, which may vary the current data protection landscape.

We may also experience hesitancy, reluctance, or refusal by European or multi-national customers to continue to use our services due to the potential risk exposure to such customers as a result of the ECJ ruling in Case C-362/14 and the current data protection obligations imposed on them by certain data protection authorities. Such customers may also view any alternative approaches to compliance as being too costly, too burdensome, too legally uncertain or otherwise objectionable and therefore decide not to do business with us.

We and our customers are at risk of enforcement actions taken by certain EU data protection authorities until such point in time that we may be able to ensure that all transfers of Personal Data to us in the United States from the EEA are conducted in compliance with all applicable regulatory obligations, the guidance of data protection authorities and evolving best practices. We may find it necessary to establish systems to maintain Personal Data originating from the European Union in the EEA, which may involve substantial expense and may cause us to need to divert resources from other aspects of our business, all of which may adversely affect our business.

In addition, data protection regulation is an area of increased focus and changing requirements. The Directive will be replaced in time with the recently adopted European General Data Protection Regulation, which will enter into force on May 25, 2018, and which may impose additional obligations and risk upon our business and which may increase substantially the penalties to which we could be subject in the event of any non-compliance. We may incur substantial expense in complying with the new obligations to be imposed by the European General Data Protection Regulation and we may be required to make significant changes in our business operations, all of which may adversely affect our business, results of operations and financial condition.

We function as a HIPAA Business Associate for certain of our customers and, as such, are subject to strict privacy and data security requirements. If we fail to comply with any of these requirements, we could be subject to significant liability, all of which can adversely affect our business as well as our ability to attract and retain new customers.

The Health Insurance Portability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their respective implementing regulations, or HIPAA, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's security standards directly applicable to business associates. We function as a business associate for certain of our customers that are HIPAA covered entities and service providers, and in that context we are regulated as a business associate for the purposes of HIPAA. If we are unable to comply with our obligations as a HIPAA business associate, we could face substantial civil and even criminal liability. Modifying the already stringent penalty structure that was present under HIPAA prior to HITECH, HITECH created four new tiers of civil monetary penalties and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions. In addition, many state laws govern the privacy and security of health information in certain circumstances, many of which differ from HIPAA and each other in significant ways and may not have the same effect.

The HIPAA covered entities and service providers to which we provide services require us to enter into HIPAA-compliant business associate agreements with them. These agreements impose stringent data security obligations on us. If we are unable to meet the requirements of any of these business associate agreements, we could face contractual liability under the applicable business associate agreement as well as possible civil and criminal liability under HIPAA, all of which can have an adverse impact on our business and generate negative publicity, which, in turn, can have an adverse impact on our ability to attract and retain new customers.

We are subject to anti-corruption, anti-bribery and similar laws, and non-compliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation.

We are subject to anti-corruption and anti-bribery and similar laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010 and other anti-corruption, anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption and anti-bribery laws have been

enforced aggressively in recent years and are interpreted broadly and prohibit companies and their employees and agents from promising, authorizing, making or offering improper payments or other benefits to government officials and others in the private sector. As we increase our international sales and business, our risks under these laws may increase. Noncompliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage and other consequences. Any investigations, actions or sanctions could harm our business, results of operations and financial condition.

We are subject to governmental export controls and economic sanctions laws that could impair our ability to compete in international markets and subject us to liability if we are not in full compliance with applicable laws.

Our business activities are subject to various restrictions under U.S. export controls and trade and economic sanctions laws, including the U.S. Commerce Department's Export Administration Regulations and economic and trade sanctions regulations maintained by the U.S. Treasury Department's Office of Foreign Assets Control. The U.S. export control laws and U.S. economic sanctions laws include prohibitions on the sale or supply of certain products and services to U.S. embargoed or sanctioned countries, governments, persons and entities and also require authorization for the export of encryption items. In addition, various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our services or could limit our customers' ability to implement our services in those countries. Although we take precautions to prevent our products from being provided in violation of such laws, our products may have been in the past, and could in the future be, provided inadvertently in violation of such laws, despite the precautions we take. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to civil or criminal penalties, including the possible loss of export privileges and monetary penalties. Obtaining the necessary authorizations, including any required license, for a particular transaction may be time-consuming, is not guaranteed, and may result in the delay or loss of sales opportunities. Although we take precautions to prevent transactions with U.S. sanction targets, we could inadvertently provide our products to persons prohibited by U.S. sanctions. This could result in negative consequences to us, including government investigations, penalties and harm to our reputation.

We have limited experience with respect to determining the optimal prices for our products.

In the past, we have sometimes adjusted our prices either for individual customers in connection with long-term agreements or for a particular product. We expect that we may need to change our pricing in future periods. Further, as competitors introduce new products that compete with ours or reduce their prices, we may be unable to attract new customers or retain existing customers based on our historical pricing. As we expand internationally, we also must determine the appropriate price to enable us to compete effectively internationally. In addition, if our mix of products sold changes, then we may need to, or choose to, revise our pricing. As a result, we may be required or choose to reduce our prices or change our pricing model, which could harm our business, results of operations and financial condition.

We may face exposure to foreign currency exchange rate fluctuations.

Today, our international contracts are sometimes denominated in local currencies. However, the majority of our international costs are denominated in local currencies. Over time, an increasing portion of our international contracts may be denominated in local currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may affect our results of operations when translated into U.S. dollars. We do not currently engage in currency hedging activities to limit the risk of exchange rate fluctuations. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

Future acquisitions, strategic investments, partnerships or alliances could be difficult to identify and integrate, divert the attention of key management personnel, disrupt our business, dilute stockholder value and harm our results of operations and financial condition.

We have in the past acquired, and we may in the future seek to acquire or invest in, businesses, products or technologies that we believe could complement or expand our current platform, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management

and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. In addition, we have limited experience in acquiring other businesses. If we acquire additional businesses, we may not be able to integrate successfully the acquired personnel, operations and technologies, or effectively manage the combined business following the acquisition.

We may not be able to find and identify desirable acquisition targets or we may not be successful in entering into an agreement with any one target. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could harm our results of operations. In addition, if an acquired business fails to meet our expectations, our business, results of operations and financial condition may suffer.

Our customers may fail to pay us in accordance with the terms of their agreements, necessitating action by us to compel payment.

We typically enter into multiple year, non-cancelable arrangements with our customers. If customers fail to pay us under the terms of our agreements, we may be adversely affected both from the inability to collect amounts due and the cost of enforcing the terms of our contracts, including litigation. The risk of such negative effects increases with the term length of our customer arrangements. Furthermore, some of our customers may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or pay those amounts more slowly, either of which could adversely affect our business, results of operations and financial condition.

Because our long-term success depends, in part, on our ability to expand the sales of our products to customers located outside of the United States, our business will be susceptible to risks associated with international operations.

We currently maintain offices and have sales personnel outside the United States in the United Kingdom, Canada and Australia, and we intend to expand our international operations. In fiscal 2015, 2016 and 2017, our international revenue was 9%,12%, and 13%, respectively, of our total revenue. Any international expansion efforts that we may undertake may not be successful. In addition, conducting international operations subjects us to new risks, some of which we have not generally faced in the United States. These risks include, among other things:

- unexpected costs and errors in the localization of our products, including translation into foreign languages and adaptation for local practices and regulatory requirements;
- lack of familiarity and burdens of complying with foreign laws, legal standards, privacy standards, regulatory requirements, tariffs and other barriers;
- practical difficulties of enforcing intellectual property rights in countries with fluctuating laws and standards and reduced or varied protection for intellectual property rights in some countries;
- unexpected changes in regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties or other trade restrictions;
- difficulties in managing systems integrators and technology partners;
- differing technology standards;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties in managing and staffing international operations and differing employer/employee relationships and local employment laws;
- fluctuations in exchange rates that may increase the volatility of our foreign-based revenue; and
- potentially adverse tax consequences, including the complexities of foreign value added tax (or other tax) systems and restrictions on the repatriation of earnings.

Additionally, operating in international markets also requires significant management attention and financial resources. We cannot be certain that the investment and additional resources required in establishing operations in other countries will produce desired levels of revenue or profitability.

We have not engaged in currency hedging activities to limit risk of exchange rate fluctuations. Changes in exchange rates affect our costs and earnings, and may also affect the book value of our assets located outside the United States and the amount of our stockholders' equity.

We have limited experience in marketing, selling and supporting our platform abroad. Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake will not be successful. If we invest substantial time and resources to expand our international operations and are unable to do so successfully and in a timely manner, our business and results of operations will suffer.

We may be required to defer recognition of some of our revenue, which may harm our financial results in any given period.

We may be required to defer recognition of revenue for a significant period of time after entering into an agreement due to a variety of factors, including, among other things, whether:

- the transaction involves both current products and products that are under development;
- the customer requires significant modifications, configurations or complex interfaces that could delay delivery or acceptance of our products;
- the transaction involves extended payment terms;
- the transaction involves acceptance criteria or other terms that may delay revenue recognition; or
- the transaction involves performance milestones or payment terms that depend upon contingencies.

Because of these factors and other specific revenue recognition requirements under GAAP, we must have very precise terms in our contracts to recognize revenue when we initially provide access to our platform or perform services. Although we strive to enter into agreements that meet the criteria under GAAP for current revenue recognition on delivered elements, our agreements are often subject to negotiation and revision based on the demands of our customers. The final terms of our agreements sometimes result in deferred revenue recognition well after the time of delivery, which may adversely affect our financial results in any given period. In addition, because of prevailing economic conditions, more customers may require extended payment terms, shorter term contracts or alternative licensing arrangements that could reduce the amount of revenue we recognize upon delivery of our platform and could adversely affect our short-term financial results.

Furthermore, the presentation of our financial results requires us to make estimates and assumptions that may affect revenue recognition. In some instances, we could reasonably use different estimates and assumptions, and changes in estimates are likely to occur from period to period. Accordingly, actual results could differ significantly from our estimates.

Changes in tax laws or regulations in the various tax jurisdictions we are subject to that are applied adversely to us or our customers could increase the costs of our products and harm our business.

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time. Those enactments could harm our domestic and international business operations, and our business and financial performance. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us. These events could require us or our customers to pay additional tax amounts on a prospective or retroactive basis, as well as require us or our customers to pay fines and/or penalties and interest for past amounts deemed to be due. If we raise our prices to offset the costs of these changes, existing and potential future customers may elect not to purchase our products in the future. Additionally, new, changed, modified or newly interpreted or applied tax laws could increase our customers' and our compliance, operating and other costs, as well as the costs of our products. Further, these events could decrease the capital we have available to operate our business. Any or all of these events could harm our business and financial performance.

As a multinational organization, we may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could harm our liquidity and results of operations. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could harm us and our results of operations.

We depend on our executive officers and other key employees, and the loss of one or more of these employees or an inability to attract and retain other highly skilled employees could harm our business.

Our success depends largely upon the continued services of our executive officers and other key employees. We rely on our leadership team in the areas of research and development, operations, security, marketing, sales, customer support, general and administrative functions, and on individual contributors in our research and development and operations. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. For example, we hired a new President, Worldwide Field Operations in October 2016. We do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. The loss of one or more of our executive officers, especially our Chief Executive Officer or Chief Operating Officer, or key employees could harm our business. Changes in our executive management team may also cause disruptions in, and harm to, our business.

In addition, to execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel in the San Francisco Bay Area, where our headquarters is located, and in other locations where we maintain offices, is intense, especially for engineers experienced in designing and developing software and SaaS applications and experienced sales professionals. We have, from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached their legal obligations, resulting in a diversion of our time and resources. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines, it may harm our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be harmed.

Our management team has limited experience managing a public company.

Most members of our management team have limited experience managing a publicly-traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company that is subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could harm our business, results of operations and financial condition.

Our failure to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies in the future could reduce our ability to compete successfully and harm our results of operations.

We may need to raise additional funds, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity financing, our security holders may experience significant dilution of their ownership interests. If we engage in debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness, force us to maintain specified liquidity or other ratios or restrict our ability to pay dividends or make acquisitions. If we need additional capital and cannot raise it on acceptable terms, or at all, we may not be able to, among other things:

- develop and enhance our products;
- continue to expand our product development, sales and marketing organizations;
- hire, train and retain employees;
- respond to competitive pressures or unanticipated working capital requirements; or
- pursue acquisition opportunities.

In addition, access to our existing line of credit with Silicon Valley Bank is subject to certain financial and other covenants. Our inability to abide by these covenants or do any of the foregoing could reduce our ability to compete successfully and harm our business, results of operations and financial condition.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the Securities and Exchange Commission, or SEC, is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. For example, we have worked to improve the controls around our key accounting processes and our quarterly close process, we have implemented a number of new systems to supplement our core ERP system as part of our control environment, and we have hired additional accounting and finance personnel to help us implement these processes and controls. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. If any of these new or improved controls and systems do not perform as expected, we may experience material weaknesses in our controls.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that are filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NASDAQ. We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. As a public company, we are required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could harm our business and results of operations and could cause a decline in the price of our Class A common stock.

Changes in existing financial accounting standards or practices, or taxation rules or practices, may harm our results of operations.

Changes in existing accounting or taxation rules or practices, new accounting pronouncements or taxation rules, or varying interpretations of current accounting pronouncements or taxation practice could harm our results of operations or the manner in which we conduct our business. Further, such changes could potentially affect our reporting of transactions completed before such changes are effective.

GAAP is subject to interpretation by the Financial Accounting Standards Board, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. For example, in May 2014 the Financial Accounting Standards Board issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606) (ASU 2014-09)*, for which certain elements may impact our accounting for revenue and costs incurred to acquire contracts.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our condensed consolidated financial statements include those related to revenue recognition, capitalized internal-use software costs, income taxes, other non-income taxes, business combination and valuation of goodwill and purchased intangible assets and stock-based compensation. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Class A common stock.

Catastrophic events may disrupt our business.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could harm our business. We have a large employee presence in San Francisco, California and the west coast of the United States contains active earthquake zones. In the event of a major earthquake, hurricane or catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our application development, lengthy interruptions in our products, breaches of data security and loss of critical data, all of which could harm our business, results of operations and financial condition. In addition, the insurance we maintain may not be adequate to cover our losses resulting from disasters or other business interruptions.

We may be subject to liability claims if we breach our contracts and our insurance may be inadequate to cover our losses.

We are subject to numerous obligations in our contracts with our customers and partners. Despite the procedures, systems and internal controls we have implemented to comply with our contracts, we may breach these commitments, whether through a weakness in these procedures, systems and internal controls, negligence or the willful act of an employee or contractor. Our insurance policies, including our errors and omissions insurance, may be inadequate to compensate us for the potentially significant losses that may result from claims arising from breaches of our contracts, disruptions in our services, failures or disruptions to our infrastructure, catastrophic events and disasters or otherwise. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention.

We are an "emerging growth company," and the reduced disclosure requirements applicable to emerging growth companies may make our Class A common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our Class A common stock less attractive because we will rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and the price of our Class A common stock may be more volatile.

Exposure to political developments in the United Kingdom, including the outcome of the U.K. referendum on membership in the EU, could harm us.

On June 23, 2016, a referendum was held on the United Kingdom's membership in the European Union, the outcome of which was a vote in favor of leaving the European Union. The United Kingdom's vote to leave the European Union creates an uncertain political and economic environment in the United Kingdom and potentially across other EU member states, which may last for a number of months or years.

The result of the referendum means that the long-term nature of the United Kingdom's relationship with the European Union is unclear and that there is considerable uncertainty as to when any such relationship will be agreed and implemented. The political and economic instability created by the United Kingdom's vote to leave the European Union has caused and may continue to cause significant volatility in global financial markets and the value of the British Pound or other currencies, including the Euro. Depending on the terms reached regarding any exit from the European Union, it is possible that there may be adverse practical or operational implications on our business.

Our business may be subject to additional obligations to collect and remit sales tax and other taxes, and we may be subject to tax liability for past sales. Any successful action by state, foreign or other authorities to collect additional or past sales tax could harm our business.

States and some local taxing jurisdictions have differing rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of sales taxes to our platform in various jurisdictions is unclear. It is possible that we could face sales tax audits and that our liability for these taxes could exceed our estimates as state tax authorities could still assert that we are obligated to collect additional amounts as taxes from our customers and remit those taxes to those authorities. We could also be subject to audits in states and international jurisdictions for which we have not accrued tax liabilities. A successful assertion that we should be collecting additional sales or other taxes on our services in jurisdictions where we have not historically done so and do not accrue for sales taxes could result in substantial tax liabilities for past sales, discourage customers from purchasing our products or otherwise harm our business, results of operations and financial condition.

We file sales tax returns in certain states within the United States as required by law and certain customer contracts for a portion of the products that we provide. We do not collect sales or other similar taxes in other states and many of such states do not apply sales or similar taxes to the vast majority of the products that we provide. However, one or more states or foreign authorities could seek to impose additional sales, use or other tax collection and record-keeping obligations on us or may determine that such taxes should have, but have not been, paid by us. Liability for past taxes may also include substantial interest and penalty charges. Any successful action by state, foreign or other authorities to compel us to collect and remit sales tax, use tax or other taxes, either retroactively, prospectively or both, could harm our business, results of operations and financial condition.

Our ability to use our net operating loss carry-forwards and certain other tax attributes may be limited.

Under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three year period, the corporation's ability to use its pre-change net operating loss carry-forwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income may be limited. We have experienced ownership changes in the past and any such ownership change in the future could result in increased future tax liability. In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carry-forwards to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us.

Risks Related to Ownership of Our Class A Common Stock

The stock price of our Class A common stock may be volatile or may decline regardless of our operating performance.

Prior to our IPO, there was no public market for shares of our Class A common stock. The market prices of the securities of other newly public companies have historically been highly volatile. The market price of our Class A common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including, but not limited to:

- overall performance of the equity markets and/or publicly-listed technology companies;
- actual or anticipated fluctuations in our revenue or other operating metrics;
- changes in the financial projections we provide to the public or our failure to meet these projections;

- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates and/or recommendations by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of significant innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- lawsuits threatened or filed against us;
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events;
- the expiration of contractual lock-up or market standoff agreements; and
- sales of additional shares of our Class A common stock by us or our stockholders.

In addition, stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and harm our business.

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of our IPO, including our directors, executive officers, and their affiliates, who held in the aggregate 63.5% of the voting power of our capital stock as of July 31, 2017. This will limit or preclude your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. As of July 31, 2017, our directors, executive officers, and their affiliates, held in the aggregate 63.5% of the voting power of our capital stock. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively could continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval until April 12, 2027, the date that is the ten year anniversary of the closing of our IPO. This concentrated control may limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interest as one of our stockholders.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term.

Sales of substantial amounts of our Class A common stock in the public markets, such as when our lock-up restrictions are released, or the perception that sales might occur, could cause the market price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock into the public market, particularly sales by our directors, executive officers, and principal stockholders, or the perception that these sales might occur, could cause the market price of our Class A common stock to decline.

Substantially all of our securities that were outstanding prior to the completion of our IPO are currently restricted from resale as a result of lock-up and market standoff agreements. These securities will become available to be sold 181 days after the date of the final prospectus relating to our IPO. Goldman, Sachs & Co. and J.P. Morgan Securities LLC may, in their discretion, permit our security holders to sell shares prior to the expiration of the restrictive provisions contained in the lock-up agreements. Shares held by directors, executive officers, and other affiliates will also be subject to volume limitations under Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, and various vesting agreements.

In addition, as of July 31, 2017, we had 33,360,239 options outstanding that, if fully exercised, would result in the issuance of shares of Class B common stock. All of the shares of Class B common stock issuable upon the exercise of stock options and the shares reserved for future issuance under our equity incentive plans, are registered for public resale under the Securities Act. Accordingly, these shares will be able to be freely sold in the public market upon issuance, subject to existing lock-up or market standoff agreements and applicable vesting requirements.

As of July 31, 2017, the holders of 59,491,640 shares of our common stock have rights, subject to some conditions, to require us to file registration statements for the public resale of the Class A common stock issuable upon conversion of such shares or to include such shares in registration statements that we may file for us or other stockholders. Any registration statement we file to register additional shares, whether as a result of registration rights or otherwise, could cause the market price of our Class A common stock to decline or be volatile.

The requirements of being a public company may strain our resources, divert management's attention, and affect our ability to attract and retain executive management and qualified board members.

We are subject to the reporting requirements of the Exchange Act, the listing standards of NASDAQ and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources. For example, the Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and results of operations. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, results of operations and financial condition. Although we have already hired additional employees to assist us in complying with these requirements, we may need to hire more employees in the future or engage outside consultants, which will increase our operating expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from business operations to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in filings required of a public company, our business and financial condition will become more visible, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could

be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, results of operations and financial condition.

If securities or industry analysts do not publish or cease publishing research, or publish inaccurate or unfavorable research, about our business, the price of our Class A common stock and trading volume could decline.

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If industry analysts do not publish or cease publishing research on our company, the trading price for our Class A common stock would be negatively affected. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, our Class A common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us on a regular basis, demand for our Class A common stock could decrease, which might cause our Class A common stock price and trading volume to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the operation of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments. In addition, our credit facility contains restrictions on our ability to pay dividends.

Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current board of directors, and limit the market price of our Class A common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- provide that our board of directors is classified into three classes of directors with staggered three-year terms;
- permit the board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and amended and restated bylaws;
- authorize the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- provide that only the Chairperson of our board of directors, our Chief Executive Officer, or a majority of our board of directors are authorized to call a special meeting of stockholders;
- provide for a dual class common stock structure in which holders of our Class B common stock have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Moreover, Section 203 of the Delaware General Corporation Law may discourage, delay, or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty;
- any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws; or
- or any action asserting a claim against us that is governed by the internal affairs doctrine.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations and financial condition

Item 6. Exhibits.

We have filed the exhibits listed on the accompanying Exhibit Index, which is incorporated herein by reference.

Index to Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference from Form
3.1	Amended and Restated Certificate of Incorporation.	Exhibit 3.2 to Form S-1 filed on March 13, 2017
3.2	Amended and Restated Bylaws.	Exhibit 3.4 to Form S-1 filed on March 13, 2017
4.1	Form of Class A Common Stock Certificate.	Exhibit 4.1 to Form S-1 filed on March 13, 2017
10.1	Sublease Agreement, dated July 11, 2016, between the Registrant and Dropbox, Inc., as amended, with a term beginning on July 1, 2017.	Filed herewith
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith
32.1*	Certification of the 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.	Furnished herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith

---

* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

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.

Okta, Inc.

September 7, 2017

/s/ William E. Losch

William E. Losch
Chief Financial Officer
(Principal Accounting and Financial Officer)

SECOND AMENDMENT TO SUBLEASE

THIS SECOND AMENDMENT TO SUBLEASE (this "**Second Amendment**") is made and effective as of September 9, 2016 (the "**Effective Date**") by and between Dropbox, Inc., a Delaware corporation ("**Sublessor**") and Okta, Inc., a Delaware corporation ("**Sublessee**").

RECITALS

A. Sublessor and Sublessee have heretofore executed and entered into that certain Sublease dated as of July 11, 2016 (the "**Original Sublease** "), as amended by that certain First Amendment to Sublease dated as of August 11, 2016 (the "**First Amendment to Sublease** ", and, collectively with the Original Sublease, the "**Sublease** "), with respect to the subletting of that certain office building commonly known as 301 Brannan Street, San Francisco, California by Sublessee, as more particularly set forth in the Sublease. Initially capitalized terms used but not defined herein shall have the meanings assigned to them in the Sublease.

B. Sublessor and Sublessee hereby desire by this Second Amendment to amend the Sublease upon and subject to each of the terms, conditions, and provisions set forth herein.

NOW, THEREFORE, in consideration of the Recitals set forth above, the agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublessor and Sublessee hereby agree as follows:

1. **Amendment to Master Lease**.

1.1 Pursuant to Paragraph 6 of the Original Sublease, Sublessee hereby consents to that certain First Amendment to Office Lease of even date herewith by and between Master Lessor and Sublessor (the "**First Amendment to Master Lease** ") which sets forth certain modifications to the terms of the Master Lease.

1.2 All references in the Sublease to the Master Lease, including in Paragraph 19 of the Original Sublease, shall be to the Master Lease, as amended by the First Amendment to Master Lease. For purposes of Paragraph 19.A of the Original Sublease, the following provisions of the First Amendment to Master Lease shall not be incorporated into the Sublease: Recitals, Sections 2, 4, 5.3, 6, 7, 9, 10 and 12 and Exhibit A.

2. **Term**. Paragraph 3 of the Original Sublease is hereby deleted in its entirety and replaced with the following:

"Term: The term (the "Term") of this Sublease shall be for the period commencing (i) as to the second (2nd) through fifth (5th) floors of the Premises ("Floors 2-5"), on the date the Master Lease commences as to Floors 2-5, which is anticipated to be July 1, 2017 (the "Floors 2-5 Delivery Date"), (ii) as to the sixth (6th) floor of the Premises ("Floor 6"), on the date the Master Lease commences as to Floor 6 (the "Floor 6 Delivery Date"), which is anticipated to be July 1, 2017, and (iii) as to the Phase II Premises, on the date Master Lessor delivers possession of the entirety of the Phase II Premises to Sublessor, which is anticipated to be August 1, 2017 (the "Phase II Delivery Date"), and ending on July 31, 2019 (the "Expiration Date"), unless this Sublease is sooner terminated pursuant to its terms. The later to occur of the Floors 2-5 Delivery Date and the Floor 6 Delivery Date shall be referred to herein as the "Phase I Delivery Date." The earlier of (1) the Floors 2-5 Delivery Date, (2) the Floor 6 Delivery Date and (3) the Phase II Delivery Date

(each, a "Delivery Date") shall be referred to herein as the "Commencement Date". Notwithstanding that the defined terms for the Phases include "I" and "II",

Sublessee acknowledges that the Phase II Delivery Date, and thereby the Commencement Date, could occur before the Floors 2-5 Delivery Date or the Floor 6 Delivery Date. Sublessor and Sublessee agree that the "Phase I Premises" shall mean Floors 2-5 from and after the Floors 2-5 Delivery Date, and shall mean the entirety of the Phase I Premises from and after the Phase I Delivery Date. To the extent an Extension Option (as defined below) is exercised pursuant to Paragraph 25 herein, the Term of this Sublease shall be extended to include the Extension Period (as defined below). References in this Sublease to the "Subleased Premises" shall not include Floors 2-5 until the Floors 2-5 Delivery Date, shall not include Floor 6 until the Floor 6 Delivery Date and shall not include the Phase II Premises until the Phase II Delivery Date. The parties acknowledge that Sublessee is already in occupancy of the first (1st) through fifth (5th) floors of the Building as a subtenant of the current tenants therein and Sublessor shall accordingly not be required to actually tender delivery of the first (1st) through fifth (5th) floors of the Building. The parties also acknowledge that an unaffiliated third party is currently in occupancy of Floor 6 as a subtenant of the current tenant therein. Sublessor shall use commercially reasonable efforts (without requiring Sublessor to expend more than a nominal sum unless Sublessee reimburses Sublessor for such expenses) to cause Master Lessor to enforce the termination provisions of the existing lease for Floor 6 such that the Floor 6 Delivery Date occurs on July 1, 2017."

3. **Base Rent**. Paragraph 4.A(i) of the Original Sublease is hereby deleted in its entirety and replaced with the following:

"Sublessee shall pay to Sublessor as base rent for the Subleased Premises the initial amount of Seventy-Eight and 00/100 Dollars ($78.00) per rentable square foot of the Subleased Premises per year commencing on the Floors 2-5 Delivery Date, as to Floors 2-5, commencing on the Floor 6 Delivery Date, as to Floor 6, and commencing on the Phase II Delivery Date, as to the Phase II Premises, which amount shall increase to Eighty and 34/100 Dollars ($80.34) per rentable square foot per year on August 1, 2018 ("Base Rent")."

4. **Services Requests to Master Lessor**. As contemplated by Paragraph 7.C of the Original Sublease, and notwithstanding anything to the contrary contained in the Master Lessor Consent, Sublessee shall concurrently deliver to Sublessor copies of any requests made by Sublessee to Master Lessor and shall not request services directly from Master Lessor in amounts in excess of the limit set forth in Paragraph 7.C of the Original Sublease.

5. **Entire Agreement**. The Sublease, as amended by this Second Amendment, contains all of the agreements of Sublessor and Sublessee with respect to any matter covered or mentioned in this Second Amendment. No prior agreement, understanding, or representation pertaining to any such matter shall be effective for any purpose.

6. **Re mainder of Sublease to Continue in Effect**. Except as amended hereby, the Sublease shall in all other particulars, terms and conditions remain in full force and effect and is hereby ratified and confirmed by Sublessor and Sublessee. It is acknowledged that no changes other than those herein specifically set forth have been made.

7. **Conflict**. In the event of any conflict between the terms of the Sublease and the terms of this Second Amendment, the terms of this Second Amendment shall control.

8. **Successors and Assigns** . The terms, conditions, covenants and agreements contained herein shall be binding upon the parties and their respective heirs, successors and assigns.

9. **Counterparts ; Facsimile Signatures**. This Second Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute

one and the same instrument. Each of the parties hereto shall have the right to rely upon the facsimile signature of the other party with respect to the execution of this Second Amendment as though each such signature was an original.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, Sublessor and Sublessee have executed this Second Amendment as of the date first written above.

SUBLESSOR: DROPBOX, INC.,

a Delaware corporation

By: /s/ Ajay Vashee

Name: Ajay Vashee

Its: CFO

SUBLESSEE:

OKTA, INC.,
a Delaware corporation

By: William E. Losch

Name: William E. Losch

Its: CFO

FIRST AMENDMENT TO SUBLEASE

THIS FIRST AMENDMENT TO SUBLEASE (this "**First Amendment**") is made and effective as of August 11, 2016 (the "**Effective Date**") by and between Dropbox, Inc., a Delaware corporation ("**Sublessor**") and Okta, Inc., a Delaware corporation ("**Sublessee**").

RECITALS

A. Sublessor and Sublessee have heretofore executed and entered into that certain Sublease dated as of July 11, 2016 (the "**Sublease**"), with respect to the subletting of that certain office building commonly known as 301 Brannan Street, San Francisco, California by Sublessee, as more particularly set forth in the Sublease. Initially capitalized terms used but not defined herein shall have the meanings assigned to them in the Sublease.

B. Sublessor and Sublessee hereby desire by this First Amendment to amend the Sublease upon and subject to each of the terms, conditions, and provisions set forth herein.

NOW, THEREFORE, in consideration of the Recitals set forth above, the agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublessor and Sublessee hereby agree as follows:

1.**Amendment**; **Conditions Precedent**. The time period for Sublessor to obtain Master Lessor's Consent pursuant to Section 20 of the Sublease shall hereby be extended from thirty (30) days to sixty (60) days. For avoidance of doubt, in the event that Sublessor fails to obtain the Master Lessor Consent within sixty (60) days after the Execution Date, Sublessor's and Sublessee's termination right pursuant to Section 20 of the Sublease shall not be effective until the expiration of such sixty (60) day period.

2. **Entire Agreement**. The Sublease, as amended by this First Amendment, contains all of the agreements of Sublessor and Sublessee with respect to any matter covered or mentioned in this First Amendment. No prior agreement, understanding, or representation pertaining to any such matter shall be effective for any purpose.

3. **Remainder of Sublease to Continue in Effect**. Except as amended hereby, the Sublease shall in all other particulars, terms and conditions remain in full force and effect and is hereby ratified and confirmed by Sublessor and Sublessee. It is acknowledged that no changes other than those herein specifically set forth have been made.

4. **Conflict**. In the event of any conflict between the terms of the Sublease and the terms of this First Amendment, the terms of this First Amendment shall control.

5. **Successors and Assigns**. The terms, conditions, covenants and agreements contained herein shall be binding upon the parties and their respective heirs, successors and assigns.

6. **Counterparts; Facsimile Signatures**. This First Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Each of the parties hereto shall have the right to rely upon the facsimile signature of the other party with respect to the execution of this First Amendment as though each such signature was an original.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, Sublessor and Sublessee have executed this First Amendment as of the date first written above.

SUBLESSOR:

DROPBOX, INC.,
a Delaware corporation

By: /s/ Vanessa Wittman

Name: Vanessa Wittman

Its: CFO

SUBLESSEE:

OKTA, INC.,
a Delaware corporation

By: /s/ William E. Losch

Name: William E. Losch

Its: CFO

SUBLEASE

THIS SUBLEASE (this "Sublease") is dated for reference purposes as of July 11, 2016 (the "Execution Date"), and is made by and between Dropbox, Inc., a Delaware corporation ("Sublessor") and Okta, Inc., a Delaware corporation ("Sublessee"). Sublessor and Sublessee hereby agree as follows:

1. Recitals: This Sublease is made with reference to the fact that Kilroy Realty, L.P., a Delaware limited partnership, as landlord ("Master Lessor"), and Sublessor, as tenant, entered into that certain lease, dated as of July 17, 2015 (the "Master Lease"), with respect to premises consisting of the approximately 82,834 square foot building (the "Building") located at 301 Brannan Street, San Francisco, California (the "Premises"), which are to be delivered to Sublessor under the Master Lease in two phases (each, a "Phase"): one phase consisting of approximately 68,789 rentable square feet comprised of the portion of the Premises located on the second (2nd) through sixth (6th) floors of the Building (the "Phase I Premises"); and another phase consisting of approximately 14,045 rentable square feet comprised of the portion of the Premises located on the first (1st) floor of the Building (the "Phase II Premises"). A copy of the Master Lease is attached hereto as Exhibit A.

2. Premises: Sublessor hereby subleases to Sublessee, and Sublessee hereby subleases from Sublessor, all of the Premises (hereinafter, the "Subleased Premises") upon the terms, conditions, covenants and agreements set forth herein.

3. Term: The term (the "Term") of this Sublease shall be for the period commencing (i) as to the Phase I Premises, on the date Master Lessor delivers possession of the entirety of the Phase I Premises to Sublessor, which is anticipated to be July 1, 2017 (the "Phase I Delivery Date") and (ii) as to the Phase II Premises, on the date Master Lessor delivers possession of the entirety of the Phase II Premises to Sublessor, which is anticipated to be August 1, 2017 (the "Phase II Delivery Date"), and ending on July 31, 2019 (the "Expiration Date"), unless this Sublease is sooner terminated pursuant to its terms. The earlier of the Phase I Delivery Date and Phase II Delivery Date (each, a "Delivery Date") shall be referred to herein as the "Commencement Date". Notwithstanding that the defined terms for the Phases include "I" and "II", Sublessee acknowledges that the Phase II Delivery Date, and thereby the Commencement Date, could occur before the Phase I Delivery Date. To the extent an Extension Option (as defined below) is exercised pursuant to Paragraph 25 herein, the Term of this Sublease shall be extended to include the Extension Period (as defined below). References in this Sublease to the "Subleased Premises" shall not include the Phase I Premises until the Phase I Delivery Date and shall not include the Phase II Premises until the Phase II Delivery Date. The parties acknowledge that Sublessee is already in occupancy of the first (1st) through fifth (5th) floors of the Building as a subtenant of the current tenants therein and Sublessor shall accordingly not be required to actually tender delivery of the first (1st) through fifth (5th) floors of the Building. The parties also acknowledge that an unaffiliated third party is currently in occupancy of the sixth (6th) floor of the Building as a subtenant of the current tenant therein. Sublessor shall use commercially reasonable efforts (without requiring Sublessor to expend more than a nominal sum unless Sublessee reimburses Sublessor for such expenses) to cause Master Lessor to enforce the termination provisions of the existing lease for the sixth (6th) floor of the Building such that the Phase I Delivery Date occurs on July 1, 2017.

4. Rent:

A. Base Rent.

(i) Sublessee shall pay to Sublessor as base rent for the Subleased Premises the initial amount of Seventy-Eight and 00/100 Dollars ($78.00) per rentable square foot of the Subleased Premises per year commencing on the Phase I Delivery Date, as to the Phase I Premises, and commencing on the Phase II Delivery Date, as to the Phase II Premises, which amount shall increase to Eighty and 34/100 Dollars ($80.34) per rentable square foot per year on August 1, 2018 ("Base Rent"). Base Rent and Additional Rent, as defined in Paragraph 4.B below.

(ii) Base Rent and Additional Rent (as defined in Paragraph 4.B below) shall be paid on a monthly basis on or before the first (1st) day of each month throughout the Term with the Base Rent amount due each month equal to one-twelfth (1/12) of the Base Rent amounts set forth in the first sentence of this Paragraph 4.A. Base Rent and Additional Rent for any period during the Term hereof which is for less than one (1) month of the Term shall be a pro rata portion of the monthly installment based on a thirty (30) day month. Base Rent and Additional Rent shall be payable without notice or demand and without any deduction, offset, or abatement, except as provided herein, in lawful money of the United States of America. Base Rent and Additional Rent shall be paid directly to Sublessor by wire transfer pursuant to the instructions attached hereto as Exhibit B, or such other instructions as may be designated in writing by Sublessor.

B. Additional Rent.

(i) All monies other than Base Rent required to be paid by Sublessor under the Master Lease during the Term, including, without limitation, any amounts payable by Sublessor to Master Lessor as "Direct Expenses" (as defined in Section 4.2.2 of the Master Lease), shall be paid by Sublessee hereunder as and when such amounts are due under the Master Lease, as incorporated herein. All such amounts shall be deemed additional rent ("Additional Rent"). Base Rent and Additional Rent collectively shall be referred to as "Rent". Sublessee and Sublessor agree, as a material part of the consideration given by Sublessee to Sublessor for this Sublease, that Sublessee shall pay all costs, expenses, taxes, insurance, maintenance and other charges of every kind and nature arising in connection with this Sublease, the Master Lease or the Subleased Premises during the Term, including all gross receipts taxes, such that Sublessor shall receive, as a net consideration for this Sublease, the Base Rent payable under Paragraph 4.A. hereof.

(ii) Promptly after receipt by Sublessor of any Statement or Estimate Statement (as such terms are defined in Section 4.4 of the Master Lease) from Master Lessor or of any bill or statement from Master Lessor in respect of which Sublessee shall, pursuant to the terms of this Paragraph 4.B. be required to pay Additional Rent, Sublessor shall deliver a comparable statement to Sublessee, together with copies of the statements received by Sublessor from Master Lessor, setting forth the amount of Additional Rent payable by Sublessee hereunder. If Sublessor shall receive a refund of any amounts from Master Lessor pursuant to the terms of the Master Lease, Sublessor shall promptly notify Sublessee and shall, within thirty
(30) days after receipt thereof, refund to Sublessee the portion thereof, if any, which shall have been paid by Sublessee hereunder. Notwithstanding anything to the contrary in this Sublease, Sublessor shall not be required to pay or refund any amounts to Sublessee as to which there is a corresponding payment or reimbursement from Master Lessor until Sublessor receives such amounts from Master Lessor; provided, however, that Sublessor shall use commercially reasonable efforts to promptly obtain such reimbursement from Master Lessor without requiring Sublessor to expend more than a nominal sum unless Sublessee reimburses Sublessor for such expenses.

(iii) At Sublessee's request, delivered to Sublessor within five (5) months following Sublessor's delivery to Sublessee of any year end Statement received by Sublessor from Master Lessor for any calendar year during the Term, Sublessor shall exercise its audit right contained in Section 4.6 of the Master Lease if available, provided that Sublessee shall be responsible for all costs and expenses incurred by Sublessor in exercising such audit right and performing any such related audit and, if Sublessor has already exercised its audit right, it will provide written notice to Sublessee thereof. In the event that, following any such audit, it is determined that Master Lessor overstated Direct Expenses in its Statement

delivered to Sublessor, any reimbursement of overstated Direct Expenses shall be applied, first, to Sublessee's costs incurred or paid to Sublessor (or paid by Sublessor) for carrying out the audit, and thereafter to Sublessor and Sublessee as is equitably necessary to reimburse each party for any applicable overpayment by such party.

C. Payment of First Month' s Rent. Within ten (10) Business Days following receipt of the Master Lessor Consent (as defined in Paragraph 20 herein), Sublessee shall pay to Sublessor the sum of Five Hundred Thirty-Eight Thousand Four Hundred Twenty-One Dollars ($538,421), which shall be applied toward Base Rent for July 2017, with any remaining portion to be applied toward August 2017 Base Rent. If Sublessee fails to make the payment required under this Paragraph 4.C or provide the Sublease L-C within the required time periods, such failure shall constitute an immediate uncurable default under this Sublease and entitle Sublessor, in addition to Sublessor's other remedies, to immediately terminate this Sublease without releasing Sublessee from any liability hereunder.

D. Abatements Under Master Lease. If Sublessor shall actually receive under the Master Lease an abatement of Rent as to the Subleased Premises during the Term due to a casualty or condemnation or pursuant to Section 19.5.2, then Sublessee shall be entitled to receive from Sublessor such abatement, less any expenses incurred by Sublessor in obtaining such abatement.

5. Letter of Credit: Within five (5) Business Days following receipt of the Master Lessor Consent, Sublessee shall deposit with Sublessor an unconditional, clean, irrevocable letter of credit, which shall be held in accordance with the terms of Article 21 of the Master Lease, as incorporated herein (the "Sublease L-C"), except that (i) the "L-C Amount", as such term is used in Article 21 of the Master Lease, of the Sublease L-C shall be the sum of One Million Seventy-Six Thousand Eight Hundred Forty-Two Dollars ($1,076,842) and (ii) Sublessee may cause the Sublease L-C to be issued by any federally chartered commercial bank, subject to the approval of Sublessor which shall not be unreasonably withheld, conditioned or delayed.

6. Modifications to Master Lease; Sublessor's Performance: From and after the Execution Date, Sublessor shall not (i) enter into any agreement with Master Lessor that will cause either the Master Lease to be terminated or the Subleased Premises to be surrendered prior to the expiration of the Term or (ii) cause any breach or default by Sublessor under the Master Lease (except to the extent due to the act or omission of Sublessee or its agents, employees or contractors or Sublessee's violation of this Sublease) that will result in any such termination or surrender which breach or default remains uncured beyond applicable cure periods, unless Master Lessor agrees to continue to permit Sublessee to occupy the Subleased Premises on a direct basis on substantially the same or more favorable terms as those set forth herein following such termination or surrender. Notwithstanding the foregoing, Sublessor shall be entitled to exercise its express termination rights in Articles 11 and 13 of the Master Lease during the final year of the Term, as may be extended by an Extension Period pursuant to Paragraph 25; provided, however, that if more than ten (10) months remain in the Term and Sublessee has not yet exercised the Extension Option pursuant to Paragraph 25, then within ten (10) days following Sublessee's receipt of notice from Sublessor that Sublessor intends to exercise its termination rights under Article 11 or 13 of the Master Lease, Sublessee shall have the right to exercise the Extension Option and upon such exercise, Sublessor may not terminate the Master Lease with respect to the casualty or condemnation which was the basis of such termination right. Sublessor shall not enter into any amendment or other agreement with respect to the Master Lease that will (i) prevent or adversely affect the use by Sublessee of the Subleased Premises in accordance with the terms of this Sublease, (ii) increase the obligations of Sublessee or decrease the rights of Sublessee under this Sublease,
(iii) shorten the term of this Sublease, or (iv) increase the rental or any other sums required to be paid by Sublessee under this Sublease, without the prior written consent of Sublessee in each case, which may be

granted or withheld in Sublessee's reasonable discretion; provided, however, Sublessee may withhold its consent in its sole discretion if the adverse affect in subpart (i) would be material or the increase, decrease or reduction in subparts (ii)-(iv) would be material or materially adversely affect Sublessee. Sublessee acknowledges that the Master Lease may be modified in accordance with Section 29.4 of the Master Lease, and any such modification

would be incorporated herein. In the event Sublessee makes a request that Sublessee is entitled to make under this Sublessee, which request requires the approval of Master Lessor, Sublessor shall use commercially reasonable efforts to obtain such approval without requiring Sublessor to expend more than a nominal sum unless Sublessee reimburses Sublessor for such expenses.

7. Services under the Master Lease:

A. The parties acknowledge and agree that Sublessee is subleasing the Subleased Premises on an "as is" basis, and that Sublessor has made no representations or warranties with respect to the condition of the Subleased Premises. Sublessor shall have no obligation whatsoever to make or pay the cost of any alterations, improvements or repairs to the Subleased Premises, including, without limitation, any improvement or repair required to comply with any Applicable Law (as defined in the Master Lease), except for the Improvements to the extent set forth in Paragraph 12 herein.

B. Sublessee shall be entitled to receive all of the work, services, repairs, repainting, restoration, the provision of utilities, elevator or HVAC services, or the performance of any other obligations required of Master Lessor under the Master Lease with respect to the Subleased Premises (except to the extent any such obligations were not incorporated by reference below); provided, however, Sublessor's sole obligation with respect thereto shall be to promptly request the same from Master Lessor, as requested in writing by Sublessee and at Sublessee's sole cost and expense. If Master Lessor shall default in any of its obligations to Sublessor with respect to the Subleased Premises, Sublessor shall act in accordance with Paragraph 14.C. herein. Except to the extent Sublessor fails to perform in accordance with Paragraph 14.C., Sublessor shall have no liability for failure to obtain the observance or performance of such obligations by Master Lessor or by reason of any default of Master Lessor under the Master Lease or any failure of Master Lessor to act or grant any consent or approval under the Master Lease, or from any misfeasance or non- feasance of Master Lessor, nor shall the obligations of Sublessee hereunder be excused or abated in any manner by reason thereof, except as expressly provided in this Sublease.

C. Sublessee shall cooperate with Sublessor as may be required to obtain from Master Lessor any such work, services, repairs, repainting, restoration, the provision of utilities, elevator or HVAC services, or the performance of any of Master Lessor's other obligations under the Master Lease. Sublessor agrees to use commercially reasonable efforts to cooperate with Sublessee in establishing a procedure whereby Sublessee may communicate directly with Master Lessor for the purpose of receiving services costing less than Five Thousand Dollars ($5,000) pursuant to this Paragraph 7.C. If Master Lessor refuses to respond to direct communications from Sublessee, then Sublessor agrees, at Sublessee's request, to promptly process Sublessee's request for services, etc. and deliver the same to Master Lessor.

8. Indemnity:

A. Except to the extent caused by the negligence or willful misconduct of Sublessor, its agents, employees, contractors or invitees, Sublessee shall indemnify, defend with counsel reasonably acceptable to Sublessor, protect and hold Sublessor harmless from and against any and all losses, claims, liabilities, damages, costs and expenses (including reasonable attorneys' and experts' fees) (collectively, "Claims"), caused by or arising in connection with: (i) the use, occupancy or condition of the Subleased Premises by Sublessee during the Term; (ii) the negligence or willful misconduct of Sublessee or its employees, contractors, agents or invitees in the Project (as defined in the Master Lease); or (iii) a breach ofSublessee's obligations under this Sublease.Sublessee's indemnification of Sublessor shall survive termination of this Sublease.

B. Except to the extent caused by the negligence or willful misconduct of Sublessee, its agents, employees, contractors or invitees, Sublessor shall indemnify, defend with counsel reasonably acceptable to Sublessee, protect and hold Sublessee harmless from and against any and all Claims caused by or arising in connection with: (i) the negligence or willful misconduct of Sublessor or its employees, contractors, agents or invitees in the Project or (ii) a breach of Sublessor's obligations under this Sublease or the Master Lease (except to the extent due to the act or omission of Sublessee or its agents, employees or contractors or Sublessee's violation of this Sublease). Sublessor's indemnification of Sublessee shall survive termination of this Sublease.

9. Assignment and Subletting:

A. Sublessee may not assign this Sublease, sublet the Subleased Premises, transfer any interest of Sublessee therein or permit any use of the Subleased Premises by another party (collectively, "Transfer"), without the prior written consent of Sublessor, not to be unreasonably withheld, conditioned or delayed, and Master Lessor; provided, however, Sublessor's consent shall not be required for Transfers under Section 14.8 or permitted occupancy under Section 14.9 of the Master Lease, as incorporated herein. Sublessee acknowledges that the Master Lease contains a "recapture" right in Section 14.4 and that Sublessor may withhold consent to a proposed Transfer in its sole discretion unless and until Master Lessor confirms in writing that the recapture right does not apply to the Subleased Premises or otherwise waives such right. Any Transfer shall be subject to the terms of Article 14 of the Master Lease.

B. If Sublessee is not then in default beyond applicable notice and cure periods and has not been in default beyond applicable notice and cure periods more than one (1) time of any term or provision of this Sublease and has not assigned this Sublease or subleased more than three (3) floors of the Subleased Premises or agreed to do so in the future, Sublessee shall have a right of first offer if Sublessor determines to assign the Master Lease to an unaffiliated third party (excluding Sublessor's affiliates or other entities with whom Sublessor has agreed to a merger, reorganization or asset or stock sale) during the Term. If Sublessor intends to enter into such an assignment, Sublessor shall notify Sublessee of the terms on which Sublessor is willing to assign the Master Lease (an "Assignment Notice"). If Sublessee, within seven (7) Business Days after receipt of the Assignment Notice indicates in writing its agreement to assume the Master Lease on the terms stated in the Assignment Notice, then, subject to receipt of Master Lessor's consent, Sublessor shall assign to Sublessee and Sublessee shall assume the Master Lease on the terms stated in the Assignment Notice. If Sublessee does not indicate in writing its agreement to assume the Master Lease on the terms contained in the Assignment Notice within such seven (7) Business Day period, then Sublessor thereafter shall have the right to assign the Master Lease to a third party; provided, however, that if Sublessor seeks to assign the Master Lease to a third party on terms which provide for a decrease of five percent (5%) or more of the economic consideration or are otherwise materially more favorable to such third party than the terms set forth in the Assignment Notice, then Sublessor shall first provide Sublessee with a new Assignment Notice setting forth such new terms and the procedures outlined above shall be followed with respect to such new Assignment Notice. Notwithstanding the foregoing, if Sublessee rejects Sublessor's offer for assignment pursuant to this Paragraph 9.B. and Sublessor does not assign the Master Lease to a third party within six (6) months following Sublessee's receipt of Sublessor's last Assignment Notice, then provided that Term has not expired and this Sublease remains in effect Sublessee shall have the right to request a new Assignment Notice from Sublessor setting forth revised terms and the procedures outlined above shall be followed with respect to such new Assignment Notice.

10. Use: Sublessee may use the Subleased Premises in accordance with Section 5.1 of the Master Lease, as incorporated herein.

11. Delivery and Acceptance: If the Phase I Delivery Date or Phase II Delivery Date do not occur on or before the dates set forth in Paragraph 3 hereof for any reason whatsoever, then this Sublease shall not be

void or voidable, nor shall Sublessor be liable to Sublessee for any loss or damage. By taking possession of the Subleased Premises, Sublessee conclusively shall be deemed to have accepted the Subleased Premises in their as-is, then-existing condition, without any warranty whatsoever of Sublessor with respect thereto.

12. Improvements:

A. No alteration or improvements shall be made to the Subleased Premises, except in accordance with the Master Lease and with the prior written consent of both Master Lessor and Sublessor (except to the extent consent is not required pursuant to Section 8.1 of the Master Lease, as incorporated herein).

B. The parties acknowledge that the Master Lease provides an Improvement Allowance pursuant to the terms of Exhibit B thereto (the "Work Letter") for Sublessor to perform Improvements (as defined in the Work Letter) in the Premises, which Sublessor is obligated under Section 2.1 of the Master Lease to use commercially reasonable efforts to substantially complete in each Phase within three (3) months of the Lease Commencement Date (as defined in the Master Lease) as to such Phase. Sublessor shall have the right to perform the Improvements in the Premises, including portions occupied by Sublessee, provided Sublessor uses commercially reasonable efforts not to unreasonably interfere with Sublessee's use of the Subleased Premises. Sublessee shall cooperate reasonably with Sublessor's construction efforts, which may require Sublessee to temporarily vacate portions of the Subleased Premises; provided, however, that (a) Sublessor shall provide Sublessee with not less than thirty (30) days prior written notice of any need to vacate a portion of the Subleased Premises (such portion being referred to as a "Vacated Area"), (b) Rent hereunder shall be abated on a day for day basis with respect to the Vacated Area (on a pro rata basis) for each day Sublessee is required to vacate, (c) in no event shall a Vacated Area comprise more than fifty percent (50%) of one (1) floor of the Subleased Premises at any given time and (d) in no event shall Sublessee be required to vacate a Vacated Area for more than fourteen (14) consecutive days. On or prior to February 1, 2017, Sublessor shall provide Sublessee with a scope of work which shall set forth Sublessor's proposed Improvements, including any finishes to the Improvements (i.e., paint color and carpet samples) (the "Scope of Work"). On or prior to May 1, 2017, Sublessor shall provide Sublessee with a proposed schedule for completion of the Improvements (the "Schedule") which Schedule shall reflect completion of the Improvements to each floor of the Subleased Premises by the date which is three (3) months following the applicable Delivery Date for a floor as reasonable estimated at the time of delivery of such Schedule. Sublessee shall review the Scope of Work and the Schedule and provide any comments thereto within fifteen (15) days of receipt of each. Sublessee shall not have the right to disapprove the Scope of Work or the Schedule (except to the extent it fails to comply with the requirements set forth above, but to the extent Sublessee identifies to Sublessor any concerns arising out of the same, Sublessor shall reasonably consider the same in good faith and notwithstanding the foregoing, Sublessee shall have the right to reasonably approve the portion of the Scope of Work related to finishes and other cosmetic changes. If Sublessor does not notify Sublessee by the date which is two (2) months prior to the applicable Delivery Date for a floor as reasonable estimated at the time of delivery of such notice that Sublessor does not intend to proceed with the completion of the Improvements, then such failure to so notify shall be deemed Sublessor's affirmative commitment to complete the Improvements in accordance with this Paragraph 14.C. Upon commencement of the Improvements, Sublessor shall use commercially reasonable efforts to substantially complete the

Improvements in accordance with the approved Scope of Work and Schedule. If Sublessor fails to substantially complete any of the Improvements within five (5) months of the Phase I Delivery Date with respect to the Phase I Premises, and within five (5) months of the Phase II Delivery Date with respect to the Phase II Premises (each, a "Phase Outside Date"), the Base Rent for the floor or floors within such phase on which any such Improvements are not substantially completed shall be abated on a day for day basis from the applicable Phase Outside Date until the date on which such Improvements are substantially completed as to such floor. The applicable Phase Outside Date shall be extended by one (1) day for each day of delay resulting from (i) a Force Majeure Delay as defined in Section 5.1 of the Work Letter, (ii) a Landlord Caused Delay as defined in Section 5.1 of the Work Letter or (ii) actual delays to the extent resulting from: (x) the failure of Sublessee to timely approve the finishes and cosmetic changes set forth in the Scope of Work or (y) interference (when judged in accordance with industry custom and practice) by Sublessee or Sublessee's agents, employees or contractors with the substantial completion of the Improvements and which objectively preclude or delay the construction of the Improvements in the Subleased Premises, which interference relates to access by Sublessor, or Sublessor's Contractor (as defined in the Work Letter), subcontractors, laborers, materialmen and suppliers used by Sublessor in connection with the Improvements (collectively, "Sublessor's Agents") to the Subleased Premises. Sublessor shall promptly and diligently proceed to fully complete any punch list items. Sublessee and/or its agents shall receive prior notice of, and shall have the right to attend (or participate telephonically in), most meetings of Sublessor with its architect and contractor with respect to performance and completion of the Improvements. Prior to commencing construction of the Improvements, Sublessor shall provide Sublessee with certificates of insurance which shall evidence Sublessor's and Sublessor's Agents' compliance with the insurance required to be carried by Sublessor and Sublessor's Agents pursuant to Section 4.2.2.4.1 of the Work Letter and the public liability insurance required thereunder shall name Sublessee as an additional insured. Sublessee shall not be liable for payment of any costs or expenses with respect to the Improvements, except to the extent due to the negligence or willful misconduct of Sublessee or its agents, employees or contractors or Sublessee's violation of this Sublease.

C. Sublessor acknowledges and agrees that Sublessor's right to complete Alterations in the Subleased Premises during the Term (as may be extended pursuant to Paragraph 25) is limited to Sublessor's completion of the Improvements as set forth in this Paragraph 12; provided that the foregoing shall not prohibit performance by Sublessor of any maintenance and repair and similar obligations pursuant to the terms of the Master Lease which are not timely performed by Sublessee hereunder.

13. Insurance: Sublessee shall obtain and keep in full force and effect during the Term, at Sublessee's sole cost and expense, the insurance required under Section 10.3, 10.4 and 10.6 of the Master Lease. Sublessee shall name Master Lessor and Sublessor as additional insureds under its liability insurance policy. The release and waiver of subrogation set forth in Section 10.5 of the Master Lease, as incorporated herein, shall be binding on Sublessee and Sublessor.

14. Default; Remedies:

A. Sublessee Default. Sublessee shall be in material default of its obligations under this Sublease if Sublessee commits any act or omission which constitutes an event of default under the Master Lease, as and to the extent incorporated herein, which has not been cured after delivery of written notice and passage of the applicable grace period provided in the Master Lease as and to the extent incorporated herein. In the event of any default by Sublessee, Sublessor shall have all remedies provided pursuant to Sections 19.2-19.4 of the Master Lease and by Applicable Law, except to the extent limited pursuant to this Sublease.

B. Sublessor Default. If Sublessor shall fail to pay any sum of money required to be paid by it under the Master Lease, or shall fail to perform any other act on its part to be performed

thereunder, and such failure could reasonably be expected to adversely impact Sublessee's rights or use of the Subleased Premises and continues for five (5) Business Days after notice thereof by Sublessee, and Sublessor does not provide written notice to Sublessee that it disputes its obligation to perform such obligation (a "Sublessor Objection Notice"), Sublessee may, but shall not be obligated so to do, and without waiving or releasing Sublessor from any obligations of Sublessor, make any such payment or perform any such other act on Sublessor's part to be made or performed as provided in the Master Lease. Notwithstanding the foregoing, Sublessor may only deliver a Sublessor Objection Notice with respect to any Sublessor obligation if Sublessor in good faith believes that Sublessor is not required to perform such obligation, and any Sublessor Objection Notice must set forth with reasonable particularity Sublessor's reasons for its claim either that the applicable action did not need to be taken by Sublessor pursuant to this Sublease or the Master Lease or that Sublessee is not entitled to take such action on Sublessor's behalf. If Sublessor delivers a Sublessor Objection Notice, Sublessee shall be entitled to seek equitable relief in any court of competent jurisdiction. Sublessor shall reimburse Sublessee for all reasonable costs incurred in connection with such payment or performance within thirty (30) days following demand. If not paid within ten (10) days following Sublessee's delivery of written notice that such amounts are past due, Sublessee may offset unpaid amounts against future payments of Base Rent.

C. Master Lessor Default. If Master Lessor shall fail to perform an obligation with respect to the Subleased Premises which Master Lessor is required by the Master Lease to perform (any such failure, a "Master Lessor Default"), then, provided Sublessee is not then in default hereunder (or at such time that Sublessee shall have cured such default), Sublessor shall, within three (3) Business Days after receipt of Sublessee's written request specifying the nature of the Master Lessor Default (Sublessor agreeing that it shall use commercially reasonable efforts to act earlier than three (3) Business Days in the event of an Emergency Situation (as defined in Section 19.6 of the Master Lease) if requested by Sublessee), make demand upon Master Lessor to remedy such Master Lessor Default and thereafter, upon Sublessee's written request, use commercially reasonably efforts to cause Master Lessor to perform (without requiring Sublessor to expend more than a nominal sum unless Sublessee reimburses Sublessor for such expenses). If, following Sublessor's demand upon Master Lessor to remedy a Master Lessor Default pursuant to this Paragraph 14.C, Master Lessor fails to timely act or refuses to remedy such Master Lessor Default, Sublessor may elect to cure such Master Lessor Default and shall provide notice to Sublessee of such election. If neither Sublessor nor Master Lessor commences an action to cure a Master Lessor Default involving a failure to perform Emergency Repairs (as defined in Section 19.6 of the Master Lease) within the applicable timeframe set forth in the Master Lease following Sublessor's receipt of Sublessee's written request therefore (i.e., two (2) Business Days with respect to an Emergency Situation or twenty (20) Business Days with respect to Adverse Conditions (as defined in Section 19.6 of the Master Lease)), plus two (2) business days for Sublessor to send notice to Master Lessor and/or commence the cure itself, or, to the extent either Sublessor or Master Lessor commences Emergency Repairs within such time period but fails to thereafter diligently pursue such Emergency Repairs to completion, and Sublessee is then subleasing hereunder one hundred percent (100%) of the office space in the Building then Sublessee, upon providing Sublessor, as to an Emergency Situation, with such prior written notice, as is reasonable under the circumstances or as to an Adverse Condition, with twenty (20) Business Days' prior notice (which notice shall clearly indicate that Sublessee intends to take steps necessary to remedy the event giving rise to the Emergency Situation or Adverse Condition in question), plus two (2) business days for Sublessor to send notice to Master Lessor and/or commence the cure itself, may perform such Emergency Repairs at Sublessor's expense; provided, however, that in no event shall Sublessee undertake any actions which will or are reasonably likely to materially and adversely affect
(A) the Building Structure (as defined in the Master Lease), (B) any Building Systems (as defined in the Master Lease), or (C) the exterior appearance of the Building. If Sublessee exercises its right to perform Emergency

Repairs on Master Lessor's or Sublessor's behalf, as provided above, then upon receipt of such amounts from Master Lessor (which Sublessor shall use commercially reasonable efforts to receive, without

requiring Sublessor to expend more than a nominal sum unless Sublessee reimburses Sublessor for such expenses), Sublessor shall reimburse the actual out-of-pocket reasonable cost thereof within thirty (30) days following Sublessee's delivery of: (i) a written notice describing in reasonable detail the action taken by Sublessee, and (ii) reasonably satisfactory evidence of the cost of such remedy. Sublessor shall, within thirty
(30) days, plus two (2) business days for Sublessor to send notice to Master Lessor, following Sublessee's written request for reimbursement of the costs of the Emergency Repairs notify Sublessee of whether Sublessor reasonably and in good faith and/or Master Lessor asserts (1) that Sublessee did not perform the Emergency Repairs in the manner permitted by this Sublease or the Master Lease, (2) that the amount Sublessee requests be reimbursed for performance of the Emergency Repairs is incorrect or excessive, or (3) that Master Lessor was not obligated under the terms of the Master Lease to make all or a portion of the Emergency Repairs ("Sublessor's Set-Off Notice"). For the avoidance of doubt, Sublessor's obligation to reimburse Sublessee and Sublessee's right to offset against rent as provided herein are each contingent upon Sublessor's ability to secure reimbursement and offset rent, as applicable, from Master Lessor pursuant to Section 19.6 of the Master Lease. If Sublessor delivers a Sublessor's Set-Off Notice to Sublessee, then Sublessee shall not be entitled to such deduction from Rent (provided, if Sublessor contends the amount spent by Sublessee in making such repairs is excessive and does not otherwise object to Sublessee's actions pursuant to this Paragraph 14.C, then Sublessor shall pay to Sublessee the amount it contends would not have been excessive); provided that Sublessee may proceed to claim a default by Sublessor under this Sublease for any amount not paid by Sublessor. Any final award in favor of Sublessee for any such default, which is not subject to appeal, from a court or arbitrator in favor of Sublessee, which is not paid by Sublessor within the time period directed by such award (together with interest at the Interest Rate from the date Sublessor was required to pay such amount until such offset occurs), may be offset by Sublessee from Rent next due and payable under this Sublease; provided, however Sublessee may not deduct more than Sublessor is entitled to deduct under the Master Lease. In any case, in the event any Emergency Repairs are not accomplished by Master Lessor or Sublessor within a two (2) Business Day period with respect to an Emergency Situation or twenty (20) Business Day period with respect to Adverse Conditions following Sublessor's receipt of Sublessee's written notice of such Emergency Situation or Adverse Condition, plus two (2) business days, despite Sublessor's diligent efforts to make such Emergency Repairs or cause Master Lessor to make such Emergency Repairs pursuant to this Paragraph 14.C, Sublessor, within three (3) Business Days following Sublessee's written request therefore, shall use commercially reasonable efforts to provide to Sublessee a schedule determined by Sublessor and Master Lessor in good faith setting forth the basic steps Master Lessor proposes to be taken to effect the Emergency Repairs in a commercially reasonable time frame given the specifics of the Emergency Repairs required and the times when such work is proposed to be done and thereafter Sublessor shall use commercially reasonable efforts to cause Master Lessor to complete such Emergency Repairs within the time schedule so provided (in each case without requiring Sublessor to expend more than a nominal sum unless Sublessee pays such amount). If Sublessee undertakes any action pursuant to this Paragraph 14.C, Sublessee shall (a) proceed in accordance with all Applicable Laws (as defined in the Master Lease); (b) retain to effect such actions only such reputable contractors and suppliers as are duly licensed in the City of San Francisco and are listed on the most recent list furnished to Sublessee of Master Lessor's approved contractors for the Building and are insured in accordance with the provisions of Article 10 of the Master Lease; (c) effect such repair or perform such other actions in a good and workmanlike and commercially reasonable manner; (d) use new or like new materials; (e) take reasonable efforts to minimize any material interference or impact on the other tenants and occupants of the Project, and (f) otherwise comply with all applicable requirements set forth in Article 8 of the Master Lease. Notwithstanding anything in this Paragraph 14.C to the contrary, the foregoing self-help right (i) shall not apply in the event of any fire or casualty at the Project, it being acknowledged and agreed that Article 11 of the Master Lease shall govern with respect to any such fire or casualty event, (ii) shall

not apply in the event of any condemnation, it being acknowledged and agreed that Article 13 of the Master Lease shall govern with respect to any such

condemnation, and (iii) shall not permit Sublessee to access any other tenant's or occupant's space at the Project.

15. Surrender: Upon expiration of the Term or earlier termination of this Sublease, Sublessee shall surrender the Subleased Premises in the condition required under Section 15.2 of the Master Lease, as incorporated herein; provided, however, that Sublessee shall not be required to remove (i) any Alterations or other improvements to the Subleased Premises existing in the Subleased Premises as of the Commencement Date other than Specialty Alterations Sublessee installs after the Execution Date that Master Lessor or Sublessor require to be removed upon expiration of the Term or (ii) any Improvements. Sublessor agrees to use commercially reasonable efforts (without requiring Sublessor to expend more than a nominal sum unless Sublessee reimburses Sublessor for such expenses) at Sublessee's request to obtain a determination from Master Lessor at the time Master Lessor's consent to such Specialty Alterations is obtained that restoration shall not be required. If the Subleased Premises are not so surrendered, then Sublessee shall be liable to Sublessor for all costs incurred by Sublessor in returning the Subleased Premises to the required condition.

16. Broker: Sublessor and Sublessee each represent to the other that they have dealt with no real estate brokers, finders, agents or salesmen other than CBRE (the "Broker"), representing Sublessor, in connection with this transaction. Each party agrees to hold the other party harmless from and against all claims for brokerage commissions, finder's fees or other compensation made by any agent, broker, salesman or finder other than the Broker as a consequence of such party's actions or dealings with such agent, broker, salesman, or finder.

17. Notices:

A. Notices under Sublease. Unless at least five (5) Business Days' prior written notice is given in the manner set forth in this paragraph, the address of each party for all purposes connected with this Sublease shall be that address set forth below its signature at the end of this Sublease. All notices, demands or communications in connection with this Sublease shall be (a) personally delivered; or (b) properly addressed and (i) submitted to an overnight courier service, charges prepaid, or (ii) deposited in the mail (certified, return receipt requested, and postage prepaid). Notices shall be deemed delivered upon receipt, if personally delivered, one (1) Business Day after being submitted to an overnight courier service and three (3) Business Days after mailing, if mailed as set forth above. All notices given to Master Lessor under the Master Lease shall be considered received only when delivered in accordance with the Master Lease.

B. Notices under Master Lease. Sublessor shall deliver to Sublessee copies of all written notices and other communications that Sublessor shall receive from Master Lessor which are related to and affect the occupancy of the Subleased Premises, within three (3) Business Days following Sublessor's receipt of any such notice from Master Lessor. Sublessor shall deliver to Sublessee copies of all written notices and other communications that Sublessor shall send to Master Lessor relating to any Master Lessor default under the Master Lease or any exercise by Sublessor of any of Sublessor's rights under the Master Lease within three (3) Business Days following Sublessor's delivery to Master Lessor of any such notice.

18. Miscellaneous: Sublessor has not had an inspection of the Premises performed by a Certified Access Specialist as described in California Civil Code § 1938.

19. Other Sublease Terms:

A. Incorporation by Reference. Except as set forth below, the terms and conditions of this Sublease shall include all of the terms of the Master Lease and such terms are incorporated into this

Sublease as if fully set forth herein, except that: (i) each reference in such incorporated sections to "Lease" shall be deemed a reference to "Sublease"; (ii) each reference to the "Premises" and "Base Rent" shall be deemed a reference to the "Subleased Premises" and Base Rent under this Sublease, respectively; (iii) each reference to "Landlord" and "Tenant" shall be deemed a reference to "Sublessor" and "Sublessee", respectively, except as otherwise expressly set forth herein; (iv) with respect to work, services, repairs, restoration, insurance, indemnities, representations, warranties or the performance of any other obligation of Master Lessor under the Master Lease, the sole obligation of Sublessor shall be as set forth in Paragraph 14.C above; (v) with respect to any obligation of Sublessee to be performed under this Sublease or the exercise of any right by Sublessee, wherever the Master Lease grants to Sublessor a specified number of days to perform its obligations or exercise its right under the Master Lease, except as otherwise provided herein, Sublessee shall have three (3) fewer days to perform the obligation or exercise the right, including, without limitation, curing any defaults, except for the payment of Rent and cure periods for monetary default in which case Sublessee shall have the same amount of days to perform such obligations; (vi) with respect to any approval required to be obtained from the "Landlord" under the Master Lease, except to the extent expressly set forth herein, if at all, such consent must be obtained from both Master Lessor and Sublessor, and the approval of Sublessor may be withheld if Master Lessor's consent is not obtained, provided, however, that Sublessor shall use commercially reasonable efforts to obtain such consent from Master Lessor (without requiring Sublessor to expend more than a nominal sum unless Sublessee reimburses Sublessor for such expenses);

(vii) in any case where the "Landlord" reserves or is granted the right to manage, supervise, control, repair, alter, regulate the use of, enter or use the Premises or any areas beneath, above or adjacent thereto, perform any actions or cure any failures, such reservation or right shall be deemed to be for the benefit of both Master Lessor and Sublessor; (viii) in any case where "Tenant" is to indemnify, release or waive claims against "Landlord", such indemnity, release or waiver shall be deemed to run from Sublessee to both Master Lessor and Sublessor; (ix) all payments shall be made to Sublessor; (x) Sublessee shall pay all consent and review fees set forth in the Master Lease to each of Master Lessor and Sublessor, except for any consent and review fees associated with the Master Lessor Consent which shall be the sole obligation of Sublessor; and (xi) all references to the Work Letter and Improvement Allowance shall be deleted.

The following provisions of the Master Lease shall not be incorporated herein: Sections 3, 4, 8, 10 and 12 of the Summary of Basic Lease Information, Sections 2.1 (the second – fourth sentences), 2.2, 2.3, 2.4, 3.1, 3.2, 4.6, 18 (after the first sentence), 19.1.1(ii), 19.6, 21.7, 23.3, 23.5, 29.4, 29.5, 29.13 (the first two
sentences), 29.18, 29.19, 29.24, 29.38 (except the second sentence) and 29.40 (starting with the word "including") and Exhibits B, C, G and I. Notwithstanding subpart (iii) above, (a) references in the following provisions to "Landlord" shall mean Master Lessor only: Section 11 of the Summary of Basic Lease Information and Sections 1.1.3, 1.3, 4.2.3, 4.2.4, 4.2.5.4, 4.4.2 (the last sentence), 5.3.1 (the sixth sentence),
6.1 (except the second sentence of Section 6.1.9), 6.4 (the third and fourth sentences), 7 (the first sentence),
8.2 (the third and fifth sentence), 10.6,10.7, 11.1 (except the first and the second-to-last sentences), 11.2 (the first sentence), 13 (the first paragraph), 19.5.2, 23.7, 24.2, 28 (the second reference in the second sentence and the sixth sentence) and 29.26; and (b) references in the following provisions to "Landlord" shall mean Master Lessor and Sublessor: Sections 4.5.1, 4.5.2, 8.4, 8.5, 10.4 and 29.7.

B. Assumption of Obligations. This Sublease is and at all times shall be subject and subordinate to the Master Lease and the rights of Master Lessor thereunder. Sublessee hereby expressly agrees: (i) to comply with all provisions of the Master Lease binding on Sublessor as tenant thereunder which are incorporated herein except due to Sublessor's acts or omissions; and (ii) to perform all the obligations on the

part of the "Tenant" to be performed under the terms of the Master Lease during the Term of this Sublease which are incorporated herein. Sublessor hereby expressly agrees: (a) to comply with all provisions of the Master Lease binding on Sublessor as tenant thereunder, except to the extent due to Sublessee's acts or omissions; and (b) to perform all the obligations on the part of the "Landlord" to be performed under the

terms of the Master Lease during the Term of this Sublease to the extent incorporated herein. In the event the Master Lease is terminated for any reason whatsoever, this Sublease shall terminate simultaneously. In the event of a conflict between the provisions of this Sublease and the Master Lease, as between Sublessor and Sublessee, the provisions of this Sublease shall control. In the event of a conflict between the express provisions of this Sublease and the provisions of the Master Lease, as incorporated herein, the express provisions of this Sublease shall prevail.

20. Conditions Precedent: This Sublease and Sublessor's and Sublessee's obligations hereunder are conditioned upon the written consent of Master Lessor. Sublessor shall use commercially reasonably efforts (without requiring Sublessor to expend more than a nominal sum unless Sublessee reimburses Sublessor for such expenses) to obtain Master Lessor's consent (the "Master Lessor Consent") within thirty (30) days after the Execution Date and shall keep Sublessee apprised of the status of Sublessor's efforts to procure the Master Lessor Consent. If Sublessor fails to obtain the Master Lessor Consent in such thirty (30) day period, then Sublessor or Sublessee may terminate this Sublease by giving the other party written notice thereof prior to the date Sublessor delivers the Master Lessor Consent to Sublessee. The form of the Master Lessor Consent shall be prepared by Sublessor or Master Lessor and subject to Sublessee's and Sublessor's reasonable approval. It shall be deemed reasonable for Sublessee to disapprove of the form of the Master Lessor Consent if it does not include, without limitation, (i) a right for Sublessee to occupy the Subleased Premises in the event that the Master Lease is terminated due to the default of Sublessor prior to the end of the Term for a period of at least ninety (90) days following such termination; (ii) an agreement from Master Lessor to concurrently provide Sublessee with copies of any notices of default delivered to Sublessor under the Master Lease; (iii) Master Lessor's acknowledgment that Sublessee may, at Sublessee's option, cure any defaults of Sublessor under the Master Lease; (iv) a waiver of subrogation from Master Lessor in favor of Sublessee; and (v) an agreement by Master Lessor that in the event the Phase I Delivery Date is delayed beyond the expiration of Subtenant's current sublease for premises located on floors 2-5 of the Building (the "Existing Okta Sublease" and such premises, the "Existing Okta Premises") as a result of a holdover by the current floor six (6) tenant or subtenant, Master Lessor will allow Subtenant to continue to occupy the Existing Okta Premises on a direct lease basis on substantially the same economic terms and conditions of the Existing Okta Sublease until such time as the Phase I Delivery Date shall occur.

21. Termination; Recapture: Notwithstanding anything to the contrary herein, Sublessee acknowledges that, under the Master Lease, both Master Lessor and Sublessor have certain express termination and recapture rights, including, without limitation, in Articles 11, 13 and 14. Nothing herein shall prohibit Master Lessor or Sublessor from exercising any such express rights and neither Master Lessor nor Sublessor shall have any liability to Sublessee as a result thereof. Notwithstanding the foregoing, Sublessor shall be entitled to exercise its express termination rights in Articles 11 and 13 of the Master Lease during the final year of the Term, as may be extended by an Extension Period pursuant to Paragraph 25; provided, however, that if more than ten (10) months remain in the Term and Sublessee has not yet exercised the Extension Option pursuant to Paragraph 25, then within ten (10) days following Sublessee's receipt of notice from Sublessor that Sublessor intends to exercise its termination rights under Article 11 or 13 of the Master Lease, Sublessee shall have the right to exercise the Extension Option and upon such exercise, Sublessor may not terminate the Master Lease with respect to the casualty or condemnation which was the basis of such termination right. In the event Master Lessor or Sublessor exercise any such express termination or recapture rights, this Sublease shall terminate without any liability to Master Lessor or Sublessor.

22. Right of First Offer: If Sublessee properly exercises the Extension Option pursuant to Paragraph 25 and (a) the Term is extended through the Extension Period or (b) the Extension Option is voided pursuant to Paragraph 25 and the Term is not extended through the Extension Period, and Sublessee is

not then in default beyond applicable notice and cure periods and has not been in default beyond applicable notice and cure periods more than one (1) time of any term or provision of this Sublease and has not assigned this Sublease or subleased more than three (3) floors of the Subleased Premises or agreed to do so in the future, Sublessee shall have a one time right of first offer as to any of the Premises that Sublessor determines to sublease to an unaffiliated third party (excluding Sublessor's affiliates or other entities with whom Sublessor has agreed to a merger, reorganization or asset or stock sale) for occupancy within two (2) months following the expiration of the Term. If Sublessor intends to enter into such a sublease, Sublessor shall provide written notice to Sublessee (a "ROFO Notice") of the terms on which Sublessor is willing to lease such portion of the Premises (the "Expansion Space"). If Sublessee, within seven (7) Business Days after receipt of the ROFO Notice indicates in writing its agreement to sublease the Expansion Space on the terms stated in the ROFO Notice, then, subject to receipt of Master Lessor's consent, Sublessor shall sublease to Sublessee and Sublessee shall sublease from Sublessor the Expansion Space on the terms stated in the ROFO Notice. If Sublessee does not indicate in writing its agreement to sublease the Expansion Space on the terms contained in the ROFO Notice within such seven (7) Business Day period, then Sublessor thereafter shall have the right to sublease the Expansion Space to a third party; provided, however, that if Sublessor seeks to sublease the Expansion Space to a third party on terms which are materially more favorable to such third party than the terms set forth in the ROFO Notice, then Sublessor shall first provide Sublessee with a new ROFO Notice setting forth such new terms and the procedures outlined above shall be followed with respect to such new ROFO Notice (except that the seven (7) Business Day period to respond to the new ROFO Notice shall be reduced to five (5) Business Days). Notwithstanding the foregoing, if Sublessee rejects Sublessor's offer for sublease pursuant to this Paragraph 22 and Sublessor does not sublease the Expansion Premises to a third party within the six (6) months following Sublessee's receipt of Sublessor's last ROFO Notice, then Sublessee shall have the right to request a new ROFO Notice from Sublessor setting forth revised terms and the procedures outlined above shall be followed with respect to such new ROFO Notice. If Sublessee agrees to sublease the Expansion Space pursuant to this Paragraph 22, then following Sublessor's receipt of such acceptance, Sublessor and Sublessee shall enter into an amendment to extend this Sublease as to the Expansion Space on substantially the same as the terms of this Sublease with modifications as necessary to reflect the terms of the ROFO Notice (including, without limitation, the applicable rental terms) and multi-tenant occupancy of the Building.

23. Superior Right Holders: Sublessee acknowledges that, (a) Section 2.4.1 of the Master Lease states that the Master Lease is subject to termination in its entirety upon Sublessor's receipt of a "Phase I Termination Notice" and (b) Section 2.4.2 of the Master Lease states that the Premises under the Master Lease is subject to reduction by eliminating the Phase II Premises upon Sublessor's receipt of a "Phase II Reduction Notice". Promptly upon Sublessor's receipt of either of such notices, Sublessor shall deliver a copy thereof to Sublessee. Upon Sublessor's delivery of the Phase I Termination Notice, this Sublease shall terminate and Sublessor shall return to Sublessee its payment of the first month's Rent paid by Sublessee pursuant to Paragraph 4 hereof and the Security Deposit. Upon Sublessor's delivery of the Phase II Reduction Notice, this Sublease will continue, except that all references to the Phase II Premises shall be eliminated and the amounts of the rent during the extension term, the Security Deposit and prepaid rent shall be proportionately reduced (and the amount of reduction in the Security Deposit and prepaid rent shall be refunded promptly to Sublessee). Sublessee shall within ten (10) days execute an amendment to this Sublease reasonably prepared by Sublessor to reflect the elimination of the Phase II Premises.

24. Early Termination of Master Lease: If any damage or destruction or condemnation of the Subleased Premises occurs during the Term, Sublessee shall have the right to terminate this Sublease within the time periods set forth in Articles 11 and 13 of the Master Lease, as incorporated herein. Sublessor shall promptly (in no event later than five (5) Business Days following receipt thereof) forward any communication from Master Lessor with respect to any damage or destruction or condemnation of the

Subleased Premises. If this Sublease is not so terminated, Sublessor agrees to use its commercially reasonable efforts to cause the Master Lessor to perform and complete its obligations under the Master Lease (without requiring Sublessor to expend more than a nominal sum unless Sublessee reimburses Sublessor for such expenses). If Sublessor is entitled under Articles 11 or 13 to receive any abatement or reduction of Rent, then Sublessee shall receive the same abatement or reduction of Rent, to the extent Sublessor actually receives such abatement from Master Lessor.

25. Conditional Option to Extend: If Sublessee is not then in default beyond all applicable notice and cure periods and has not been in default beyond applicable notice and cure periods more than one
(1) time of any term or provision of this Sublease and has not assigned this Sublease or subleased more than three (3) floors of the Subleased Premises or agreed to do so in the future, Sublessee shall have one (1) conditional option (the "Extension Option") to extend the Term with respect to the entirety of the Subleased Premises for an additional period of one (1) year commencing when the initial Term expires (the "Extension Period"), solely in accordance with the terms of this section. Sublessee shall exercise the Extension Option, if at all, by written notice of exercise delivered to Sublessor not less than ten (10) months nor more than twelve (12) months prior to the expiration of the initial Term (the “Extension Notice”). Upon receipt of the Extension Notice, Sublessor shall have the right, within thirty (30) days after receipt of the Extension Notice, to deliver written notice to Sublessee (the “Extension Response Notice”) that Sublessor has determined to use at least one (1) full floor of the Subleased Premises for Sublessor’s or its affiliates’ use, commencing within six (6) months following the expiration of the initial Term, in which case Sublessee’s Extension Option shall be void and this Sublease shall expire at the expiration of the initial Term and Sublessee shall have no further Extension Option. If Sublessor fails to respond to Sublessee’s Extension Notice within the thirty (30) day period set forth herein, such failure to respond shall be a deemed acceptance of Sublessee’s Extension Option. If Sublessee exercises its Extension Option in accordance with this Paragraph 25 and if Sublessor does not void Sublessee’ exercise of the option, Sublessee shall accept the Subleased Premises on an "AS-IS" basis and the extension shall be on the same terms and conditions as this Sublease, except as to the amount of Base Rent and that there shall be no further Extension Option. If Sublessee is in default as to which Sublessor has delivered a default notice under any of the terms, covenants or conditions of this Sublease, either at the time Sublessee exercises the Extension Option or at any time thereafter prior to or upon the commencement date of the Extension Period, Sublessor shall have, in addition to all of Sublessor’s other rights and remedies, the right to terminate the Extension Option upon written notice to Sublessee. If the Extension Option is exercised in a valid and timely fashion and not voided or terminated as set forth above, the Term shall be extended for the term of the Extension Period upon all of the terms and conditions of this Sublease, except that the Base Rent for the Extension Period shall be Five Hundred Seventy-One Thousand Two Hundred Ten and 84/100 Dollars ($571,210.84) per month.

26. Representations and Warranties:

A. Sublessor hereby represents and warrants to Sublessee that as of the Execution Date: (i) the Master Lease attached hereto as Exhibit A is the complete and accurate lease between Sublessor and Master Lessor and is in full force and effect, and there are no verbal or other agreements between Master Lessor and Sublessor which modify or affect the use or occupancy of the Building; (ii) neither Sublessor nor, to Sublessor’s knowledge, Master Lessor is in default beyond any applicable notice and cure periods under the Master Lease, and no event has occurred or is continuing which would constitute a default under the

Master Lease but for the requirement of the giving of notice and/or the expiration of the period of time to cure by Sublessor or, to Sublessor's knowledge, Master Lessor; (iii) Sublessor has not assigned, sublet, delegated, granted a security interest in or encumbered in any way whatsoever its rights, duties or interests in the Master Lease; (iv) Sublessor is a duly formed and existing entity qualified to do business in California;
(v) Sublessor has the full right and authority to execute and deliver this Sublease; (vi) each person signing on

behalf of Sublessor is authorized to do so; and (vii) Sublessor is not entering into this Sublease, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering.

B. Sublessor hereby represents and warrants to Sublessee that as of the Execution Date to Sublessor's knowledge neither (a) Sublessor nor any of its officers, directors or managers, or (b) any of Sublessor's affiliates, nor any of their respective members, partners, other equity holders, officers, directors or managers is, nor prior to or during the Term, will they become a person or entity with whom U.S. persons or entities are restricted from doing business under (1) the USA Patriot Act of 2001, 107 Public Law 56 (October 26, 2001) (the "Patriot Act") and all other statutes, orders, rules and regulations of the U.S. government and its various executive departments, agencies and offices interpreting and implementing the Patriot Act, (2) any other requirements contained in the rules and regulations of the Office of Foreign Assets Control, Department of the Treasury ("OFAC") (including any "blocked" person or entity listed in the Annex to Executive Order Nos. 12947, 13099 and 13224 and any modifications thereto or thereof or any other person or entity named on OFAC's Specially Designated Blocked Persons List) or (3) any other U.S. statute, Executive Order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or other governmental action.

C. Sublessee hereby represents and warrants to Sublessor that as of the Execution Date to Sublessee's knowledge neither (a) Sublessee nor any of its officers, directors or managers, or (b) any of Sublessee's affiliates, nor any of their respective members, partners, other equity holders, officers, directors or managers is, nor prior to or during the Term, will they become a person or entity with whom U.S. persons or entities are restricted from doing business under (1) the Patriot Act and all other statutes, orders, rules and regulations of the U.S. government and its various executive departments, agencies and offices interpreting and implementing the Patriot Act, (2) any other requirements contained in the rules and regulations of the OFAC (including any "blocked" person or entity listed in the Annex to Executive Order Nos. 12947, 13099 and 13224 and any modifications thereto or thereof or any other person or entity named on OFAC's Specially Designated Blocked Persons List) or (3) any other U.S. statute, Executive Order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or other governmental action.

27. Square Footage and Suble ss ee ' s Share as Between Phases: Sublessee acknowledges that the square footage of the Phases and the related percentages in Sections 2.2 and 6 of the Summary of Basic Lease Information in the Master Lease (which square footage amounts are repeated in Paragraph 1 of this Sublease and which amounts and percentages are incorporated into this Sublease) do not correspond and that Master Lessor and Sublessor may reasonably elect to adjust the allocation of the rentable square footage and/or Tenant's Share under the Master Lease between the Phases (without increasing the total square footage of the Phases in the aggregate). In such event, upon delivery of notice by Sublessor to Sublessee, the rentable square footage under Paragraph 1, Sublessee's Share and related rental amounts under this Sublease shall be correspondingly adjusted to reflect the adjusted amounts.

28. Miscellaneous: Time is of the essence of this Sublease. Sublessor's obligation under this Sublease to use commercially reasonable efforts shall not require Sublessor to engage in litigation unless other similarly situated tenants in the area would typically engage in litigation in such a circumstance with respect to premises that are not subject to a sublease. As used herein, the term "Business Day" shall mean Monday through Friday (except public holidays in the State of California). If any act under this Sublease is required to be performed on a day which is not a Business Day, such act shall be performed on the next Business Day.

IN WITNESS WHEREOF, the parties have executed this Sublease as of the day and year first above written.

SUBLESSOR: SUBLESSEE:

DROPBOX, INC., a Delaware corporation OKTA, INC., a Delaware corporation

By: /s/ Vanessa Wittman
Name: Vanessa Wittman
Its: CFO

By: /s/ William E. Losch
Name: William E. Losch
Its: CFO

Dropbox, Inc.
333 Brannan Street
San Francisco, CA 94107

Okta, Inc.
301 Brannan Street
San Francisco, CA 94107
Attn: Head of Real Estate and Office Team
Attn: Armen Vartanian

and

and

Dropbox, Inc.
333 Brannan Street
San Francisco, CA, 94107
Attn: General Counsel

Okta, Inc.
301 Brannan Street
San Francisco, CA 94107
Attn: General Counsel

and

and

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304-1050
Attn: Real Estate Department/SPR

Paul Hastings LLP
55 Second Street
Twenty-Fourth Floor
San Francisco, CA 94105
Attn: Stephen I. Berkman

EXHIBIT A

MASTER LEASE

EXHIBIT B

WIRE TRANSFER INSTRUCTIONS

[Redacted]

FIRST AMENDMENT TO OFFICE LEASE

This FIRST AMENDMENT TO OFFICE LEASE ("**First Amendment**") is made and entered into as of the 9th day of September, 2016 (the "**Effective Date**"), by and between KILROY REALTY, L.P., a Delaware limited partnership ("**Landlord**"), and DROPBOX, INC., a Delaware corporation ("**Tenant**").

RECITALS:

A. Landlord and Tenant entered into that certain Office Lease dated July 17, 2015 (the "**Lease**"), whereby Landlord leased to Tenant and Tenant leased from Landlord 82,834 rentable square feet of space in the aggregate (the "**Premises**"), comprising the entirety of that certain building (the "**Building**") located at 301 Brannan Street, San Francisco, California. The Premises consist of (i) the Phase I Premises, comprising the entirety of the second (2nd), third (3rd), fourth (4th), fifth (5th), and sixth (6th) floors of the Building, and (ii) the Phase II Premises, comprising the entirety of the first (1st) floor of the Building.

B. Pursuant to the terms of that certain Sublease dated as of July 11, 2016 (the "**Original Sublease**"), as amended by that certain First Amendment to Sublease, dated as of August 11, 2016 (the "**First Amendment to Sublease**"), by and between Tenant, as sublandlord, and OKTA, Inc., a Delaware corporation ("**Subtenant**"), as subtenant, Tenant agreed to sublease the entire Premises to Subtenant. Concurrently with the consummation of this First Amendment by Landlord and Tenant, Tenant and Subtenant are entering into that certain Second Amendment to Sublease, dated as of September 9, 2016 (the "**Second Amendment to Sublease**"). The Original Sublease, First Amendment to Sublease, and Second Amendment to Sublease shall collectively be referred to herein as the "**Sublease**". In addition, concurrently with the consummation of this First Amendment by Landlord and Tenant, Landlord is consummating that certain Consent to Sublease dated as of the Effective Date (the "**Consent to Sublease**"), with Tenant and Subtenant, which provides, among other terms, for Landlord's consent to the Sublease.

C. Landlord and Tenant acknowledge that Subtenant is currently occupying, for purposes of conducting its business, a portion of the Phase I Premises, consisting of the entirety of the second (2nd), third (3rd), fourth (4th), and fifth (5th) floors of the Building ("**Floors 2-5**"), pursuant to an existing sublease with an existing third-party tenant (the "**Prior Sublease**"). The lease between Landlord and such third-party tenant (the "**Existing Floors 2-5 Tenant**") for Floors 2-5 (the "**Existing Floors 2-5 Lease**") expires on June 30, 2017, and the Prior Sublease also expires on June 30, 2017.

D. Landlord and Tenant further acknowledge that the remaining portion of the Phase I Premises, consisting of the entirety of the sixth (6th) floor of the Building ("**Floor 6**"), is currently leased by another existing third-party tenant (i.e., Free Stream Media Corp.). The lease between Landlord and Free Stream Media Corp. for Floor 6 expires on June 30, 2017.

E. Landlord and Tenant acknowledge and agree that the Phase I Lease Commencement Date is, in part, conditioned upon Landlord's delivery of the entirety of the Phase I Premises to Tenant.

F. By this First Amendment, Landlord and Tenant desire to modify the Phase I Lease Commencement Date and to otherwise amend the Lease as provided herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Terms**. All capitalized terms when used herein shall have the same respective meanings as are given such terms in the Lease unless expressly provided otherwise in this First Amendment.

2. Lease Commencement Date.

2.1 **Phase I Lease Commencement Date**. The following is hereby added following the first (1st) paragraph of Section 3.2 of the Summary:

"Notwithstanding the foregoing, in the event that Landlord is unable to deliver possession of Floor 6 together with and at the same time as Floors 2-5 (whether July 1, 2017, or otherwise), then the parties agree that (a) the Phase I Lease Commencement Date with respect to Floors 2-5 shall be a different date from the Phase I Lease Commencement Date with respect to Floor 6, and in such event, all references to the 'Phase I Lease Commencement Date' in the Lease shall mean the Phase I Lease Commencement Date with respect to Floors 2-5 or the Phase I Lease Commencement Date with respect to Floor 6, as the context requires, and (b) the 'Phase I Premises' shall mean the portion of the Premises on Floors 2-5 from and after the Phase I Lease Commencement Date with respect to Floors 2-5, and the entirety of the Phase I Premises on Floors 2-5 and Floor 6 from and after the Phase I Lease Commencement Date with respect to Floor 6; provided, however, that Landlord may not under any circumstances deliver possession of Floor 6 prior to Landlord's delivery of Floors 2-5 (or the deemed delivery of Floors 2-5 pursuant to Section 2.2 of the First Amendment)."

2.2 **Floors 2-5**. In connection with Recital C, above, in the event that Subtenant is in possession of any portion of Floors 2-5 or Subtenant continues to have a right to possession of any portion of Floors 2-5 under the Prior Sublease as of June 30, 2017, and provided that the Existing Floors 2-5 Tenant is not itself in physical possession of any portion of Floors 2-5 as a holdover under the Existing Floors 2-5 Lease as of July 1, 2017, then without any action on Landlord's part, Landlord shall automatically be deemed to have delivered possession of Floors 2- 5 to Tenant as of July 1, 2017, and the Phase I Lease Commencement Date with respect to Floors 2-5 shall be deemed to have occurred on July 1, 2017 (notwithstanding Subtenant's possession, as holdover or otherwise, of any portion of Floors 2-5 as of July 1, 2017); provided, however, that notwithstanding any such deemed delivery of Floors 2-5, the terms of Section 1.3 of the Lease shall apply with respect to the condition of the Building Systems serving Floors 2-5.

2.3 **Floor 6**. In connection with Recital D, above, in the event that Landlord is unable to deliver possession of Floor 6 to Tenant together with and at the same time as Floors 2-5 (whether on July 1, 2017, or otherwise), then notwithstanding any contrary provision of the Lease, the Phase I Lease Commencement Date with respect to Floor 6 shall be deemed to be the date that Landlord delivers possession of Floor 6 to Tenant in the condition required under Section 1.3 of the Lease (the "**Floor 6 Commencement Date**"); provided, however, that Landlord may not under any circumstances deliver possession of Floor 6 prior to Landlord's delivery of Floors 2-5 (or the deemed delivery of Floors 2-5 pursuant to Section 2.2 of this First Amendment) and in no event shall the Floor 6 Commencement Date occur prior to the Phase I Lease Commencement Date with respect to Floors 2-5.

3. **Tenant's Share**. Section 6 of the Summary is hereby amended and restated as follows: "6. Tenant's Share (Article 4): (i) With respect to the Phase I Premises: 83.04%; and
(ii) with respect to the Phase II Premises: 16.96%."

4. **Abatement of Base Rent and Direct Expenses**. The rentable square footages set forth in the first sentence of Section 3.2 of the Lease are hereby amended and restated as follows:
(i) with respect to the Phase I Premises, "68,789 rentable square feet of space"; and (ii) with respect to the Phase II Premises, "14,045 rentable square feet of space".

5. **Modifications to Lease Provisions Necessitated by a Different Phase 1 Lease Commencement Date For Floor 2-5 Versus Floor 6**. In the event that the Phase 1 Lease Commencement Date with respect to Floors 2-5 is different than the Floor 6 Commencement Date pursuant to Section 2, above, then the following shall apply:

5.1 **Modification of Tenant's Obligation to Pay Base Rent and Direct Expenses**. Commencing on July 1, 2017, and continuing through the date immediately preceding the Floor 6 Commencement Date, Tenant shall have no obligation to pay Base Rent or Tenant's Share of Direct Expenses with respect to the portion of the Phase I Premises on Floor 6.

5.2 **Modification of Tenant's Share**. Commencing on July 1, 2017, and continuing through the date immediately preceding the Floor 6 Commencement Date, Tenant's Share with respect to the portion of the Phase I Premises on Floors 2-5 shall equal 66.5%.

5.3 **Modification of Rent Abatement Rights**. Notwithstanding any contrary provision of Section 3.2 of the Lease, Landlord's and Tenant's respective rights to accelerate the abatement of Base Rent and Tenant's Share of Direct Expenses for the particular Phases shall also include the right to accelerate any remaining Rent Abatement Amount applicable to Floors 2-5 separately from Floor 6 upon the terms and conditions otherwise set forth in Section 3.2 of the Lease, as amended by Section 4 above.

5.4 **Base Year**. The Base Year shall be the calendar year 2017.

5.5 **Phases**. With respect to each "Phase" of the Premises (as that term is defined in Section 2.2 of the Summary), with respect to the period commencing on July 1, 2017 and continuing through the date immediately preceding the Floor 6 Commencement Date, Floors 2-5 and Floor 6 shall each be deemed a separate "Phase" under the Lease, as the context requires.

6. **Notice of Lease Term Dates**. With respect to Section 2.1 of the Lease, the Notice of Lease Term Dates attached to this First Amendment as **Exhibit A** hereby replaces **Exhibit C** to the Lease.

7. **Broker**. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this First Amendment, and that they know of no real estate broker or agent who is entitled to a commission in connection with this First Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, occurring by, through, or under the indemnifying party. The terms of this Section 7 shall survive the expiration or earlier termination of the term of the Lease, as hereby amended.

8. **California Accessibility Disclosure**. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges that the Premises have not undergone inspection by a Certified Access Specialist (CASp).

9. **Tenant's Payment of Landlord's Attorneys' Fees and Costs**. Following the mutual execution and delivery of this First Amendment, Tenant shall pay to Landlord all attorneys' fees and costs incurred by Landlord in connection with the drafting, negotiation, and consummation of this First Amendment within thirty (30) days of Landlord's request therefor.

10. **Prohibited Persons; Foreign Corrupt Practices Act and Anti-Money Laundering**. Neither (i) Tenant nor any of its officers, directors or managers, nor (ii) to Tenant's knowledge, any of Tenant's affiliates, nor any of their respective members, partners or other equity holders, officers, directors or managers is, nor prior to or during the term of the Lease, will they become a person or entity with whom U.S. persons or entities are restricted from doing business under (a) the Patriot Act (as defined below), (b) any other requirements contained in the rules and regulations of the Office of Foreign Assets Control, Department of the Treasury ("**OFAC**") (including any "blocked" person or entity listed in the Annex to Executive Order Nos. 12947, 13099 and 13224 and any modifications thereto or thereof or any other person or entity named on OFAC's Specially Designated Blocked Persons List) or (c) any other U.S. statute, Executive Order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or other governmental action (collectively, "**Prohibited Persons**"). Tenant is not entering into this First Amendment, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering. As used herein, "Patriot Act" shall mean the USA Patriot Act of 2001, 107 Public Law 56 (October 26, 2001) and all other statutes, orders, rules and regulations of the U.S. government and its various executive departments, agencies and offices interpreting and implementing the Patriot Act.

11. **No Further Modification**. Except as specifically set forth in this First Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

12. **Conditional Deletion of Certain First Amendment Provisions**. Notwithstanding anything herein to the contrary, the effectiveness of certain provisions of this First Amendment are subject to and conditioned upon the current and continuing effectiveness of the Sublease, as set forth hereinbelow. In addition, Tenant acknowledges the need for Landlord to have sufficient advance notice if the Sublease does not become effective by the "Sublease Effectiveness Deadline" (defined below) or terminates (or will possibly terminate) prior to July 1, 2017, in order that Landlord may take steps to ensure that Floors 2-5 shall be vacated and surrendered on a timely basis by the Existing Floors 2-5 Tenant and Subtenant pursuant to the Existing Floors 2-5 Lease. Based on the foregoing, if for any reason the Sublease does not become effective (whether as a consequence of Landlord's failure to consent thereto or otherwise) by March 31, 2017 (the "**Sublease Effectiveness Deadline**"), or the Sublease terminates prior to July 1, 2017 (whether as a consequence of a default by Subtenant thereunder or otherwise), then the following Sections of this First Amendment shall be deleted and of no further force or effect: Sections 2, 5, and 6 (the "Conditional Deletions"). Landlord shall be given notice by Tenant within five (5) business days of the Sublease becoming effective in order that Landlord will know that the Sublease has become effective by the Sublease Effectiveness Deadline, and if Landlord does not receive any such notice by April 14, 2017, then Landlord shall be entitled to proceed on the basis that the Sublease did not become effective on a timely basis, and notwithstanding any contrary provision of this First Amendment, the Sublease, or the Consent to Sublease, the Sublease shall not thereafter become effective unless Landlord and Tenant enter into a subsequent amendment to the Lease which reinstates Sections 2, 5, and 6 of this First Amendment. Landlord shall also be given notice by Tenant within five (5) business days following an early termination of the Sublease prior to July 1, 2017, provided that if at any time on or after April 1, 2017 and prior to July 1, 2017, Tenant becomes aware or receives notice of an event, condition, or circumstance which could reasonably result in the early termination of the Sublease prior to July 1, 2017, then Tenant shall promptly notify Landlord thereof, and thereafter Tenant shall diligently continue to notify Landlord of the status of a possible early termination (and of any actual early termination) of the Sublease prior to July 1, 2017.

13. **Counterparts**. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute but one and the same instrument.

[*signatures follow on next page*]

IN WITNESS WHEREOF, this First Amendment has been executed as of the day and year first above written.

LANDLORD:

KILROY REALTY, L.P.,
a Delaware limited partnership

By: Kilroy Realty Corporation, a Maryland corporation

Its: General Partner

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

TENANT:

DROPBOX, INC.,
a Delaware corporation

By:_____

Name:_____

Title:_____

By:_____

Name:_____

Title:_____

EXHIBIT A

301 BRANNAN STREET

NOTICE OF LEASE TERM DATES

To: _____

Re: Office Lease dated

, a
, a

, 201

(the "Office Lease") between ("Landlord"), and
("Tenant"), as amended by

(the "Amendment") concerning Suite
(the "Premises") of the office building
located at

on floor(s)

. (The Office Lease and the Amendment are hereafter referred to collectively as the "Lease".)

Ladies and Gentlemen:

In accordance with the Office Lease (the "Lease"), we wish to advise you and/or confirm as follows:

1. The Phase I Lease Commencement Date [**OPTIONAL**: with respect to Floors 2-5 occurred on July 1, 2017, and the Floor 6 Commencement Date] occurred on ,

the Phase II Lease Commencement Date occurred on

, and the Lease Expiration

Date shall be

, unless extended as provided for in the Lease.

2. Rent commenced to accrue on
abatement set forth in Section 3.2 of the Lease, as amended by
Section

, subject to the rent of the Amendment.

3. The Base Year is .

4. If the first Lease Commencement Date is other than the first day of the month, the first billing will contain a pro rata adjustment. Each billing thereafter, with the exception of the final billing, shall be for the full amount of the monthly installment as provided for in the Lease.

5. Your rent checks should be made payable to at

6. Tenant's Share of Direct Expenses with respect to the Premises is 100%.

7. Capitalized terms used herein that are defined in the Lease shall have the same meaning when used herein.

If the provisions of this letter correctly set forth our understanding, please so acknowledge by signing at the place provided below on the enclosed copy of this letter and returning the same to Landlord.

"Landlord"

a _____
By: _____

Its: _____

[signatures follow on next page]

Agreed to and Accepted

as of ____

, 201 .

301 BRANNAN STREET

OFFICE LEASE

This Office Lease (the "**Lease**"), dated as of the date set forth in Section 1 of the Summary of Basic Lease Information (the "**Summary**"), below, is made by and between KILROY REALTY, L.P., a Delaware limited partnership ("**Landlord**"), and DROPBOX, INC., a Delaware corporation ("**Tenant**").

SUMMARY OF BASIC LEASE INFORMATION

TERMS OF LEASE	DESCRIPTION
1. Date:	July 17, 2015.
2. Building; Premises (Article 1).	
2.1 Building:	The six (6) story building (the "**Building**") located at 301 Brannan Street, San Francisco, California, and including all walkways, plazas, patios and parking areas. Landlord and Tenant hereby agree that the Building contains a total rentable area of 82,834 square feet.
2.2 Premises:	82,834 rentable square feet of space, consisting of the entirety of the Building, as further set forth in **Exhibit A** to this Lease. The Premises shall consist of (i) approximately 68,789 rentable square feet, comprised of: (a) approximately 13,704 rentable square feet located on the second (2nd) floor of the Building, (b) approximately 13,973 rentable square feet located on the third (3rd) floor of the Building, (c) approximately 13,704 rentable square feet located on the fourth (4th) floor of the Building, (d) approximately 13,704 rentable square feet located on the fifth (5th) floor of the Building, and (e) approximately 13,704 rentable square feet located on the sixth (6th) floor of the Building (the "**Phase I Premises**"), and (ii) approximately 14,045 rentable square feet located on the first (1st) floor of the Building (the "**Phase II Premises**"). The Phase I Premises and the Phase II Premises shall collectively be referred to herein as the "**Premises**", and shall each be referred to herein as "**Phase**".
3. Lease Term (Article 2).	
3.1 Length of Term:	Approximately six (6) years and eleven (11) months from the first "Lease Commencement Date" (as defined below); but in any event expiring on the "Lease Expiration Date" (as defined below).

3.2 Lease Commencement Date:

"**Phase I Lease Commencement Date**": The earlier to occur of (i) the date upon which Tenant first commences to conduct business in any portion of the Phase I Premises, and (ii) the date that is three (3) months after the date on which Landlord has delivered possession of the entirety of the Phase I Premises to Tenant, which delivery date is anticipated to be July 1, 2017.

"**Phase II Lease Commencement Date**": The earlier to occur of (i) the date upon which Tenant first commences to conduct business in any portion of the Phase II Premises, and (ii) the date that is three (3) months after the date on which Landlord has delivered possession of the entirety of the Phase II Premises to Tenant, which delivery date is anticipated to be August 1, 2017.

The Phase I Lease Commencement Date and the Phase II Lease Commencement Date may be referred to herein, individually or collectively, as the "**Lease Commencement Date**".

3.3 Lease Expiration Date:

May 31, 2024.

3.4 Option Terms:

Two (2) five (5)-year options to extend the Lease Term, as more particularly set forth in Section 2.2 of this Lease.

4. Base Rent (Article 3):

Period During Lease Term	Annual Base Rent*	Monthly Installment of Base Rent*	Approximate Annual Base Rental Rate Per Rentable Square Foot**
Lease Year 1	$6,378,218.00 ◊	$531,518.17 ◊	$77.00
Lease Year 2	$6,569,564.54	$547,471.21	$79.31
Lease Year 3	$6,766,651.48	$563,887.62	$81.69
Lease Year 4	$6,969,651.02	$580,804.25	$84.14
Lease Year 5	$7,178,740.55	$598,228.38	$86.66
Lease Year 6	$7,394,102.77	$616,175.23	$89.26
Lease Year 7	$7,615,925.85	$634,660.49	$91.94

* Prior to the commencement of both the Phase I Lease Commencement Date and the Phase II Lease Commencement Date, the amount of Annual Base Rent and Monthly Installments of Base Rent set forth in the foregoing schedule shall be pro-rated based on the rentable square feet of the applicable Phase of the Premises then leased by Tenant. Both Tenant and Landlord acknowledge and agree that multiplying the Monthly Installment of Base Rent amount by twelve (12) does not always equal the Annual Base Rent amount. In all subsequent Base Rent payment periods during the Lease Term commencing on the first (1st) day of Lease Year 2, the calculation of each Annual Base Rent amount reflects an annual increase of three percent (3%) and each Monthly Installment of Base Rent amount was calculated by dividing the corresponding Annual Base Rent amount by twelve (12).

◊ Subject to the terms set forth in Section 3.2 below, the Base Rent and Tenant's Share of Direct Expenses attributable to the periods specified in Section 3.2 below shall be abated.

** The amounts identified in the column entitled "Annual Rental Rate per Rentable Square Foot" are rounded amounts and are provided for informational purposes only.

5. Base Year (Article 4):	The calendar year in which the Phase I Lease Commencement Date occurs.
6. Tenant's Share (Article 4):	With respect to the Phase I Premises: 79.58%. With respect to the Phase II Premises: 20.42%.
7. Permitted Use (Article 5):	General office use together with ancillary uses consistent with high-tech, single-tenant first-class office buildings, subject to the terms and conditions set forth in Section 5.1 of the Lease.
8. Letter of Credit (Article 21):	$6,626,720.00, subject to the terms and conditions of Article 21 of this Lease.
9. Parking Passes (Article 28):	Thirty-four (34) on-site parking passes, subject to the terms of Article 28 of the Lease.
10. Address of Tenant (Section 29.18):	Dropbox, Inc. 185 Berry Street 4th Floor San Francisco, California 94107 Attention: Head of Real Estate and Office Team With at all times, a copy to: Dropbox, Inc. 185 Berry Street 4th Floor San Francisco, California 94107 Attention: General Counsel Shartsis Friese LLP One Maritime Plaza, 18th Floor San Francisco, California 94111 Attention: Jonathan M. Kennedy

11. Address of Landlord (Section 29.18):	Kilroy Realty, L.P. c/o Kilroy Realty Corporation 12200 W. Olympic Blvd., Suite 200 Los Angeles, California 90064 Attention: Legal Department Phone: Facsimile: and to: Kilroy Realty, L.P. c/o Kilroy Realty Corporation 12200 W. Olympic Blvd., Suite 200 Los Angeles, California 90064 Attention: Mr. John Fucci Phone: Facsimile: and Kilroy Realty Corporation 100 First Street Office of the Building, Suite 250 San Francisco, California 94105 Attention: Asset Management With a Copy to: Allen Matkins Leck Gamble Mallory & Natsis LLP 1901 Avenue of the Stars, Suite 1800 Los Angeles, California 90067 Attention: Anton N. Natsis, Esq. Wiring Instructions: Bank Name: Union Bank Bank Address: 445 S. Figueroa Street, Los Angeles, CA 90071-1602 ABA No.*: Account No.: Account Name: Kilroy Realty, L.P. **For wires coming from outside of the U.S., do not use the ABA number shown above, but rather use SWIFT code*
12. Brokers (Section 29.24):	CBRE, Inc., representing Tenant.
13. Improvement Allowance (**Exhibit B**):	$2,899,190.00 (i.e., an amount equal to $35.00 per rentable square foot of the Premises).

ARTICLE 1

PREMISES, BUILDING, PROJECT, AND COMMON AREAS

1.1 **Premises, Building, Project and Common Areas**.

1.1.1 **The Premises**. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises set forth in Section 2.2 of the Summary (the "**Premises**"). The outline of the Premises is set forth in **Exhibit A** attached hereto and each floor of the Premises has the number of rentable square feet as set forth in Section 2.2 of the Summary. The parties hereto agree that the lease of the Premises is upon and subject to the terms, covenants and conditions herein set forth, and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of such terms, covenants and conditions by it to be kept and performed and that this Lease is made upon the condition of such performance. The parties hereto hereby acknowledge that the purpose of **Exhibit A** is to show the location of the Premises in the "Building," as that term is defined in Section 1.1.2, below, only, and such Exhibit is not meant to constitute an agreement, representation or warranty as to the construction of the Premises, the precise area thereof or the specific location of the "Common Areas," as that term is defined in Section 1.1.3, below, or the elements thereof or of the accessways to the Premises or the "Project," as that term is defined in Section 1.1.2, below. Except as specifically set forth in this Lease and in the Work Letter attached hereto as **Exhibit B** (the "**Work Letter**"), Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Premises. Tenant also acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the condition of the Premises, the Building or the Project or with respect to the suitability of any of the foregoing for the conduct of Tenant's business, except as specifically set forth in this Lease and the Work Letter.

1.1.2 **The Building and The Project**. The Premises is the principal component of the building set forth in Section 2.1 of the Summary (the "**Building**"). The term "**Project**," as used in this Lease, shall mean (i) the Building and the Common Areas, (ii) the land (which is improved with landscaping, subterranean parking facilities and other improvements) upon which the Building and the Common Areas are located, and (iii) at Landlord's discretion, any additional real property, areas, land, buildings or other improvements added thereto outside of the Project.

1.1.3 **Common Areas**. Tenant shall have the exclusive right to use, subject to the rules and regulations referred to in Article 5 of this Lease, those portions of the Project which are provided, from time to time, for use in common by Landlord and Tenant (such areas, together with such other portions of the Project designated by Landlord, in its discretion, are collectively referred to herein as the "**Common Areas**"). The manner in which the Common Areas are maintained and operated shall be at the reasonable discretion of Landlord (but shall at least be consistent with the provision of Article 7 below and the manner in which the common areas of the "Comparable Buildings," as defined in **Exhibit G** attached hereto, are maintained and operated) and the use thereof shall be subject to such reasonable rules, regulations and restrictions as Landlord may make from time to time. Landlord reserves the right to close temporarily, make alterations or additions to, or change the location of elements of the Project and the Common Areas, provided that, in connection therewith, Landlord shall perform such closures, alterations, additions or changes in a commercially reasonable manner and, in connection therewith, shall use commercially reasonable efforts to minimize any material interference with Tenant's use of and access to the Premises. Any such closures, alterations or additions will be subject to the terms of Section 19.5.2 below.

1.2 **Stipulation of Rentable Square Feet of Premises and Building**. For purposes of this Lease, the rentable square feet of the Premises shall be deemed as set forth in Section 2.2 of the Summary and the rentable square feet of the Building shall be deemed as set forth in Section 2.1 of the Summary.

1.3 **Delivery of Building Systems**. Notwithstanding anything in this Lease to the contrary, Landlord shall deliver each Phase of the Premises with the "Building Systems," as that term is defined in Article 7 of this Lease, below, serving each Phase of the Premises in good working condition and repair. In connection with the foregoing, Landlord shall, at Landlord's sole cost and expense (which shall not be deemed an "Operating Expense," as that term is defined in Article 4, below), repair or replace any failed or inoperable portion of the Building Systems of which Tenant notifies Landlord in writing within thirty (30) days following Landlord's delivery of the applicable Phase of the Premises to Tenant; provided, however, that Landlord shall not be obligated to repair or replace any failed or inoperable portion of the Building Systems which were caused by the misuse, misconduct, damage, destruction, omissions, and/or negligence of Tenant, Tenant Parties or "Tenant's Agents," as that terms is defined in Section 4.1.2 of the Work Letter (collectively, "**Tenant Damage**"), or by any Alterations, improvements or modifications constructed by or on behalf of Tenant, following Landlord's delivery of the applicable Phase of the Premises to Tenant. To the extent repairs which Landlord is required to make pursuant to this Section 1.3 are necessitated in whole or in part by Tenant Damage, then Tenant shall reimburse Landlord for all or an equitable proportion of the cost of such repair. If it is determined that the Building Systems were not in good working condition and repair as of the date Tenant accepts possession of a Phase of the Premises under this Lease, Landlord shall not be liable to Tenant for any damages, but as Tenant's sole remedy, Landlord, at no cost to Tenant, shall promptly commence such work or take such other action as may be necessary to place the same in good working condition and repair, and shall thereafter diligently pursue the same to completion. The parties hereto acknowledge and agree that the terms of this Section 1.3 do not affect Landlord's obligations to repair and maintain the Building, including without limitation, Landlord's obligation to repair and maintain the Building Systems and the Building Structure, pursuant to the express terms and conditions of Article 7 of this Lease.

ARTICLE 2

LEASE TERM

2.1 **Lease Term**. The terms and provisions of this Lease shall be effective as of the date of this Lease. The term of this Lease (the "**Lease Term**") shall be as set forth in Section 3.1 of the Summary, shall commence with respect to the applicable Phase on the applicable date set forth in Section 3.2 of the Summary (each date, as applicable, is the "**Lease Commencement Date**"), and shall terminate on the date set forth in Section 3.3 of the Summary (the "**Lease Expiration Date**") unless this Lease is sooner terminated as hereinafter provided. Notwithstanding the terms "Phase I Lease Commencement Date" and "Phase II Lease Commencement Date" in this Lease, Landlord and Tenant hereby acknowledges that the Phase II Lease Commencement Date could occur prior to the Phase I Lease Commencement Date, in which case, Tenant shall not be obligated to pay Tenant's Share of Direct Expenses with respect to the Phase II Premises until Tenant is obligated to commence paying Tenant's Share of Direct Expenses with respect to the Phase I Premises following the Base Year. Tenant shall use commercially reasonable efforts to cause the "Substantial Completion of the Improvements" (as that term is defined in Section 5.3 of the Work Letter) within the applicable Phase no later than the date that is three (3) months following the applicable Lease Commencement Date for the Phase I Premises and the Phase II Premises. For purposes of this Lease, the term "**Lease Year**" shall mean each consecutive twelve (12) calendar month period during the Lease Term; provided, however, that the first Lease Year shall commence on the first Lease Commencement Date and end on the last day of the month in which the first anniversary of the first Lease Commencement Date occurs (or if the first Lease Commencement Date is the first day of a calendar month, then the first Lease Year shall commence on the first Lease Commencement Date and end on the day immediately preceding the first anniversary of the first Lease Commencement Date), and the second and each succeeding Lease Year shall commence on the first day of the next calendar month; and further provided that the last Lease Year shall end on the Lease Expiration Date. At any time during the Lease Term, Landlord may deliver to Tenant a notice in the form as set forth in **Exhibit C**, attached hereto, as a confirmation only of the information set forth therein, which Tenant shall execute and return to Landlord within ten (10) business days of receipt thereof; provided, however, that if such notice is not factually correct, then Tenant shall make such changes as are necessary to make such notice factually correct and shall thereafter return such notice to Landlord within said ten (10) business day period. Tenant's failure to execute and return such notice to Landlord within such time shall be conclusive upon Tenant that the information set forth in such notice is as specified therein.

2.2 **Option Term**.

2.2.1 **Option Right**. Landlord hereby grants to Dropbox, Inc., a Delaware corporation (the "**Original Tenant**"), and any "Permitted Transferee Assignee" (as that term is defined in Section 14.8 of this Lease), two (2) successive options to extend the Lease Term for a period of five (5) years each (each, an "**Option Term**", and each option, an "**Option to Extend**"). Each Option to Extend shall be exercisable only by notice delivered by Original Tenant or a Permitted Transferee Assignee to Landlord as provided in Section 2.2.3 below; provided that, as of the date of delivery of such notice, Tenant has not received notice that Tenant is in "Default" (as that term is defined in Section 19.1 below). The right contained in this Section 2.2 shall be personal to the Original Tenant and any Permitted Transferee Assignee and may only be exercised by the Original Tenant or a Permitted Transferee Assignee (and not any other assignee or sublessee or Transferee of Tenant's interest in this Lease) provided that the Original Tenant or such Permitted Transferee Assignee has not subleased more than thirty-three percent (33%) of the rentable square footage of the Premises pursuant to a sublease or subleases then in effect. In the event that Tenant fails to timely and appropriately exercise an Option to Extend in accordance with the terms of this Section 2.2, then such Option to Extend shall automatically terminate and shall be of no further force or effect. Further, notwithstanding any contrary provision of this Section 2.2, in no event may Tenant exercise its right to extend the Lease Term for the second

Option Term under this Section 2.2 if Tenant fails to timely exercise its right to extend the initial Lease Term for the first Option Term under this Section 2.2.

2.2.2 **Option Rent**. The Rent payable by Tenant during each Option Term shall be equal to the "Market Rent," as such Market Rent is determined pursuant to **Exhibit G**, attached to this Lease (such rent payable during any Option Term, the "**Option Rent**") and the Base Year shall be the calendar year in which the then-current term expires (if it expires on or before July 31) or the following calendar year (if it expires after July 31). Except as set forth in the preceding sentence or as otherwise expressly set forth in this Lease, all of the terms of this Lease shall apply during any Option Term and the Lease Expiration Date shall be extended to the last day of the Option Term. The calculation of the Market Rent shall be derived from a review of, and comparison to, the "Net Equivalent Lease Rates" of the "Comparable Transactions," as provided for in **Exhibit G**, and, thereafter, the Market Rent shall be stated as a "Net Equivalent Lease Rate" for the Option Term.

2.2.3 **Exercise of Option**. An Option to Extend shall be exercised by Tenant, if at all, and only in the following manner: (i) at Tenant's election, Tenant shall deliver written notice (the "**Option Interest Notice**") to Landlord not more than eighteen (18) months nor less than seventeen (17) months prior to the expiration of the initial Lease Term or the first Option Term, as applicable, stating that Tenant is interested in exercising its Option to Extend; (ii) if Tenant delivers the Option Interest Notice, Landlord shall, within thirty (30) days following Landlord's receipt of the Option Interest Notice, deliver notice (the "**Option Rent Notice**") to Tenant setting forth Landlord's good faith determination of the Option Rent; and (iii) if Tenant wishes to exercise such option, whether or not Tenant has given the Option Interest Notice, Tenant shall, on or before the date which is fifteen (15) months prior to the expiration of the initial Lease Term or the first (1st) Option Term, as applicable, deliver written notice thereof to Landlord, which notice shall be Tenant's irrevocable exercise of Tenant's Option to Extend, and upon, and concurrent with, such exercise, Tenant may, at its option, accept or reject the Option Rent set forth in the Option Rent Notice (if Tenant has previously delivered an Option Interest Notice). If Tenant exercises its Option to Extend but fails to accept or reject the Option Rent set forth in the Option Rent Notice (if Tenant delivered an Option Interest Notice), then Tenant shall be deemed to have rejected the Option Rent set forth in the Option Rent Notice.

2.2.4 **Determination of Option Rent**. In the event Tenant timely and appropriately exercises an Option to Extend but rejects (or is deemed to reject) the Option Rent set forth in the Option Rent Notice pursuant to Section 2.2.3, above (or if Tenant did not deliver an Option Interest Notice, and therefore Landlord did not deliver an Option Rent Notice), then Landlord and Tenant shall attempt to agree upon the Option Rent using their best good-faith efforts. If Landlord and Tenant fail to reach agreement upon the Option Rent applicable to the Option Term on or before the date that is ninety (90) days prior to the expiration of the initial Lease Term or the first Option Term, as applicable (the "**Outside Agreement Date**"), then the Option Rent shall be determined by arbitration pursuant to the terms of this Section 2.2.4. Each party shall make a separate determination of the Option Rent, within five (5) days following the Outside Agreement Date, and such determinations shall be submitted to arbitration in accordance with Sections 2.2.4.1 through 2.2.4.4, below.

2.2.4.1 Landlord and Tenant shall each appoint one arbitrator who shall by profession be a MAI appraiser who shall have been active over the five (5) year period ending on the date of such appointment in the appraising and/or leasing of first class office properties in the vicinity of the Building. The determination of the arbitrators shall be limited solely to the issue area of whether Landlord's or Tenant's submitted Option Rent is the closest to the actual Option Rent as determined by the arbitrators, taking into account the requirements of Section 2.2.2 of this Lease. Each such arbitrator shall be appointed within fifteen (15) days after the Outside Agreement Date. Landlord and Tenant may consult with their selected arbitrators prior to appointment and may select an arbitrator who is favorable to their respective positions (including an arbitrator who has previously represented Landlord and/or Tenant, as applicable). The arbitrators so selected by Landlord and Tenant shall be deemed "**Advocate Arbitrators**."

2.2.4.2 The two Advocate Arbitrators so appointed shall be specifically required pursuant to an engagement letter within ten (10) days of the date of the appointment of the last appointed Advocate Arbitrator to agree upon and appoint a third arbitrator ("**Neutral Arbitrator**") who shall be qualified under the same criteria set forth hereinabove for qualification of the two Advocate Arbitrators except that (i) neither the Landlord or Tenant or either parties' Advocate Arbitrator may, directly or indirectly, consult with the Neutral Arbitrator prior or subsequent to his or her appearance, and (ii) the Neutral Arbitrator cannot be someone who has represented Landlord and/or Tenant or their affiliates during the five (5) year period prior to such appointment. The Neutral Arbitrator shall be retained via an engagement letter jointly prepared by Landlord's counsel and Tenant's counsel. Each party shall pay for the costs of its own Advocate Arbitrator and fifty percent (50%) of the cost of the Neutral Arbitrator.

2.2.4.3 Within ten (10) days following the appointment of the Neutral Arbitrator, Landlord and Tenant shall enter into an arbitration agreement (the "**Arbitration Agreement**") which shall set forth the following:

2.2.4.3.1 Each of Landlord's and Tenant's best and final and binding determination of the Option Rent exchanged by the parties pursuant to Section 2.2.4, above;

2.2.4.3.2 An agreement to be signed by the Neutral Arbitrator, the form of which agreement shall be attached as an exhibit to the Arbitration Agreement, whereby the Neutral Arbitrator shall agree to undertake the arbitration and render a decision in accordance with the terms of this Lease, as modified by the Arbitration Agreement, and shall require the Neutral Arbitrator to demonstrate to the reasonable satisfaction of the parties that the Neutral Arbitrator has no conflicts of interest with either Landlord or Tenant;

2.2.4.3.3 Instructions to be followed by the Neutral Arbitrator when conducting such arbitration;

2.2.4.3.4 That Landlord and Tenant shall each have the right to submit to the Neutral Arbitrator (with a copy to the other party), on or before the date that occurs fifteen (15) days following the appointment of the Neutral Arbitrator, an advocate statement (and any other information such party deems relevant) prepared by or on behalf of Landlord or Tenant, as the case may be, in support of Landlord's or Tenant's respective determination of Option Rent (the "**Briefs**");

2.2.4.3.5 That within five (5) business days following the exchange of Briefs, Landlord and Tenant shall each have the right to provide the Neutral Arbitrator (with a copy to the other party) with a written rebuttal to the other party's Brief (the "**Rebuttals**"); provided, however, such Rebuttals shall be limited to the facts and arguments raised in the other party's Brief and shall identify clearly which argument or fact of the other party's Brief is intended to be rebutted;

2.2.4.3.6 The date, time and location of the arbitration, which shall be mutually and reasonably agreed upon by Landlord and Tenant, taking into consideration the schedules of the Neutral Arbitrator, the Advocate Arbitrators, Landlord and Tenant, and each party's applicable consultants, which date shall in any event be within thirty (30) days following the appointment of the Neutral Arbitrator;

2.2.4.3.7 That no discovery shall take place in connection with the arbitration, other than to verify the factual information that is presented by Landlord or Tenant;

2.2.4.3.8 That the Neutral Arbitrator shall not be allowed to undertake an independent investigation or consider any factual information other than presented by Landlord or Tenant, except that the Neutral Arbitrator shall be permitted to visit the Project and the buildings containing the Comparable Transactions;

2.2.4.3.9 The specific persons that shall be allowed to attend the arbitration;

2.2.4.3.10 Tenant shall have the right to present oral arguments to the Neutral Arbitrator at the arbitration for a period of time not to exceed two (2) hours ("**Tenant's Initial Statement**");

2.2.4.3.11 Following Tenant's Initial Statement, Landlord shall have the right to present oral arguments to the Neutral Arbitrator at the arbitration for a period of time not to exceed two (2) hours ("**Landlord's Initial Statement**");

2.2.4.3.12 Following Landlord's Initial Statement, Tenant shall have up to one (1) additional hour to present additional arguments and/or to rebut the arguments of Landlord ("**Tenant's Rebuttal Statement**");

2.2.4.3.13 Following Tenant's Rebuttal Statement, Landlord shall have up to one (1) additional hour to present additional arguments and/or to rebut the arguments of Tenant;

2.2.4.3.14 That, not later than ten (10) days after the date of the arbitration, the Neutral Arbitrator shall render a decision (the "**Ruling**") indicating whether Landlord's or Tenant's submitted Option Rent is closer to the Option Rent;

2.2.4.3.15 That following notification of the Ruling, Landlord's or Tenant's submitted Option Rent determination, whichever is selected by the Neutral Arbitrator as being closer to the Option Rent shall become the then applicable Option Rent; and

2.2.4.3.16 That the decision of the Neutral Arbitrator shall be binding on Landlord and Tenant.

If a date by which an event described in Section 2.2.4.3, above, is to occur falls on a weekend or a holiday, the date shall be deemed to be the next business day.

2.2.4.4 In the event that the Option Rent shall not have been determined pursuant to the terms hereof prior to the commencement of the applicable Option Term, Tenant shall be required to pay the Option Rent, initially provided by Landlord to Tenant in Landlord's Option Rent Notice, and upon the final determination of the Option Rent, the payments made by Tenant shall be reconciled with the actual amounts due, and the appropriate party shall make any corresponding payment to the other party.

2.3 **Entry Before Lease Commencement Date**. Notwithstanding the definition of Lease Commencement Date for each Phase of the Premises set forth above, Tenant shall have the right, at any time after Landlord's delivery of the applicable Phase to construct and install the Improvements in the applicable Phase and/or to test equipment and/or to install its furniture, fixtures, and equipment in the applicable Phase. Tenant's entry into the Phase I Premises and the Phase II Premises for such purposes shall not constitute the commencement of business, provided that all of the terms and conditions of this Lease and the Work Letter shall apply, except that Tenant shall have no obligation to pay Base Rent or Tenant's Share of Direct Expenses, and Tenant's payment of any other costs or expenses attributable to the period of such approved entry shall be as set forth in the Work Letter.

2.4 **Superior Right Holders**. Tenant hereby acknowledges that both the Phase I Premises and the Phase II Premises are currently leased by other tenants of the Building (each, a "**Superior Right Holder**" and, collectively, the "**Superior Right Holders**"), pursuant to existing lease documentation (collectively, the "**Superior Leases**"), and that, notwithstanding anything to the contrary contained herein, this Lease is subject and subordinate to such Superior Leases. The Superior Right Holder in the Phase I Premises is referred to herein as the "**Phase I Superior Right Holder**", and its Superior Lease is referred to herein as the "**Phase I Superior Lease**". The Superior Right Holder in the Phase II Premises is referred to herein as the "**Phase II Superior Right Holder**", and its Superior Lease is referred to herein as the "**Phase II Superior Lease**".

2.4.1 **Phase I Superior Right Holder**. In connection with the foregoing, and notwithstanding any contrary provision set forth in this Lease, if the Phase I Superior Right Holder timely exercises the renewal right set forth in the Phase I Superior Lease (*i.e.*, the Phase I Superior Right Holder exercises the renewal right within the applicable time period for exercise set forth in the Phase I Superior Lease), then promptly following Landlord's receipt of such exercise notice, Landlord shall deliver written notice thereof to Tenant (the "**Phase I Termination Notice**") and, effective automatically as of the date of Tenant's receipt of the Phase I Termination Notice, this Lease shall automatically terminate. In the event Landlord has not delivered the Phase I Termination Notice on or before the earlier of (i) the last day for the Phase I Superior Right Holder to renew the Phase I Superior Lease, and (ii) the date that Landlord delivers possession of the Phase I Premises to Tenant, the terms of this Section 2.4.1 shall terminate and be of no further force or effect. In the event that this Lease is terminated pursuant to this Section 2.4.1, then, effective as of the date of such termination, Landlord and Tenant shall be relieved of their respective obligations under this Lease, except those obligations under this Lease which relate to the term of this Lease through and including the effective date of the termination and/or which expressly survive the expiration or earlier termination of this Lease.

2.4.2 **Phase II Superior Right Holder**. Notwithstanding any contrary provision set forth in this Lease, if the Phase II Superior Right Holder timely exercises the renewal right set forth in its Phase II Superior Lease (*i.e.*, the Phase II Superior Right Holder exercises the renewal right within the applicable time period for exercise set forth in the Phase II Superior Lease), then promptly following Landlord's receipt of such exercise notice, Landlord shall deliver written notice thereof to Tenant (the "**Phase II Reduction Notice**") and, effective automatically as of the date of Tenant's receipt of the Phase II Reduction Notice, (i) the "Premises" leased by Tenant under this Lease shall be automatically reduced by the

"Phase II Premises" as of the date of Tenant's receipt of the Phase II Reduction Notice, (ii) all references in this Lease to the "Phase II Premises" or the "Phase II Lease Commencement Date" shall be of no further force or effect, (iii) Landlord and Tenant shall promptly thereafter enter into an amendment of this Lease as provided in Section 29.40, below, and (iv) unless this Lease is terminated pursuant to Section 2.4.1, above, this Lease shall remain in effect. In the event Landlord has not delivered the Phase II Reduction Notice on or before (a) the last day for the Phase II Superior Right Holder to renew the Phase II Superior Lease, and (ii) the date that Landlord delivers possession of the Phase II Premises to Tenant, the terms of this Section 2.4.2 shall terminate and be of no further force or effect. In the event that this Lease is terminated pursuant to this Section 2.4.2, then effective as of the date of such termination, Landlord and Tenant shall be relieved of their respective obligations under this Lease with respect to the Phase II Premises, except those obligations under this Lease which relate to the term of this Lease through and including the effective date of the termination and/or which expressly survive the expiration or earlier termination of this Lease.

ARTICLE 3

BASE RENT

3.1 **Base Rent**. Commencing on the first Lease Commencement Date to occur (as the same may be delayed by the express provisions of this Lease), as set forth in Section 3.2 of the Summary, Tenant shall pay, without prior notice or demand, to Landlord or Landlord's agent at the management office of the Project, or, by wire transfer to the address set forth in Section 11 of the Summary, or at Landlord's option, at such other place as Landlord may from time to time designate in writing, by a check or wire transfer for currency, which, at the time of payment, is legal tender for private or public debts in the United States of America, base rent ("**Base Rent**") as set forth in Section 4 of the Summary, payable in equal monthly installments as set forth in Section 4 of the Summary in advance on or before the first day of each and every calendar month during the Lease Term, without any setoff or deduction whatsoever except as expressly set forth elsewhere in this Lease. The Base Rent applicable to the entire Premises for the first full month of the Lease Term which occurs after the expiration of any free rent period shall be paid at the time of Tenant's execution of this Lease. If any Rent payment date (including the first Lease Commencement Date to occur) falls on a day of the month other than the first day of such month or if any payment of Rent is for a period which is shorter than one month, the Rent for any fractional month shall accrue on a daily basis for the period from the date such payment is due to the end of such calendar month or to the end of the Lease Term at a rate per day which is equal to 1/365 of the applicable annual Rent. All other payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the same basis.

3.2 **Abatement of Base Rent and Direct Expenses**. Provided that Tenant is not then in Default, and subject to the terms of this Section 3.2 below, then (i) during the last three (3) full calendar months of the Lease Term with respect to the Phase I Premises (*i.e.*, 65,971 rentable square feet of space) (as the same may be accelerated pursuant to this Section 3.2, below, the "**Phase I Rent Abatement Period**"), and (ii) during the last three (3) full calendar months of the Lease Term with respect to the Phase II Premises (*i.e.*, 16,917 rentable square feet of space) (as the same may be accelerated pursuant to this Section 3.2, below, the "**Phase II Rent Abatement Period**" and, together with the Phase I Rent Abatement Period, the "**Rent Abatement Period**"), Tenant shall not be obligated to pay any Base Rent or Tenant's Share of Direct Expenses otherwise attributable to the Phase I Premises or the Phase II Premises, as applicable, during the applicable Rent Abatement Period (collectively, the "**Rent Abatement Amount**"). Tenant acknowledges and agrees that the foregoing Rent Abatement has been granted to Tenant as additional consideration for entering into this Lease, and for agreeing to pay the rental and perform the terms and conditions otherwise required under this Lease. Notwithstanding the foregoing, Landlord shall have the right, at Landlord's option, on a month by month basis commencing on the applicable Lease Commencement Date, to accelerate any remaining Rent Abatement Amount relating to a full calendar month during the Rent Abatement Period for a particular Phase forward, to apply to the Base Rent and Tenant's Share of Direct Expenses that would otherwise be due with respect to the next occurring month of the Lease Term for such Phase (the "**Landlord Rent Abatement Acceleration Election**"), in which case Tenant shall have no obligation to pay Base Rent or Tenant's Share of Direct Expenses attributable to such next occurring month of the Lease Term for such Phase, and the Rent Abatement Amount that is accelerated forward shall no longer be applicable during the Rent Abatement Period. Landlord may make such election on a month by month basis with respect to each of the months of the Rent Abatement Period. In addition, commencing on the applicable Lease Commencement Date, if Landlord has not exercised the Landlord Rent Abatement Acceleration Election on or before the date that the next installment of Base Rent and Tenant's Share of Direct Expenses is due under the Lease, and provided that the Lease has not been terminated as a result of any Default of Tenant or rejection of the Lease in bankruptcy (the "**Abatement Condition**"), then Tenant shall have the right, at Tenant's option, on a month by month basis commencing on the applicable Lease Commencement Date, to accelerate any Rent Abatement Amount relating to a full month during the Rent Abatement Period for a Phase forward to apply to the Base Rent and Tenant's Share of Direct Expenses that would otherwise be due with respect to the next occurring month of the Lease Term for such Phase (the "**Tenant Rent Abatement Acceleration Election**"), in which case Tenant shall have no obligation to pay Base Rent or Tenant's Share of Direct Expenses attributable in such next occurring month of the Lease Term for such Phase, and the Rent Abatement Amount that is accelerated forward shall no longer be applicable during the Rent Abatement Period. Tenant may not elect to accelerate more than one (1) month of such Rent Abatement Amount at any particular time. Notwithstanding the foregoing, as long as the Abatement Condition is satisfied, if Tenant fails to deliver notice to Landlord exercising the Tenant Rent Abatement Acceleration Election for a particular month of the Lease Term, then Tenant shall be deemed to have elected to exercise the Tenant Rent Abatement Acceleration Election for such month without the requirement of providing notice to Landlord. Notwithstanding the different monetary amount of one (1) full calendar month at the end of the Lease Term from the monetary amount of one (1) full calendar month at the beginning of the Lease Term, the value of any full month of Rent Abatement, whether accelerated by Landlord or by Tenant, shall be equal to one (1) full month of Base Rent and Tenant's Share of Direct Expenses at the time it is applied.

ARTICLE 4

ADDITIONAL RENT

4.1 **General Terms**. In addition to paying the Base Rent specified in Article 3 of this Lease, Tenant shall pay, following the applicable Lease Commencement Date and subject to the abatement provisions of Section 3.2, above, "Tenant's Share" of the annual "Direct Expenses," as those terms are defined in Sections 4.2.6 and 4.2.2 of this Lease, which are in excess of the amount of Direct Expenses applicable to the "Base Year," as that term is defined in Section 4.2.1, below; provided that in no event shall any decrease in Direct Expenses for any Expense Year, as that term is defined in Section 4.2.3 below, below Direct Expenses for the Base Year entitle Tenant to any decrease in Base Rent or any credit against sums due under this Lease. Such payments by Tenant, together with any and all other amounts payable by Tenant to Landlord pursuant to the terms of this Lease, are hereinafter collectively referred to as the "**Additional Rent**", and the Base Rent and the Additional Rent are herein collectively referred to as "**Rent**." All amounts due under this Article 4 as Additional Rent shall be payable for the same periods and in the same manner as the Base Rent. Without limitation on other obligations of Tenant which survive the expiration of the Lease Term, the obligations of Tenant to pay the

Additional Rent and of Landlord to reconcile and reimburse Tenant for overpayments of Additional Rent provided for in this Article 4 shall survive the expiration of the Lease Term.

4.2 **Definitions of Key Terms Relating to Additional Rent**. As used in this Article 4, the following terms shall have the meanings hereinafter set forth:

4.2.1 "**Base Year**" shall mean the period set forth in Section 5 of the Summary.

4.2.2 "**Direct Expenses**" shall mean "Operating Expenses" and "Tax Expenses."

4.2.3 "**Expense Year**" shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires, provided that Landlord, upon notice to Tenant, may change the Expense Year from time to time to any other twelve (12) consecutive month period, and, in the event of any such change, Tenant's Share of Direct Expenses shall be equitably adjusted for any Expense Year involved in any such change.

4.2.4 "**Operating Expenses**" shall mean all expenses, costs and amounts of every kind and nature which Landlord pays or accrues during any Expense Year because of or in connection with the ownership, management, maintenance, security, repair, or operation of the Project, or any portion thereof. Without limiting the generality of the foregoing, Operating Expenses shall specifically include any and all of the following: (i) the cost of operating, repairing, maintaining, and renovating the utility, telephone, mechanical, sanitary, storm drainage, and elevator systems, and the cost of maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections and the cost of contesting any governmental enactments which may affect Operating Expenses, and the costs incurred in connection with a governmentally-mandated transportation system management program or similar program or any transportation system management program or similar program that Tenant participates; (iii) the cost of all insurance carried by Landlord in connection with the Project as reasonably determined by Landlord (including, without limitation, commercial general liability insurance, physical damage insurance covering damage or other loss caused by fire, earthquake, flood and other water damage, explosion, vandalism and malicious mischief, theft or other casualty, rental interruption insurance and such insurance as may be required by any lessor under any present or future ground or underlying lease of the Building or Project or any holder of a mortgage, trust deed or other encumbrance now or hereafter in force against the Building or Project or any portion thereof); (iv) the cost of landscaping, relamping, and all supplies, tools, equipment and materials used in the operation, repair and maintenance of the Project, or any portion thereof; (v) costs incurred in connection with the parking areas servicing the Project; (vi) fees and other costs, including management fees, consulting fees, legal fees (subject to exclusion (u), below) and accounting fees, of all contractors and consultants incurred by Landlord in connection with the management, operation, maintenance and repair of the Project; (vii) payments under any equipment rental agreements and the fair rental value of any management office space (provided, however, that if and to the extent that the personnel in such management office perform management responsibilities for other properties in addition to the Project, then the rental value of such management office shall be equitably allocated between the Project and such other properties; provided further, however, upon request from Tenant not more than once in any twelve (12) month period, Landlord shall inform Tenant of any personnel in such management office that performs management responsibilities for other properties in addition to the Project); (viii) wages, salaries and other compensation and benefits, including taxes levied thereon, of all persons engaged in the operation, management, maintenance and security of the Project (other than persons generally considered to be higher in rank than the position of the person, regardless of title, who supervises property managers that manage the Project and other projects of Landlord and affiliates of Landlord, which person the Landlord refers to as a "Senior Asset Manager"); (ix) costs under any instrument pertaining to the sharing of costs by the Project; (x) operation, repair, maintenance and replacement of all systems and equipment and components thereof of the Building; (xi) the cost of, alarm, security and other services, the cost of janitorial services provided to Common Areas, the cost of replacement of wall and floor coverings, ceiling tiles and fixtures in Common Areas, maintenance and replacement of curbs and walkways, repair to roofs and re-roofing; (xii) amortization (including interest on the unamortized cost at an interest rate (the "**Amortization Interest Rate**") equal to the annual "Bank Prime Loan" rate, as that term is set forth in Article 25 of this Lease, plus two (2) percentage points) of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Project, or any portion thereof; (xiii) the cost of capital improvements, capital repairs or other capital costs incurred in connection with the Project (A) which are reasonably intended by Landlord, based upon qualified third party advice, to effect savings in the operation, cleaning or maintenance of the Project, or any portion thereof, to the extent of cost savings reasonably anticipated by Landlord at the time of such expenditure to be incurred in connection therewith ("**Cost Saving Capital Expenditures**"), or (B) that are required under any governmental law or regulation, except for capital improvements to remedy a condition existing prior to the first Lease Commencement Date which an applicable governmental authority, if it had knowledge of such condition prior to the first Lease Commencement Date, would have then required to be remedied pursuant to then-current governmental laws or regulations in their form existing as of the first Lease Commencement Date and pursuant to the then-current interpretation of such governmental laws or regulations by the applicable governmental authority as of the first Lease Commencement Date (the costs described in clauses (xii) and (xiii)(A) and (B) being referred to collectively as "**Permitted Capital Expenditures**"); provided, however, that the cost of Permitted Capital Expenditures shall (subject to the limitation set forth above with respect to Landlord's ability to pass through the cost of Cost Saving Capital Expenditures) be amortized with interest at the Amortization Interest Rate over the useful life of the capital item in question, as reasonably determined by Landlord, in a manner consistent with the practices of landlords of Comparable Buildings and otherwise in accordance with sound real estate management and accounting principles or, with respect to Cost Saving Capital Expenditures, their recovery/payback period as Landlord shall reasonably determine, in a manner consistent with the practices of landlords of Comparable Buildings and otherwise in accordance with sound real estate management and accounting practices, consistently applied; (xiv) costs, fees, charges or assessments imposed by, or resulting from any mandate imposed on Landlord by, any federal, state or local government for fire and police protection, trash removal, community services, or other services which do not constitute "Tax Expenses" as that term is defined in Section 4.2.4, below; and (xv) payments under any easement, license, operating agreement, declaration, restrictive covenant, or instrument pertaining to the sharing of costs by Landlord with respect to the Building, including, without limitation, any covenants, conditions and restrictions affecting the Project, and reciprocal easement agreements affecting the Project, any parking licenses, and any agreements with transit agencies affecting the Project. Notwithstanding the foregoing, for purposes of this Lease, the following items shall be excluded from Operating Expenses:

(a) cost of repairs or other work incurred by reason of fire, windstorm or other casualty or by the exercise of the right of eminent domain to the extent Landlord is compensated through proceeds or insurance or condemnation awards, or would have been so reimbursed if Landlord had in force all of the insurance required to be carried by Landlord under this Lease;

(b) the cost and expense of correcting defects in the construction of the Project or repairs that are covered by warranties;

(c) costs, including fines or penalties, incurred due to a violation of Applicable Laws in force and effect as of the first Lease Commencement Date relating to the Project, but not including on-going recurring compliance costs (by way of example only, costs to comply with an existing Applicable Law requiring periodic elevator maintenance, or related to fire-extinguisher inspections, shall be included in Operating Expenses);

(d) costs incurred due to the presence of Hazardous Substances (as defined in Section 5.2), except to the extent caused by the release or emission thereof by Tenant;

(e) charitable and political contributions or reserves of any kind;

(f) depreciation, interest and principal payments on mortgages and other debt costs, if any, penalties and interest, and any other costs which would properly be capitalized, other than Permitted Capital Expenditures;

(g) fees payable by Landlord for management of the Project in excess of two and one-half percent (2½%) (the "**Management Fee Percentage**") of Landlord's gross revenues from the Project, adjusted and grossed up to reflect a one hundred percent (100%) occupancy of the Project with all tenants paying full rent, as contrasted with free rent, half-rent and the like, including Base Rent, Additional Rent, and parking fees from the Project for any calendar year or portion thereof (provided that, that for the purpose of the calculation of the Management Fee Percentage, "gross revenues" shall not include (i) percentage rent received from retail tenants, or (ii) any lump sum or accelerated termination payment received by Landlord from Tenant unless such termination payment is, for the purposes of calculating gross revenues, spread proportionately over the number of years which the terminated lease have continued); or

(h) expense reserves;

(i) Landlord's and Landlord's managing agent's general corporate or partnership overhead and general administrative expenses, and all costs associated with the operation of the business of the ownership or entity which constitutes "Landlord," as distinguished from the costs of Building operations, management, maintenance or repair, including, but not limited to, costs of entity accounting and legal matters, costs of any disputes with any ground lessor or mortgagee, costs of acquiring, selling syndicating, financing, mortgaging or hypothecating any of the Landlord's interest in all or any part of the Project and/or Common Areas;

(j) costs (including permit, license and inspection fees) incurred in renovating or otherwise improving or decorating, painting or redecorating space for tenants or other occupants or in renovating or redecorating vacant space, including the cost of alterations or improvements to the Premises or to the premises of any other tenant or occupant of the Project and any cash or other consideration paid by Landlord on account of, with respect to, or in lieu of the improvement or alteration work described herein;

(k) costs in connection with the original construction of the Project and related facilities;

(l) intentionally omitted;

(m) costs for which the Landlord is to be reimbursed by any tenant (other than as a reimbursement of operating expenses) or occupant of the Project or by insurance by its carrier or any tenant's carrier or by anyone else including, without limitation, the cost of providing any janitorial services to any other tenant's space (or occupiable space) in the Project;

(n) costs of all items and services for which Tenant reimburses Landlord or pays to third parties or which Landlord provides selectively to one or more tenants or occupants of the Building (other than Tenant);

(o) depreciation and amortization except as permitted pursuant to items (xii) and (xiii), above;

(p) costs incurred due to violation by Landlord or its managing agent or any tenant of the terms and conditions of any lease;

(q) payments to subsidiaries or affiliates of Landlord, for management or other services in or to the Project, or for supplies or other materials to the extent that the costs of such services, supplies, or materials exceed the costs that would have been paid had the services, supplies or materials been provided by parties unaffiliated with the Landlord on a competitive basis;

(r) intentionally omitted;

(s) any compensation and benefits paid to personnel working in or managing a food service or health club or other commercial concession operated by Landlord or Landlord's managing agent;

(t) marketing, advertising and promotional costs and cost of signs in or on the Building identifying the owner of the Building or other tenants' signs;

(u) leasing commissions, attorneys' fees, costs and disbursements and other expenses incurred in connection with negotiations or disputes with tenants or other occupants or prospective tenants or other occupants, or associated with the enforcement of any leases or the defense of Landlord's title to or interest in the Project or any part thereof or Common Areas or any part thereof;

(v) intentionally omitted;

(w) costs of repair or replacement for any item covered by a warranty to the extent actually covered by the warranty;

(x) costs of which Landlord is actually reimbursed by its insurance carrier or by any tenant's insurance carrier or by any other entity;

(y) costs, fees, dues, contributions or similar expenses for political or charitable organizations;

(z) bad debt loss, rent loss, or reserves for bad debt or rent loss;

(aa) acquisition or insurance costs for sculptures, paintings, or other art;

(bb) the wages and benefits of any employee who does not devote substantially all of his or her employed time to the Project unless such wages and benefits are prorated to reflect time spent on operating and managing the Project vis-à-vis time spent on matters unrelated to operating and managing the Project;

(cc) the cost of electricity, gas, water, sewer and other utilities consumed in the Premises to the extent Tenant is separately and directly paying for the same pursuant to Section 6.1, below;

(dd) at any time that Tenant is then providing its own janitorial services to the Premises pursuant to Section 6.1.5, below, the cost of providing janitorial services to any Project tenant or any portion of the Project other than Common Areas;

(ee) Tax Expenses and costs expressly excluded from Tax Expenses;

(ff) the cost of tenant newsletters and Building promotional gifts, events or parties for existing occupants, and any costs related to the celebration or acknowledgment of holidays in excess of costs consistent with the general practice of landlords of the Comparable Buildings and any costs for parties for prospective occupants;

(gg) costs associated with the marketing of the Building for sale or lease or the actual sale of the Building, and costs, fees, dues, contributions or similar expenses for industry associations or similar organizations and entertainment expenses and travel expenses of Landlord, its employees, agents, partners and affiliates; and

(hh) the cost of installing, operating and maintaining any observatory, broadcasting facilities, luncheon club, museum, athletic or recreational club, or child care facility.

If Landlord does not carry earthquake insurance for the Building during the entire Base Year but subsequently obtains earthquake insurance for the Building during the Lease Term, then from and after the date upon which Landlord obtains such earthquake insurance and continuing throughout the period during which Landlord maintains such insurance, Operating Expenses for the Base Year shall be deemed to be increased by the amount of the premium Landlord would have incurred had Landlord maintained such insurance for the same period of time during the Base Year as such insurance is maintained by Landlord during such subsequent Expense Year. If Landlord is not furnishing any particular work or service (the cost of which, if performed by Landlord, would be included in Operating Expenses) to a tenant who has undertaken to perform such work or service in lieu of the performance thereof by Landlord, Operating Expenses shall be deemed to be increased by an amount equal to the additional Operating Expenses which would reasonably have been incurred during such period by Landlord if it had at its own expense furnished such work or service to such tenant. If the Project is not at least one hundred percent (100%) occupied during all or a portion of any Expense Year (inclusive of the Base Year), Landlord shall make an appropriate adjustment to the components of Operating Expenses for such year to determine the amount of Operating Expenses that would have been incurred had the Project been one hundred percent (100%) occupied by tenants paying full rent; and the amount so determined shall be deemed to have been the amount of Operating Expenses for such year. Operating Expenses for the Base Year shall include (i) temporary market-wide cost increases (including utility rate increases) due to extraordinary circumstances, including, but not limited to, Force Majeure, boycotts, strikes, conservation surcharges, embargoes or shortages, or (ii) amortized costs relating to Permitted Capital Expenditures (such items to be known collectively as "**Increases**"); provided, however, that at such time as any such particular Increase is no longer being incurred by Landlord, the cost of such Increase shall be excluded from the Base Year calculation, and any future calculation, of Operating Expenses.

4.2.5 **Taxes**.

4.2.5.1 "**Tax Expenses**" shall mean all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including, without limitation, real estate taxes, general and special assessments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Tenant, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Project, or any portion thereof), which shall be paid or accrued during any Expense Year (without regard to any different fiscal year used by such governmental or municipal authority) because of or in connection with the ownership, leasing and operation of the Project, or any portion thereof.

4.2.5.2 Tax Expenses shall include, without limitation: (i) any tax on the rent, right to rent or other income from the Project, or any portion thereof, or as against the business of leasing the Project, or any portion thereof; (ii) any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election ("**Proposition 13**") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants, and, in further recognition of the decrease in the level and quality of governmental services and amenities as a result of Proposition 13, Tax Expenses shall also include any governmental or private assessments or the Project's contribution towards a governmental or private cost-sharing agreement for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies; (iii) any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Rent payable hereunder, including, without limitation, any business or gross income tax or excise tax with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof; (iv) any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises; and (v) all of the real estate taxes and assessments imposed upon or with respect to the Building and all of the real estate taxes and assessments imposed on the land and improvements comprising the Project.

4.2.5.3 If Tax Expenses for any period during the Lease Term or any extension thereof are increased after payment thereof for any reason, including, without limitation, error or reassessment by applicable governmental or municipal authorities, Tenant shall pay Landlord within thirty (30) days following demand accompanied by reasonably detailed back-up documentation, Tenant's Share of any such increased Tax Expenses included by Landlord as Tax Expenses pursuant to the terms of this Lease. Notwithstanding anything to the contrary contained in this Section 4.2.5 (except as set forth in Section 4.2.5.1, above), there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes,

gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Project), (ii) any items included as Operating Expenses, (iii) any items paid by Tenant under Section 4.5 of this Lease (as well as any similar items payable by other Project tenants pursuant to similar provisions contained in their leases), (iv) tax penalties incurred as a result of Landlord's failure to make payments and/or to file any tax or informational returns when due, and (v) any assessments on real property or improvements located outside of the Project. All assessments which can be paid by Landlord in installments, shall be paid by Landlord in the maximum number of installments permitted by law and shall be included as Tax Expenses in the year in which the installment is actually paid. For purposes of calculating Tax Expenses for the Project for the Base Year or any Expense Year, if such Tax Expenses do not reflect an assessment (or Tax Expenses) for a one hundred percent (100%) leased, completed and occupied project (such that existing or future leasing, improvements and/or occupancy may result in an increased assessment and/or increased Tax Expenses) with the Project being 100% occupied by tenants paying full rent, such Tax Expenses shall be adjusted, on a basis consistent with sound real estate accounting principles, to reflect an assessment for (and Tax Expenses for) a one hundred percent (100%) leased, completed and occupied project with the Project being 100% occupied by tenants paying full rent.

4.2.5.4 Notwithstanding anything to the contrary set forth in this Lease, the amount of Tax Expenses for the Base Year and any Expense Year shall be calculated without taking into account any decreases in real estate taxes obtained in connection with Proposition 8, and, therefore, in such event the Tax Expenses in the Base Year and/or an Expense Year may be greater than those actually incurred by Landlord, but shall, nonetheless, be the Tax Expenses due under this Lease; provided that in such event (i) any costs and expenses incurred by Landlord in securing any Proposition 8 reduction shall not be included in Direct Expenses for purposes of this Lease, and (ii) tax refunds under Proposition 8 shall not be deducted from Tax Expenses, but rather shall be the sole property of Landlord. Landlord and Tenant acknowledge that this Section 4.2.5.4 is not intended to in any way affect (A) the inclusion in Tax Expenses of the statutory two percent (2.0%) annual increase in Tax Expenses (as such statutory increase may be modified by subsequent legislation), to the extent such annual permitted increase in assessed value was actually applied in any particular year, or (B) the inclusion or exclusion of Tax Expenses pursuant to the terms of Proposition 13, which shall be governed pursuant to the terms of Sections 4.2.5.1 through 4.2.5.3, above. Notwithstanding anything to the contrary set forth in this Lease, only Landlord may institute proceedings to reduce Tax Expenses and the filing of any such proceeding by Tenant without Landlord's consent shall constitute a Default by Tenant. Notwithstanding the foregoing, Landlord shall not be obligated to file any application or institute any proceeding seeking a reduction in Tax Expenses.

4.2.6 "**Tenant's Share**" shall mean the percentage set forth in Section 6 of the Summary.

4.3 **Intentionally Omitted**.

4.4 **Calculation and Payment of Additional Rent**. If for any Expense Year ending or commencing within the Lease Term, Tenant's Share of Direct Expenses for such Expense Year exceeds Tenant's Share of Direct Expenses applicable to the Base Year, then Tenant shall pay to Landlord, in the manner set forth in Section 4.4.1, below, and as Additional Rent, an amount equal to the excess (the "**Excess**").

4.4.1 **Statement of Actual Direct Expenses and Payment by Tenant**. Landlord shall give to Tenant following the end of each Expense Year, a statement (the "**Statement**") which shall state in general the major categories the Direct Expenses incurred or accrued for the Base Year or such preceding Expense Year, as applicable (inclusive of a reasonable description of any Permitted Capital Expenditures which are included in Operating Expenses and, if applicable, the calculations made by Landlord to adjust Direct Expenses pursuant to the final paragraph of Section 4.2.4 and the final sentence of Section 4.2.5.3), and which shall indicate the amount of the Excess. Landlord shall use commercially reasonable efforts to deliver such Statement to Tenant on or before May 1 following the end of the Expense Year to which such Statement relates. Upon receipt of the Statement for each Expense Year commencing or ending during the Lease Term, if an Excess is present, Tenant shall pay, within thirty (30) days after receipt of the Statement, the full amount of the Excess for such Expense Year, less the amounts, if any, paid during such Expense Year as "Estimated Excess," as that term is defined in Section 4.4.2, below, and if Tenant paid more as Estimated Excess than the actual Excess, Tenant shall receive a credit in the amount of Tenant's overpayment against Rent next due under this Lease. The failure of Landlord to timely furnish the Statement for any Expense Year shall not prejudice Landlord or Tenant from enforcing its rights under this Article 4. Even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Share of Direct Expenses for the Expense Year in which this Lease terminates, if an Excess is present, Tenant shall, within thirty (30) days after receipt of the Statement, pay to Landlord such amount, and if Tenant paid more as Estimated Excess than the actual Excess, Landlord shall, within thirty (30) days, deliver a check payable to Tenant in the amount of the overpayment. The provisions of this Section 4.4.1 shall survive the expiration or earlier termination of the Lease Term. Notwithstanding the immediately preceding sentence, Tenant shall not be responsible for Tenant's Share of any Direct Expenses attributable to any Expense Year which are first billed to Tenant more than two (2) calendar years after the Lease Expiration Date, provided that in any event Tenant shall be responsible for Tenant's Share of Direct Expenses levied by any governmental authority or by any public utility companies at any time following the Lease Expiration Date which are attributable to any Expense Year.

4.4.2 **Statement of Estimated Direct Expenses**. In addition, Landlord shall give Tenant a yearly expense estimate statement (the "**Estimate Statement**") which shall set forth in the general major categories Landlord's reasonable estimate (the "**Estimate**") of what the total amount of Building Direct Expenses for the then-current Expense Year shall be and the estimated excess (the "**Estimated Excess**") as calculated by comparing the Building Direct Expenses for such Expense Year, which shall be based upon the Estimate, to the amount of Building Direct Expenses for the Base Year. Landlord shall use commercially reasonable efforts to deliver such Estimate Statement to Tenant on or before May 1 following the end of the Expense Year to which such Estimate Statement relates. The failure of Landlord to timely furnish the Estimate Statement for any Expense Year shall not preclude Landlord from enforcing its rights to collect any Additional Rent under this Article 4, nor shall Landlord be prohibited from revising any Estimate Statement or Estimated Excess theretofore delivered to the extent necessary. Thereafter, Tenant shall pay, on the first day of the next calendar month which occurs at least thirty (30) days after receipt of the Estimate Statement, a fraction of the Estimated Excess for the then-current Expense Year (reduced by any amounts paid pursuant to the second to last sentence of this Section 4.4.2). Such fraction shall have as its numerator the number of months which have elapsed in such current Expense Year, including the month of such payment, and twelve (12) as its denominator. Until a new Estimate Statement is furnished (which Landlord shall have the right to deliver to Tenant at any time), Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Excess set forth in the previous Estimate Statement delivered by Landlord to Tenant. Throughout the Lease Term Landlord shall maintain books and records with respect to Building Direct Expenses in accordance with generally accepted real estate accounting and management practices, consistently applied.

4.5 **Taxes and Other Charges for Which Tenant Is Directly Responsible**.

4.5.1 Tenant shall be liable for and shall pay ten (10) days before delinquency, taxes levied against Tenant's equipment, furniture, fixtures and any other personal property located in or about the Premises. If any such taxes on Tenant's equipment, furniture, fixtures and any other personal property are levied against Landlord or Landlord's property or if the assessed value of Landlord's property is increased by the inclusion therein of a value placed upon such equipment, furniture, fixtures or any other personal property and if Landlord pays the taxes based upon such increased assessment, which Landlord shall have the right to do regardless of the validity thereof but only under proper protest if requested by Tenant, Tenant shall upon demand repay to Landlord the taxes so levied against Landlord or the proportion of such taxes resulting from such increase in the assessment, as the case may be.

4.5.2 If the improvements in the Premises, whether installed and/or paid for by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, are assessed for real property tax purposes at a valuation higher than the valuation at which "building standard" improvements are assessed, then the Tax Expenses levied against Landlord or the property by reason of such excess assessed valuation shall be deemed to be taxes levied against personal property of Tenant and shall be governed by the provisions of Section 4.5.1, above. Landlord and Tenant hereby agree that the valuation of Landlord's "building standard" improvements shall be equal to Seventy and 00/100 Dollars ($70.00) per rentable square foot.

4.5.3 Notwithstanding any contrary provision herein, Tenant shall pay prior to delinquency any (i) rent tax or sales tax, service tax, transfer tax or value added tax, or any other applicable tax on the rent or services herein or otherwise respecting this Lease, or (ii) taxes assessed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion of the Project, including the Project parking facility.

4.6 **Landlord's Books and Records**. Following Tenant's receipt of a Statement, Tenant shall have the right by written notice to Landlord to commence and complete an audit of Landlord's books concerning the Direct Expenses for the Expense Year which are the subject to such Statement, within the later to occur of (x) six (6) months following the delivery of such Statement and (y) the date that is sixty (60) days after Landlord makes Landlord's books and records available for Tenant's audit, provided that Tenant notifies Landlord of Tenant's intent to audit Landlord's books and records within the six (6) month period described in clause (x) above (the "**Audit Period**"); notwithstanding the foregoing, on the first (1st) occasion within the initial three (3) years of the Lease Term on which Tenant exercises its right to audit Landlord's books and records concerning Direct Expenses pursuant to the provisions of this Section 4.6, Tenant shall be entitled to audit Landlord's books and records concerning Direct Expenses for the Base Year as well as the books and records for the Expense Year which is the subject of the applicable Statement. Following the giving of such written notice, Tenant shall have the right during Landlord's regular business hours taking into account the workload of Landlord's employees involved in the audit at the time of the audit request and on reasonable prior notice, to audit, at Landlord's corporate offices, at Tenant's sole cost, Landlord's records, provided that Tenant is not then in Default. The audit of Landlord's records may be conducted only by a reputable certified public accountant, subject to Landlord's approval, which approval shall not be unreasonably withheld. Any accounting firm selected by Tenant in connection with the audit (i) shall be a reputable independent nationally or regionally recognized certified public accounting firm which has previous experience in auditing financial operating records of landlords of office buildings; (ii) shall not already be providing accounting and/or lease administration services to Tenant and shall not have provided accounting and/or lease administration services to Tenant in the past three (3) years; (iii) shall not be retained by Tenant on a contingency fee basis (i.e. Tenant must be billed based on the actual time and materials that are incurred by the accounting firm in the performance of the audit), a copy of the executed audit agreement, between Tenant and auditor, shall be provided to Landlord prior to the commencement of the audit; and (iv) at Landlord's option, both Tenant and its agent shall be required to execute a commercially reasonable confidentially agreement prepared by Landlord. Any audit report prepared by Tenant's auditors shall be delivered concurrently to Landlord and Tenant within the Audit Period. If, after such audit of Landlord's records, Tenant disputes the amount of Direct Expenses for the year under audit, Landlord and Tenant shall meet and attempt in good faith to resolve the dispute. If the parties are unable to resolve the dispute within sixty (60) days after completion of Tenant's audit, then, at Tenant's request, a certified public accounting firm selected by Landlord, and reasonably approved by Tenant, shall, at Tenant's cost, conduct an audit of the relevant Direct Expenses (the "**Neutral Audit**"). Tenant shall pay all costs and expenses of the Neutral Audit unless the final determination in such Neutral Audit is that Landlord overstated Direct Expenses in the Statement for the year being audited by more than five percent (5%) in which case Landlord shall pay all costs and expenses of the Neutral Audit, as well as Tenant's reasonable out-of-pocket costs actually incurred by Tenant in the audit of Landlord's books and records. In any event, Landlord will reimburse or provide a credit for any overstatement of Direct Expenses and Tenant shall pay to Landlord any understatement of Direct Expenses. If the Direct Expenses for the Base Year are adjusted as a result of such Neutral Audit, then any such change in the Direct Expenses for the Base Year shall be included in the foregoing calculation to determine if the Direct Expenses were overstated by more than five percent (5%). To the extent Landlord and Tenant fail to otherwise reach mutual agreement regarding Direct Expenses, the foregoing audit and Neutral Audit procedures shall be the sole methods to be used by Tenant to dispute the amount of any Direct Expenses payable by Tenant pursuant to the terms of the Lease.

ARTICLE 5

USE OF PREMISES

5.1 **Permitted Use**. Tenant shall use the Premises solely for the Permitted Use set forth in Section 7 of the Summary and Tenant shall not use or permit the Premises or the Project to be used for any other purpose or purposes whatsoever without the prior written consent of Landlord, which may be withheld in Landlord's sole discretion.

5.2 **Prohibited Uses**. The uses prohibited under this Lease shall include, without limitation, use of the Premises or a portion thereof for (i) offices of any agency or bureau of the United States or any state or political subdivision thereof; (ii) offices or agencies of any foreign governmental or political subdivision thereof; (iii) offices of any health care professionals or service organization; (iv) schools or other training facilities which are not ancillary to corporate, executive or professional office use; (v) retail use or the operation of any restaurant offering services to the public; or (vi) communications firms such as radio and/or television stations. Tenant further covenants and agrees that Tenant shall not use, or suffer or permit any person or persons to use, the Premises or any part thereof for any use or purpose contrary to the provisions of the Rules and Regulations set forth in **Exhibit D**, attached hereto, or in violation of the laws of the United States of America, the State of California, or the ordinances, regulations or requirements of the local municipal or county governing body or other lawful authorities having jurisdiction over the Project, including, without limitation, any such laws, ordinances, regulations or requirements relating to Hazardous Substances. Tenant shall not do or permit anything to be done in or about the Premises which will in any way damage the reputation of the Project or obstruct or interfere with the rights of other tenants or occupants of the Building, or injure or annoy them or use or allow the Premises to be used for any unlawful purpose, nor shall Tenant cause,

maintain or permit any nuisance in, on or about the Premises. Tenant shall comply with all recorded covenants, conditions, and restrictions now or hereafter affecting the Project. Except for small quantities customarily used in business offices, Tenant shall not cause or permit any Hazardous Substance to be kept, maintained, used, stored, produced, generated or disposed of (into the sewage or waste disposal system or otherwise) on or in the Premises by Tenant or Tenant's agents, employees, contractors, invitees, assignees or sublessees, without first obtaining Landlord's written consent. Tenant shall immediately notify, and shall direct Tenant's agents, employees contractors, invitees, assignees and sublessees to immediately notify, Landlord of any incident in, on or about the Premises, the Building or the Project that would require the filing of a notice under any federal, state, local or quasi-governmental law (whether under common law, statute or otherwise), ordinance, decree, code, ruling, award, rule, regulation or guidance document now or hereafter enacted or promulgated, as amended from time to time, in any way relating to or regulating any Hazardous Substance. As used herein, "**Hazardous Substance**" means any substance which is toxic, ignitable, reactive, or corrosive and which is regulated by any local government, the State of California, or the United States government. "Hazardous Substance" includes any and all material or substances which are defined as "hazardous waste," "extremely hazardous waste" or a "hazardous substance" pursuant to state, federal or local governmental law. "Hazardous Substance" also includes asbestos, polychlorobiphenyls (i.e., PCB's) and petroleum.

5.3 **Tenant's Bicycles**. Tenant's employees shall be permitted to bring their bicycles ("**Bicycles**") into the designated portions of the Building, subject to the provisions of this Section 5.3, and such additional reasonable rules and regulations as may be promulgated by Landlord from time to time (in Landlord's reasonable discretion) that do not unreasonably interfere with Tenant's ability to park its Bicycles as contemplated herein and provided to Tenant, and only to the extent such Bicycles are used on a daily basis for commuting to and from work by such employees. AT NO TIME ARE RIDERS ALLOWED TO RIDE ANY BICYCLE IN THE PREMISES, THE PROJECT PARKING FACILITIES, THE BUILDING, OR ANYWHERE ELSE WITHIN THE PROJECT. RIDERS MUST ALWAYS WALK THEIR BICYCLES WITHIN THE PROJECT BOUNDARIES. Storage of any Bicycle anywhere on the Project other than as expressly set forth in this Section 5.3 is prohibited. Tenant shall keep its employees informed of these rules and regulations and any modifications thereto.

5.3.1 **Bicycle Storage Area**. Tenant shall have the non-exclusive right, on a first-come, first-served basis, at no cost to Tenant, to utilize that portion of the Building's parking garage (the "**Garage**") designated by Landlord for the day use parking of operable non-motorized Bicycles by tenants and occupants of the Building (the "**Bicycle Storage Area**"). Motorized vehicles of any kind, including motorcycles and mopeds, are prohibited in the Bicycle Storage Area, as is the storage of any property other than Bicycles. Each rider shall use the Bicycle Storage Area at is sole risk. Landlord specifically reserves the right to reasonably change the location, size, configuration, design, layout and all other aspects of the Bicycle Storage Area at any time (provided that no such action will materially diminish the capacity of the Bicycle Storage Area on other than a temporary basis), and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease, from time to time, temporarily close-off or restrict access to the Bicycle Storage Area for purposes of permitting or facilitating any such construction, alteration or improvements. Landlord has no obligation to provide any security whatsoever in connection with the Bicycle Storage Area except as expressly set forth in this Section 5.3.1. Landlord shall provide twenty-four (24) hours per day, seven (7) days per week, reasonable access control services for the Bicycle Storage Area in a manner materially consistent with the services provided by landlords of Comparable Buildings. Notwithstanding the foregoing, Landlord shall in no case be liable for personal injury or property damage for any error with regard to the admission to or exclusion from the Bicycle Storage Area of any person. Upon the expiration or earlier termination of this Lease, Tenant shall have removed all Bicycles belonging to its employees from the Bicycle Storage Area and Tenant, at Tenant's sole cost and expense, shall repair all damage to the Bicycle Storage Area caused by the removal of Tenant's property therefrom, and if Tenant fails to repair such damage, Landlord may undertake such repair on account of Tenant and Tenant shall pay to Landlord upon demand the cost of such repair. If Tenant fails to remove any Bicycles at the expiration or earlier termination of this Lease, Landlord may dispose of said Bicycles in such lawful manner as it shall determine in its sole and absolute discretion.

5.3.2 **Bicycles in the Premises**. Tenant's employees shall be permitted to bring their Bicycles in the Premises in accordance with the terms of this Section 5.3.2. The right provided to Tenant and its employees to bring Bicycles into the Premises shall be subject to the following terms and conditions: (i) Bicycles may only enter and exit the Building through the Garage entrance; (ii) Bicycles may enter and exit the Building at all times; (iii) Bicycles must be taken directly from the Garage to the Premises via the Building's freight elevator or another elevator designated by Landlord, which Tenant's employees shall be entitled to operate at any time, and in no event shall Tenant's employees bring any Bicycles into or through the ground floor lobby of the Building; (iv) Landlord shall have the right to reasonably designate the path of travel that Tenant's employees must follow to/from the Garage and the freight elevator, or another elevator designated by Landlord; and (v) in no event shall Tenant permit any bicycles to be located within the Common Areas (other than the Bicycle Storage Area) at any time.

ARTICLE 6

SERVICES AND UTILITIES

6.1 **Standard Tenant Services**. Landlord shall provide the following services during the Lease Term.

6.1.1 **HVAC**. The Building is equipped with a heating and air conditioning ("**HVAC**") system serving the Building (the "**BB HVAC System**"). Subject to limitations imposed by all governmental rules, regulations and guidelines applicable thereto, Landlord shall provide BB HVAC System service during the "HVAC System Hours" (defined below). Tenant shall have the right to specify the hours of availability of the BB HVAC System (the "**HVAC System Hours**"); provided, however, (i) any initial determination or changes to the HVAC System Hours shall require at least thirty (30) days prior notice to Landlord, and shall not be effective until the first day of the subsequent calendar month occurring after the expiration of the thirty (30) day period, (ii) the HVAC System Hours shall consist of, at a minimum, the hours of 8:00 A.M. to 6:00 P.M. on Monday through Friday, and (iii) the HVAC System Hours shall consist only of consecutive time periods, as determined on a daily basis. Tenant shall cooperate fully with Landlord at all times and abide by all regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the BB HVAC System. If the HVAC System Hours consist of more than sixty (60) hours per week ("**Excess Hours**"), then Landlord shall supply such HVAC to Tenant at Landlord's actual cost (which shall be treated as Additional Rent, but not as an Operating Expense), including the cost of increased depreciation on the BB HVAC System, but excluding the cost of electricity to the extent already paid for directly by Tenant, but including the electrical costs specified as follows. Landlord shall reasonably and equitably allocate the portion of the electrical costs of the BB HVAC System attributable to Tenant's direct use of the BB HVAC System for the Excess Hours to Tenant, and Tenant shall pay for the costs of such direct use along with the increased depreciation as set forth above, within thirty (30) days after demand, and as Additional Rent under this Lease (and not as part of the Operating Expenses) (the "**Extra HVAC Costs**").

6.1.2 **Electricity**. Landlord shall provide adequate electrical wiring and facilities for connection to Tenant's lighting and Tenant's incidental use equipment, provided that the combined electrical load of Tenant's incidental use equipment and the connected electrical load of Tenant's lighting fixtures does not exceed an average of five (5) watts per rentable square foot of the Premises. Landlord's consent to Tenant's use of electrical equipment or lighting requiring a greater connected load will not be unreasonably withheld if Tenant agrees in writing to bear the cost of (a) any necessary upgrade to the Building Systems to provide for such increased electrical load, and (b) any reasonably necessary additional heating, ventilating and air conditioning supplied to the Premises as a result of such increased electrical load, and the electricity so furnished for incidental use equipment will be at a nominal one hundred twenty (120) volts and no electrical circuit for the supply of such incidental use equipment will require a current capacity exceeding twenty (20) amperes, which electrical usage shall be subject to Applicable Laws, including Title 24. Tenant shall bear the cost of replacement of lamps, starters and ballasts for non-Building standard lighting fixtures within the Premises (Landlord, as part of Operating Expenses, will replace Building-standard lamps, starters and ballasts). Tenant shall reasonably cooperate with Landlord at all times and abide by all regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the Building electrical systems. All electricity usage at the Project shall be monitored using meters (the "**Metering Equipment**"). Tenant shall be responsible to pay directly, and not as a part of Operating Expenses, for the cost of all electricity shown on the Metering Equipment. Tenant may audit Landlord's readings of the Metering Equipment and Landlord shall deliver reasonably detailed invoices to Tenant reflecting Landlord's reading of the Metering Equipment and resulting electricity costs.

6.1.3 **Water and Sewer**. Landlord shall cause water and sewer to be supplied to the Building. Tenant shall pay for the costs of all water and sewer usage at the Project, within thirty (30) days after demand and as Additional Rent under this Lease (and not as part of the Operating Expenses). Landlord shall designate the utility providers from time to time.

6.1.4 **Gas**. Landlord shall cause gas to be supplied to the Project. Tenant shall pay for the cost of all gas supplied to the Project, within thirty (30) days after demand and as Additional Rent under this Lease (and not as part of the Operating Expenses).

6.1.5 **Janitorial**. Landlord shall provide janitorial services for the Common Areas and exterior window washing services, in a manner consistent with the standards of other first-class, institutionally owned office buildings in the City of San Francisco, but shall not provide janitorial services for the Premises. Tenant shall perform all janitorial services and other cleaning within the Premises in a manner consistent with the standards of other first-class, institutionally owned office buildings in the City of San Francisco. Without Landlord's prior consent, Tenant shall not use (and upon notice from Landlord shall cease using) janitorial service providers who would, in Landlord's reasonable and good faith judgment, disturb labor harmony with the workforce or trades engaged in performing other work, labor or services in or about the Building or the Common Areas.

6.1.6 **Elevator**. Landlord shall provide non-attended automatic passenger elevator service during the building hours reasonably designated by Landlord (the "**Building Hours**"), and shall have one (1) elevator available at all other times.

6.1.7 **Intentionally Omitted**.

6.1.8 **Risers, Raceways, Shafts, Conduits**. Subject to Landlord's rules, regulations, and restrictions and the terms of this Lease, Landlord shall permit Tenant, at no additional charge to Tenant, to utilize the Building risers, raceways, shafts and conduit, provided that there is available space in the Building risers, raceways, shafts and/or conduit for Landlord's reasonable use and reasonable use by other tenants, if any, of the Building, which availability shall be determined by Landlord in Landlord's reasonable discretion. Landlord shall have the right to re-route the planned location of Tenant's cabling in such risers, raceways, shafts and conduit, as determined by Landlord in its reasonable discretion.

6.1.9 **Security Systems**. Landlord shall provide reasonable access-control services for the Building. Landlord shall not provide any other security equipment and shall not provide any security personnel to the Building and, in no case, shall Landlord be liable for personal injury or property damage for any lack of security in the Building or for any error with regard to the admission to or exclusion from the Building or Project of any person. Landlord hereby agrees that Tenant shall have the right to install a card key security system ("**Tenant's Security System**") in the Premises, at the exterior entrances to the Building and/or at the entrances to the Project parking facility; provided that Tenant shall work with Landlord to connect Landlord's existing access card keys for the Building to Tenant's Security System, or, if such connection is not possible, shall provide Landlord with a reasonable number of card keys for Landlord's access to the Building and/or the Premises pursuant to the terms of this Lease. Tenant's Security System shall by subject to Landlord's prior review and approval (not to be unreasonably withheld), and the installation thereof shall be deemed an Alteration and shall performed pursuant to Article 8 of this Lease, below. Tenant shall be solely responsible, at Tenant's sole cost and expense, for the installation, monitoring, operation and removal of Tenant's Security System.

6.1.10 **Access**. Subject to Applicable Laws and the other provisions of this Lease, and except in the event of an emergency, Tenant shall have access to the above utilities and the Building, the Premises and the Common Areas, other than common areas requiring access with a Building engineer, the parking garage and freight elevator, if any, twenty-four (24) hours per day, seven (7) days per week, every day of the year; provided, however, that Tenant shall pay Landlord's reasonable out-of-pocket costs that are incurred if Tenant uses any limited-access areas of the Building during other than normal Building Hours.

6.2 **Interruption of Use**. Tenant agrees that Landlord shall not be liable for damages, by abatement of Rent or otherwise (except as specifically set forth in Section 19.5.2 of this Lease), for failure to furnish or delay in furnishing any service (including telephone and telecommunication services), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by breakage, repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building or Project after reasonable effort to do so, by any riot or other dangerous condition, emergency, accident or casualty whatsoever, by act or default of Tenant or other parties, or by any other cause; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent (except as specifically set forth in Section 19.5.2 of this Lease) or performing any of its obligations under this Lease.

6.3 **Use of Shafts and Utility Connections**. Landlord shall have reasonable access, and shall be entitled to allow other tenants of the Building, if any, reasonable access, through existing Building shafts to other portions of the Building (including the roof, mechanical floors and tenant spaces (including the Premises)), or to utility connections outside the Building, for the installation, repair, and maintenance of ducts, pipes, connections, and equipment for cables, conduits, transmitters, receivers, and other office, computer, communications and word and data processing equipment and facilities, including any technological devices not yet developed, whether similar or dissimilar to the foregoing, which may hereafter

become necessary or desirable for any permitted use of the Project; provided, however, that to the extent such shafts or utility connections are located within the Premises, such access shall not materially and unreasonably interfere with Tenant's occupancy of the Premises (Landlord's efforts in such regard will include, where reasonably possible, limiting the performance of any such work which might be disruptive to weekends or the evening and the cleaning of any work area prior to the commencement of the next business day). To the extent that Landlord installs, maintains, uses, repairs or replaces pipes, cables, ductwork, conduits, utility lines, and/or wires through hung ceiling space, exterior perimeter walls and column space, adjacent to and in demising partitions and columns, in or beneath the floor slab or above, below, or through the Premises, then in the course of making any such installation or repair: (x) Landlord shall not reduce Tenant's usable space, except to a de minimus extent, if the same are not installed behind existing walls or ceilings; (y) Landlord shall box in any of the same installed adjacent to existing walls with construction materials substantially similar to those existing in the affected area(s) of the Premises; and (z) Landlord shall repair all damage caused by the same and restore such area(s) of the Premises to substantially the condition existing immediately prior to such work. The terms of this Section 6.3 shall be subject to the terms of Section 29.33 below.

6.4 **Supplemental HVAC**. Subject to Landlord's prior consent, which consent shall not be unreasonably withheld, conditioned or delayed, Tenant shall have the right to install a supplemental HVAC system serving all or any portion of the Premises. Any such supplemental HVAC system shall be installed pursuant to the terms of Article 8 and shall be deemed an Alteration for purposes of this Lease; provided, however, it shall be deemed reasonable for Landlord to withhold its approval to the extent any such installation would materially interfere with, or materially increase the cost of, Landlord's maintenance or operation of the Building, unless Tenant agrees to pay for such increased costs. Any such supplemental HVAC system installed by Tenant shall utilize the Building's chilled or condenser water, at Landlord's actual cost without markup. If Tenant connects into the Building's chilled or condenser water system pursuant to the terms of the foregoing sentence, then Landlord shall install a submetering device at Tenant's sole cost and expense, which shall measure the flow of chilled or condenser water to the Premises, and Tenant shall pay Landlord for Tenant's use of chilled or condenser water at Landlord's actual cost. In no event shall any of the costs associated with the installation or use of the supplemental HVAC system be included within the Base Year. Tenant shall bear all costs of the equipment, and all costs of installation and removal thereof.

ARTICLE 7

REPAIRS

Landlord shall at all times during the Lease Term maintain in good condition and operating order and in a manner reasonably commensurate with the maintenance standards of owners of Comparable Buildings, the structural portions of the Building, including, without limitation, the foundation, floor slabs, ceilings, roof, columns, beams, shafts, stairs, stairwells, escalators, elevators, base building restrooms and all Common Areas (collectively, the "**Building Structure**"), and the Base Building mechanical, electrical, life safety, plumbing, sprinkler and HVAC systems installed or furnished by Landlord (collectively, the "**Building Systems**"). Except as specifically set forth in this Lease to the contrary, Tenant shall not be required to repair the Building Structure and/or the Building Systems except to the extent required because of Tenant's use of the Premises for other than normal and customary business office operations. Tenant shall, at Tenant's own expense, pursuant to the terms of this Lease, including without limitation, Article 8 hereof, keep the Premises, including all improvements, fixtures and furnishings therein, and the floor or floors of the Building on which the Premises is located, in good order, repair and condition at all times during the Lease Term. In addition, Tenant shall, at Tenant's own expense, but under the supervision and subject to the prior approval of Landlord and the terms of Article 8 hereof, promptly and adequately repair all damage to the Premises and replace or repair all damaged, broken, or worn fixtures and appurtenances, except for damage caused by ordinary wear and tear or beyond the reasonable control of Tenant; provided however, that if Tenant fails to commence to make such repairs within ten (10) business days following notice from Landlord, Landlord may, but need not, make such repairs and replacements, and Tenant shall pay Landlord the cost thereof, including a percentage of the cost thereof (to be uniformly established for the Building and/or the Project) sufficient to reimburse Landlord for all overhead, general conditions, fees and other costs or expenses arising from Landlord's involvement with such repairs and replacements forthwith upon being billed for same. Subject to the provisions of Section 6.4, above, Landlord may, but shall not be required to, enter the Premises at all reasonable times to make such repairs, alterations, improvements or additions to the Premises or to the Project or to any equipment located in the Project as Landlord shall desire or deem necessary or as Landlord may be required to do by governmental or quasi-governmental authority or court order or decree. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code or under any similar law, statute, or ordinance now or hereafter in effect.

ARTICLE 8

ADDITIONS AND ALTERATIONS

8.1 **Landlord's Consent to Alterations**. Tenant may not make any improvements, alterations, additions or changes to the Premises or any mechanical, plumbing or HVAC facilities or systems pertaining to the Premises (collectively, the "**Alterations**") without first procuring the prior written consent of Landlord to such Alterations, which consent shall be requested by Tenant not less than twenty (20) business days prior to the commencement thereof, and which consent shall not be unreasonably withheld by Landlord, provided it shall be deemed reasonable for Landlord to withhold its consent to any Alteration which may adversely affect the Building Structure or Building Systems, or is visible from the exterior of the Building, and further provided, that in no event shall Tenant paint the underside or top of the structural slab. Notwithstanding the foregoing, Tenant shall be permitted to make Alterations following ten (10) business days' notice to Landlord, but without Landlord's prior consent, to the extent that such Alterations (i) do not affect the Building Structure, Building Systems or equipment, (ii) are not visible from the exterior of the Building, (iii) do not require a building or construction permit, (iv) cost less than $100,000.00 for a particular job of work, (v) do not consist of painting the underside or top of the structural slab. The construction of the initial improvements to the Premises shall be governed by the terms of the Work Letter and not the terms of this Article 8.

8.2 **Manner of Construction**. Landlord may impose, as a condition of its consent to any and all Alterations or repairs of the Premises or about the Premises, such requirements as Landlord in its sole discretion may deem desirable, including, but not limited to, the requirement that Tenant utilize for such purposes only contractors, subcontractors, materials, mechanics and materialmen selected by Tenant from a list provided and approved by Landlord, the requirement that upon Landlord's request, Tenant shall, at Tenant's expense, remove any "Specialty Alterations" (defined below) upon the expiration or any early termination of the Lease Term. Tenant shall construct such Alterations and perform such repairs in a good and workmanlike manner, in conformance with any and all applicable federal, state, county or municipal laws, rules and regulations and pursuant to a valid building permit, issued by the City in which the Building is located, all in conformance with Landlord's construction rules and regulations. In the event Tenant performs any Alterations in the Premises which require or give rise to governmentally required changes to the "Base Building,"

as that term is defined below, then Landlord shall, at Tenant's expense, make such changes to the Base Building. The "**Base Building**" shall mean the Building Structure, the Building Systems, and the Common Areas. In performing the work of any such Alterations, Tenant shall have the work performed in such manner so as not to obstruct access to the Project or any portion thereof, by any other tenant, if any, of the Project, and so as not to obstruct the business of Landlord or other tenants, if any, in the Project. In addition to Tenant's obligations under Article 9 of this Lease, upon completion of any Alterations, Tenant agrees to cause a Notice of Completion to be recorded in the office of the Recorder of the County in which the Building is located in accordance with Section 8182 of the Civil Code of the State of California or any successor statute, and Tenant shall deliver to the Project management office a reproducible copy of the "as built" drawings of the Alterations as well as all permits, approvals and other documents issued by any governmental agency in connection with the Alterations.

8.3 **Payment for Improvements**. If payment is made directly to contractors, Tenant shall, at Tenant's cost, comply with Landlord's requirements for final lien releases and waivers in connection with Tenant's payment for work to contractors. For purposes of determining the cost of an Alteration, work done in phases or stages shall be considered part of the same Alteration, and any Alteration shall be deemed to include all trades and materials involved in accomplishing a particular result.

8.4 **Construction Insurance**. In addition to the requirements of Article 10 of this Lease, in the event that Tenant makes any Alterations, prior to the commencement of such Alterations, Tenant shall provide Landlord with evidence that Tenant carries "**Builder's All Risk**" insurance in an amount approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may require, it being understood and agreed that all of such Alterations shall be insured by Tenant pursuant to Article 10 of this Lease immediately upon completion thereof. In addition, Tenant shall reimburse Landlord for Landlord's reasonable, actual, out-of-pocket costs and expenses actually incurred in connection with Landlord's review of Tenant's work. Landlord may, in its discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien-free completion of such Alterations and naming Landlord as a co-obligee.

8.5 **Specialty Alterations**. At any time during the Lease Term, Tenant may remove any of "Tenant's Property" (as that term is defined in Section 15.2 below) located in the Premises. Landlord may, by written notice to Tenant prior to the end of the Lease Term, or given following any earlier termination of this Lease, require Tenant, at Tenant's expense, to remove any Specialty Alterations and to repair any damage to the Premises and Building and return the affected portion of the Premises to the condition existing prior to the installation of such Specialty Alteration as reasonably determined by Landlord; provided; however, that notwithstanding the foregoing, upon request by Tenant at the time of Tenant's request for Landlord's consent to any Alteration or improvement (or at the time of Landlord's approval of the "Final Space Plan" or the "Final Working Drawings" (as defined in the Work Letter)), Landlord shall notify Tenant whether the applicable Alteration or Improvement constitutes a Specialty Alteration that will be required to be removed pursuant to the terms of this Section 8.5. If Tenant fails to complete any required removal and/or to repair any damage caused by the required removal of any Specialty Alterations, and return the affected portion of the Premises to the condition existing prior to the installation of such Specialty Alteration as reasonably determined by Landlord, Landlord may do so and may charge the actual and reasonable cost thereof to Tenant. Tenant hereby protects, defends, indemnifies and holds Landlord harmless from any liability, cost, obligation, expense or claim of lien in any manner relating to the installation, placement, removal or financing of any such Alterations, improvements, fixtures and/or equipment in, on or about the Premises, which obligations of Tenant shall survive the expiration or earlier termination of this Lease. As used herein, "**Specialty Alterations**" shall mean any Alteration or Improvement that is not a normal and customary general office improvement, including, but not limited to improvements which (i) perforate, penetrate or require reinforcement of a floor slab (including, without limitation, interior stairwells or high-density filing or racking systems), (ii) consist of the installation of a raised flooring system, (iii) consist of the installation of a vault or other similar device or system intended to secure the Premises or a portion thereof in a manner that exceeds the level of security necessary for ordinary office space, (iv) involve material plumbing connections (such as, for example but not by way of limitation, kitchens, saunas, showers, and executive bathrooms outside of the Building core and/or special fire safety systems), (v) consist of the dedication of any material portion of the Premises to non-office usage (such as classrooms, bicycle storage rooms or kitchens), or (vi) can be seen from outside the Premises. An open ceiling will not be considered a Specialty Alteration.

ARTICLE 9

COVENANT AGAINST LIENS

Tenant shall keep the Project, Building and Premises free from any liens or encumbrances arising out of the work performed, materials furnished or obligations incurred by or on behalf of Tenant, and shall protect, defend, indemnify and hold Landlord harmless from and against any claims, liabilities, judgments or costs (including, without limitation, reasonable attorneys' fees and costs) arising out of same or in connection therewith. Tenant shall give Landlord notice at least twenty (20) days prior to the commencement of any such work on the Premises (or such additional time as may be necessary under Applicable Laws) to afford Landlord the opportunity of posting and recording appropriate notices of non-responsibility. Tenant shall remove any such lien or encumbrance by bond or otherwise within five (5) business days after notice by Landlord, and if Tenant shall fail to do so, Landlord may pay the amount necessary to remove such lien or encumbrance, without being responsible for investigating the validity thereof. The amount so paid shall be deemed Additional Rent under this Lease payable within thirty (30) days after demand, without limitation as to other remedies available to Landlord under this Lease. Nothing contained in this Lease shall authorize Tenant to do any act which shall subject Landlord's title to the Project, Building or Premises to any liens or encumbrances whether claimed by operation of law or express or implied contract.

ARTICLE 10

INSURANCE

10.1 **Indemnification and Waiver**. Except to the extent arising from the negligence or willful misconduct of Landlord or any Landlord Parties (defined below) but subject to this Section 10.1, Tenant hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises from any cause whatsoever and agrees that Landlord, its partners, subpartners and their respective officers, agents, servants, employees, and independent contractors (collectively, "**Landlord Parties**") shall not be liable for, and are hereby released from any responsibility for, any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by Tenant or by other persons claiming through Tenant. Subject to this Section 10.1, Tenant shall indemnify, defend, protect, and hold harmless the Landlord Parties from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) incurred in connection with or arising from (a) any cause in, on or about the Premises, or (b) the negligence or willful misconduct of Tenant or of any person claiming by, through

or under Tenant, or of the contractors, agents, servants, employees, invitees of Tenant who are at the Project at Tenant's requests, as well as guests or licensees of Tenant occurring in, on or about the Project but outside of the Premises, provided that the terms of the foregoing indemnity shall not apply to the negligence or willful misconduct of Landlord or any Landlord Party. Should Landlord be named as a defendant in any suit brought against Tenant for which Tenant's indemnity obligation is applicable, Tenant shall pay to Landlord its reasonable and actual out-of-pocket costs and expenses incurred in such suit, including without limitation, its actual professional fees such as appraisers', accountants' and attorneys' fees. Subject to this Section 10.1, Landlord shall indemnify, defend, protect, and hold harmless Tenant, its partners, and their respective officers, agents, servants, employees, and independent contractors (collectively, "**Tenant Parties**") from any and all loss, cost, damage, expense and liability (including without limitation reasonable attorneys' fees) arising from the negligence or willful misconduct of Landlord or any Landlord party in, on or about the Project, except to the extent caused by the negligence or willful misconduct of the Tenant Parties. Should Tenant be named as a defendant in any suit brought against Landlord for which Landlord's indemnity obligation is applicable, Landlord shall pay to Tenant its reasonable and actual out-of-pocket costs and expenses incurred in such suit, including without limitation, its actual professional fees such as appraisers', accountants' and attorneys' fees. Notwithstanding anything to the contrary set forth in this Lease, either party's agreement to indemnify the other party as set forth in this Section 10.1 shall be ineffective to the extent the matters for which the indemnitor agreed to indemnify the indemnitee are covered by insurance required to be carried by the indemnitee pursuant to this Lease (or would have been covered had the indemnitee carried the insurance required). Further, Tenant's agreement to indemnify Landlord and Landlord's agreement to indemnify Tenant pursuant to this Section 10.1 are not intended to and shall not relieve any insurance carrier of its obligations under policies required to be carried pursuant to the provisions of this Lease, to the extent such policies cover, or if carried, would have covered the matters, subject to the parties' respective indemnification obligations; nor shall they supersede any inconsistent agreement of the parties set forth in any other provision of this Lease. The provisions of this Section 10.1 shall survive the expiration or sooner termination of this Lease with respect to any claims or liability arising in connection with any event occurring prior to such expiration or termination.

10.2 **Intentionally Omitted**.

10.3 **Tenant's Insurance**. Tenant shall maintain the following coverages in the following amounts.

10.3.1 Commercial General Liability Insurance covering the insured against claims of bodily injury, personal injury and property damage (including loss of use thereof) arising out of Tenant's operations, and contractual liabilities (covering the performance by Tenant of its indemnity agreements) including a Broad Form endorsement covering the insuring provisions of this Lease and the performance by Tenant of the indemnity agreements set forth in Section 10.1 of this Lease. Such insurance shall be written on an "occurrence" basis. The coverage shall also be extended to include damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations. Limits of liability insurance shall not be less than the following; provided, however, such limits may be achieved through the use of an Umbrella/Excess Policy :

Bodily Injury and Property Damage Liability	$10,000,000 each occurrence
Personal Injury and Advertising Liability	$10,000,000 each occurrence
Tenant Legal Liability/Damage to Rented Premises Liability	$1,000,000.00

10.3.2 Property Damage Insurance covering (i) all office furniture, business and trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, (ii) the "Improvements," as that term is defined in Section 2.1 of the Work Letter, and any other improvements which exist in the Premises as of the applicable Lease Commencement Date (excluding the Base Building) (the "**Original Improvements**"), and (iii) all other improvements, alterations and additions to the Premises. Such insurance shall be written on an "all risks" of physical loss or damage basis, for the full replacement cost value (subject to reasonable deductible amounts) new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include coverage for damage or other loss caused by fire or other peril including, but not limited to, vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes, and explosion. Tenant shall use the proceeds from any such insurance for the replacement of personal property, trade fixtures, Improvements, Original Improvements and Alterations.

10.3.3 Worker's Compensation or other similar insurance pursuant to all applicable state and local statutes and regulations, and Employer's Liability with minimum limits of not less than $1,000,000 each accident/employee/disease.

10.3.4 Commercial Automobile Liability Insurance covering all Owned (if any), Hired, or Non-owned vehicles with limits not less than $1,000,000 combined single limit for bodily injury and property damage.

10.4 **Form of Policies**. The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance shall (i) name Landlord, and any other party the Landlord reasonably specifies in writing, as an additional insured as their interests may appear using Insurance Service Organization's form CG2011 or a comparable form approved by Landlord, including Landlord's managing agent, ground lessor and/or lender, if any; (ii) cover the liability assumed by Tenant under this Lease, including, but not limited to, Tenant's obligations under Section 10.1 of this Lease; (iii) be issued by an insurance company having a rating of not less than A-VIII in Best's Insurance Guide or which is otherwise acceptable to Landlord and permitted to do business in the State of California; (iv) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and is non-contributing with any insurance requirement of Tenant, as evidenced by an endorsement or policy excerpt; and (v) be in form and content reasonably acceptable to Landlord. Tenant shall endeavor to cause said insurance to provide that said insurance shall not be canceled or coverage changed unless thirty (30) days' prior written notice (ten (10) days' in the event of non-payment of premium) shall have been given to Landlord and any mortgagee of Landlord. Tenant shall deliver certificates thereof and applicable endorsements or policy excerpts which meet the requirements of this Article 10 to Landlord on or before (I) the earlier to occur of: (x) the applicable Lease Commencement Date, and (y) the date Tenant and/or its employees, contractors and/or agents first enter the applicable Phase of the Premises for occupancy, construction of improvements, alterations, or any other move-in activities, and (II) ten (10) business days after the renewal of such policies. In the event Tenant shall fail to procure such insurance, or to deliver such policies or

certificate and applicable endorsements, Landlord may, at its option with notice to Tenant, procure such policies for the account of Tenant, and the cost thereof shall be paid to Landlord within five (5) days after delivery to Tenant of bills therefor.

10.5 **Property Insurance Subrogation**. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above provided, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder or is actually covered by insurance maintained by a party hereto. Accordingly, notwithstanding any other provision of this Lease to the contrary, the parties each hereby waive all rights and claims against each other for such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right to the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

10.6 **Additional Insurance Obligations**. Tenant shall carry and maintain during the entire Lease Term, at Tenant's sole cost and expense, increased amounts of the insurance required to be carried by Tenant pursuant to this Article 10 and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Tenant's operations therein, as may be reasonably requested by Landlord; provided, however, that (a) in no event shall such new or increased amounts or types of insurance exceed that required of comparable tenants by landlords of the Comparable Buildings and (b) Landlord shall not have the right to require that Tenant adjust its insurance coverage more than once in any twenty-four (24) month period, and not during the initial twenty-four (24) months of the Lease Term.

10.7 **Landlord's Fire and Casualty Insurance**. Landlord shall insure the Building during the period following the mutual execution of this Lease and thereafter during Lease Term against loss or damage due to fire and other casualties covered within the classification of fire and extended coverage, vandalism coverage and malicious mischief, sprinkler leakage, water damage and special extended coverage. Such coverage shall be in such amounts, from such companies, and on such other terms and conditions, as Landlord may from time to time reasonably determine. Landlord shall also carry rental loss insurance. Additionally, at the option of Landlord, such insurance coverage may include the risks of earthquakes and/or flood damage and additional hazards, a rental loss endorsement and one or more loss payee endorsements in favor of the holders of any mortgages or deeds of trust encumbering the interest of Landlord in the Building or the ground or underlying lessors of the Building, or any portion thereof. Notwithstanding the foregoing provisions of this Section 10.7, the coverage and amounts of insurance carried by Landlord in connection with the Building shall, at a minimum, be comparable to the coverage and amounts of insurance which are carried by reasonably prudent landlords of Comparable Buildings (provided that in no event shall Landlord be required to carry earthquake insurance). Tenant shall, at Tenant's expense, promptly following notice, comply with all insurance company requirements pertaining to the use of the Premises. If Tenant's conduct or use of the Premises causes any increase in the premium for such insurance policies then Tenant shall reimburse Landlord for any such increase. Tenant, at Tenant's expense, shall comply with all rules, orders, regulations or requirements of the American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body.

ARTICLE 11

DAMAGE AND DESTRUCTION

11.1 **Repair of Damage to Premises by Landlord**. Tenant shall promptly notify Landlord of any damage to the Premises resulting from fire or any other casualty. If the Premises or any Common Areas serving or providing access to the Premises or any Building Systems necessary for the use and occupancy of the Premises shall be damaged by fire or other casualty, Landlord will, as soon as reasonably possible following the date of the damage, deliver to Tenant an estimate of the time necessary to repair the damage in question such that the Premises may be used by and accessible to Tenant and the Building and Common Areas operable in a manner consistent with the operation prior to such damage; such notice will be based upon the review and opinions of Landlord's architect and contractor ("**Landlord's Completion Notice**"). Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord's reasonable control, and subject to all other terms of this Article 11, restore the Building Structure and Building Systems. Such restoration shall be to substantially the same condition of the Building Structure and Building Systems prior to the casualty, except for modifications required by zoning and building codes and other laws or by the holder of a mortgage on the Building or Project or any other modifications to the Common Areas deemed desirable by Landlord, provided that access to the Premises and any common restrooms serving the Premises shall not be materially impaired. Upon the occurrence of any damage to the Premises, upon notice (the "**Landlord Repair Notice**") to Tenant from Landlord delivered on or before the date that is sixty (60) days after the date of the damage, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under clauses (ii) and (iii) of Section 10.3.2 of this Lease, and Landlord shall repair any injury or damage to the Improvements and the Original Improvements and shall return such Improvements and Original Improvements to their original condition (any such work will be competitively bid by Landlord to ensure that Landlord receives commercially reasonable pricing for the performance of such work so that, to the extent reasonably possible, the cost of such work does not unnecessarily exceed the proceeds of Tenant's insurance); provided that if the cost of such repair by Landlord exceeds the amount of insurance proceeds received by Landlord from Tenant's insurance carrier, as assigned by Tenant, the portion of the cost of such repairs which is not so covered by Tenant's insurance proceeds shall be paid by Tenant to Landlord prior to Landlord's commencement of repair of the damage. In the event that Landlord does not deliver the Landlord Repair Notice within sixty (60) days following the date the casualty becomes known to Landlord, Tenant shall, at its sole cost and expense, repair any injury or damage to the Improvements and the Original Improvements installed in the Premises and shall return such Improvements and Original Improvements to their original condition, or an alternate condition described by Tenant (but subject to Landlord's prior written approval). Whether or not Landlord delivers a Landlord Repair Notice, prior to the commencement of construction, Tenant shall submit to Landlord, for Landlord's review and approval, all plans, specifications and working drawings relating thereto (it being acknowledged that the cost to prepare such plans may be paid for out of the applicable insurance proceeds received by Tenant), and Landlord shall select the contractors to perform such improvement work. Landlord shall not be liable for any inconvenience or annoyance to Tenant or its visitors, or injury to Tenant's business resulting in any way from such damage or the repair thereof; provided however, that if such fire or other casualty shall have damaged the Premises, Common Areas or Building Systems necessary to Tenant's occupancy, Landlord shall allow Tenant a proportionate abatement of Rent, during the time and to the extent the Premises is unfit for occupancy for the purposes permitted under this Lease, and not occupied by Tenant as a result thereof; provided, further, however, that if the damage or destruction is due to the negligence or willful misconduct of Tenant or any of its agents, employees, contractors, invitees or guests, Tenant shall be responsible for any reasonable, applicable insurance deductible (which shall be payable to Landlord upon demand, not to materially exceed the levels of deductibles for such insurance then maintained by owners of Comparable Buildings). In the event that Landlord shall not deliver the Landlord Repair Notice, Tenant's right to rent abatement pursuant to the preceding sentence shall terminate as of the date which is reasonably

determined by Landlord to be the date Tenant should have completed repairs to the Premises assuming Tenant used reasonable due diligence in connection therewith.

11.2 **Landlord's Option to Repair**. Notwithstanding the terms of Section 11.1 of this Lease, Landlord may elect not to rebuild and/or restore the Premises, Building and/or Project, and instead terminate this Lease, by notifying Tenant in writing of such termination within sixty (60) days after the date of discovery of the damage, such notice to include a termination date giving Tenant sixty (60) days to vacate the Premises, but Landlord may so elect only if the Building or Project shall be damaged by fire or other casualty or cause, whether or not the Premises is affected, provided that Landlord terminates the leases of all tenants of the Building, if any, whose premises are similarly damaged by the casualty (to the extent Landlord retains such right pursuant to the terms of the applicable tenants' leases), and one or more of the following conditions is present: (i) in Landlord's reasonable judgment, as set forth in Landlord's Completion Notice, the repairs cannot reasonably be completed so as to render the Premises suitable for occupancy within two hundred seventy (270) days after the date of discovery of the damage (when such repairs are made without the payment of overtime or other premiums); (ii) the holder of any mortgage on the Building or Project or ground lessor with respect to the Building or Project shall require that the insurance proceeds or any portion thereof be used to retire the mortgage debt, or shall terminate the ground lease, as the case may be; (iii) at least Two Million Dollars ($2,000,000.00) of the cost of repair of the damage is not fully covered by Landlord's insurance policies; or (iv) the damage materially affects the Building and occurs during the last twelve (12) months of the Lease Term; provided, however, that if such fire or other casualty shall have damaged the Premises or a portion thereof or Common Areas necessary to Tenant's occupancy and as a result of such damage the Premises is unfit for occupancy, and provided that Landlord does not elect to terminate this Lease pursuant to Landlord's termination right as provided above, and either (a) the repairs cannot, in the reasonable opinion of Landlord's contractor, as set forth in Landlord's Completion Notice, be completed within two hundred seventy (270) days after being commenced, or (b) the damage occurs during the last twelve months of the Lease Term and will reasonably require in excess of ninety (90) days to repair, Tenant may elect, no earlier than sixty (60) days after the date of the damage and not later than the later of (A) forty-five (45) days following the date of delivery of Landlord's Completion Notice, and (B) ninety (90) days after the date of the damage, to terminate this Lease by written notice to Landlord effective as of the date specified in the notice, which date shall not be less than thirty (30) days nor more than sixty (60) days after the date such notice is given by Tenant. In addition, if such restoration is not substantially complete on or before the later of (i) the date that occurs twelve (12) months after the date of discovery of the damage, and (ii) the date that occurs ninety (90) days after the expiration of the estimated period of time to substantially complete such restoration, as set forth in Landlord's Completion Notice (the "**Outside Restoration Date**"), then Tenant shall have the additional right during the first ten (10) business days of each calendar month following the Outside Restoration Date until such repairs are complete, to terminate this Lease by delivery of written notice to Landlord (the "**Damage Termination Notice**"), which termination shall be effective on a date specified by Tenant in such Damage Termination Notice (the "**Damage Termination Date**"), which Damage Termination Date shall not be less than ten (10) business days, nor greater than thirty (30) days, following the date such Damage Termination Notice was delivered to Landlord. In the event this Lease is terminated in accordance with the terms of this Section 11.2, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under subsections (ii) and (iii) of Section 10.3.2 of this Lease.

11.3 **Waiver of Statutory Provisions**. The provisions of this Lease, including this Article 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or the Project, and any statute or regulation of the State of California, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or the Project.

11.4 **Casualty Prior to First Lease Commencement Date**. If there is an event of casualty prior to the first Lease Commencement Date which gives Landlord or Tenant the right to terminate this Lease pursuant to Section 11.2, above, then Landlord or Tenant, as the case may be, shall have the right to terminate this Lease in accordance with the terms and conditions of Section 11.2, above. In the event that this Lease is terminated pursuant to this Section 11.4, then effective as of the date of such termination, Landlord and Tenant shall be relieved of their respective obligations under this Lease, except those obligations under this Lease which relate to the term of this Lease through and including the effective date of the termination and/or which expressly survive the expiration or earlier termination of this Lease.

ARTICLE 12

NONWAIVER

No provision of this Lease shall be deemed waived by either party hereto unless expressly waived in a writing signed thereby. The waiver by either party hereto of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. No acceptance of a lesser amount than the Rent herein stipulated shall be deemed a waiver of Landlord's right to receive the full amount due, nor shall any endorsement or statement on any check or payment or any letter accompanying such check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the full amount due. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Lease Term or of Tenant's right of possession hereunder, or after the giving of any notice shall reinstate, continue or extend the Lease Term or affect any notice given Tenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit, or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment. No payment of Rent by Tenant after a breach by Landlord shall be deemed a waiver of any breach by Landlord.

ARTICLE 13

CONDEMNATION

If the whole or any material part of the Premises, Building or Project shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the use, reconstruction or remodeling of any material part of the Premises, Building or Project, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Landlord shall

have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority; provided, however, that Landlord shall only have the right to terminate this Lease as provided above if Landlord terminates the leases of all other tenants in the Building, if any, similarly affected by the taking and provided further that to the extent that the Premises is not adversely affected by such taking and Landlord continues to operate the Building as an office building, Landlord may not terminate this Lease. If more than twenty-five percent (25%) of the rentable square feet of the Premises is taken, or if access to the Premises is substantially impaired, in each case for a period in excess of one hundred eighty (180) days, Tenant shall have the option to terminate this Lease effective as of the date possession is required to be surrendered to the authority. Tenant shall not because of such taking assert any claim against Landlord or the authority for any compensation because of such taking and Landlord shall be entitled to the entire award or payment in connection therewith, except that Tenant shall have the right to file any separate claim available to Tenant for any taking of Tenant's personal property and fixtures belonging to Tenant and removable by Tenant upon expiration of the Lease Term pursuant to the terms of this Lease, and for moving expenses, so long as such claims do not diminish the award available to Landlord, its ground lessor with respect to the Building or Project or its mortgagee, and such claim is payable separately to Tenant. All Rent shall be apportioned as of the date of such termination. If any part of the Premises shall be taken, and this Lease shall not be so terminated, the Rent shall be proportionately abated. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of The California Code of Civil Procedure. Notwithstanding anything to the contrary contained in this Article 13, in the event of a temporary taking of all or any portion of the Premises for a period of one hundred and eighty (180) days or less, then this Lease shall not terminate but the Base Rent and the Additional Rent shall be abated for the period of such taking in proportion to the ratio that the amount of rentable square feet of the Premises taken bears to the total rentable square feet of the Premises. Landlord shall be entitled to receive the entire award made in connection with any such temporary taking.

If there is a taking prior to the first Lease Commencement Date which gives Landlord or Tenant the right to terminate this Lease pursuant to this Article 13, then Landlord or Tenant, as the case may be, shall have the right to terminate this Lease in accordance with the terms and conditions of this Article 13, and in the event that this Lease is so terminated, then effective as of the date of such termination, Landlord and Tenant shall be relieved of their respective obligations under this Lease, except those obligations under this Lease which relate to the term of this Lease through and including the effective date of the termination and/or which expressly survive the expiration or earlier termination of this Lease.

ARTICLE 14

ASSIGNMENT AND SUBLETTING

14.1 **Transfers**. Except as otherwise specifically provided or permitted in this Article 14, Tenant shall not, without the prior written consent of Landlord, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment, or other transfer of Tenant's interest in this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or enter into any license or concession agreements or otherwise permit the occupancy or use of the Premises or any part thereof by any persons other than Tenant and its employees and contractors (all of the foregoing are hereinafter sometimes referred to collectively as "**Transfers**" and any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "**Transferee**"). If Tenant desires Landlord's consent to any Transfer, Tenant shall notify Landlord in writing, which notice (the "**Transfer Notice**") shall include (i) the proposed effective date of the Transfer, which shall not be less than twenty (20) days nor more than one hundred eighty (180) days after the date of delivery of the Transfer Notice, (ii) a description of the portion of the Premises to be transferred (the "**Subject Space**"), (iii) all of the terms of the proposed Transfer and the consideration therefor, including calculation of the "Transfer Premium", as that term is defined in Section 14.3 below, in connection with such Transfer, the name and address of the proposed Transferee, and a copy of all existing executed and/or proposed documentation pertaining to the proposed Transfer, including all existing operative documents to be executed to evidence such Transfer or the agreements incidental or related to such Transfer, (iv) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, business credit and personal references and history of the proposed Transferee, (v) any other information required by Landlord which will enable Landlord to determine the financial responsibility, character, and reputation of the proposed Transferee, nature of such Transferee's business and proposed use of the Subject Space, which information is requested within five (5) business days following Tenant's submission to Landlord of the items described in clauses (i), (ii), (iii), (iv) and (vi) of this Section 14.1, and (vi) an executed estoppel certificate from Tenant in the form attached hereto as **Exhibit E**. Any Transfer requiring Landlord's consent which is made without Landlord's prior written consent shall, at Landlord's option, be null, void and of no effect, and shall, at Landlord's option, constitute a Default by Tenant under this Lease if not rescinded or terminated within ten (10) business days following notice from Tenant. Whether or not Landlord consents to any proposed Transfer, Tenant shall pay Landlord's review and processing fees, as well as any reasonable professional fees (including, without limitation, attorneys', accountants', architects', engineers' and consultants' fees) incurred by Landlord, not to exceed $2,500.00 for a Transfer in the ordinary course of business, within thirty (30) days after written request by Landlord.

14.2 **Landlord's Consent**. Landlord shall not unreasonably withhold its consent to any proposed Transfer of the Subject Space to the Transferee on the terms specified in the Transfer Notice and shall grant or withhold such consent within twenty (20) days following the date upon which Landlord receives a "complete" Transfer Notice from Tenant (i.e., a Transfer Notice that includes all documents and information required pursuant to Section 14.1 of this Lease, above). If Landlord fails to timely deliver to Tenant notice of Landlord's consent, or the withholding of consent, to a proposed Transfer, Tenant may send a second (2nd) notice to Landlord, which notice must contain the following inscription, in bold faced lettering: **"SECOND NOTICE DELIVERED PURSUANT TO ARTICLE 14 OF LEASE - - FAILURE TO TIMELY RESPOND WITHIN FIVE (5) BUSINESS DAYS SHALL RESULT IN DEEMED APPROVAL OF ASSIGNMENT OR SUBLEASE."** If Landlord fails to deliver notice of Landlord's consent to, or the withholding of Landlord's consent, to the proposed assignment or sublease within such five (5) business day period, Landlord shall be deemed to have approved the assignment or sublease in question. If Landlord at any time timely delivers notice to Tenant or Landlord's withholding of consent to a proposed assignment or sublease, Landlord shall specify in reasonable detail in such notice, the basis for such withholding of consent. Without limitation as to other reasonable grounds for withholding consent, the parties hereby agree that it shall be reasonable under this Lease and under any Applicable Law for Landlord to withhold consent to any proposed Transfer where one or more of the following apply:

14.2.1 The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Building or the Project;

14.2.2 The Transferee intends to use the Subject Space for purposes which are not permitted under this Lease;

14.2.3 The Transferee is either a governmental agency or instrumentality thereof; provided, however, that Tenant shall be entitled to assign, sublet or otherwise transfer to a governmental agency or instrumentality thereof to the extent Landlord has leased or has permitted the lease

of space to a comparable (in terms of security, foot traffic, prestige, eminent domain and function oriented issues) governmental agency or instrumentality thereof in comparably located space of comparable size; or

14.2.4 The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities to be undertaken in connection with the Transfer on the date consent is requested.

If Landlord consents to any Transfer pursuant to the terms of this Section 14.2, Tenant may thereafter enter into such Transfer of the Premises or portion thereof, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice such that Landlord would initially have been entitled to refuse its consent to such Transfer under this Section 14.2, Tenant shall again submit the Transfer to Landlord for its approval and other action under this Article 14. Notwithstanding anything to the contrary in this Lease, if Tenant or any proposed Transferee claims that Landlord has unreasonably withheld or delayed its consent under Section 14.2 or otherwise has breached or acted unreasonably under this Article 14, their sole remedies shall be a suit for contract damages (other than damages for injury to, or interference with, Tenant's business including, without limitation, loss of profits, however occurring) or a declaratory judgment and an injunction for the relief sought without any monetary damages, and Tenant hereby waives the provisions of Section 1995.310 of the California Civil Code, or any successor statute, and all other remedies, including, without limitation, any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all Applicable Laws, on behalf of the proposed Transferee. Tenant shall indemnify, defend and hold harmless Landlord from any and all liability, losses, claims, damages, costs, expenses, causes of action and proceedings involving any third party or parties (including without limitation Tenant's proposed subtenant or assignee) who claim they were damaged by Landlord's wrongful withholding or conditioning of Landlord's consent.

14.3 **Transfer Premium**. If Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord fifty percent (50%) of any "Transfer Premium," as that term is defined in this Section 14.3, received by Tenant from such Transferee. "**Transfer Premium**" shall mean all rent, additional rent or other consideration payable by such Transferee in connection with the Transfer in excess of the Rent and Additional Rent payable by Tenant under this Lease during the term of the Transfer on a per rentable square foot basis if less than all of the Premises is transferred, after deducting the reasonable expenses incurred by Tenant for (i) any changes, alterations and improvements to the Premises in connection with the Transfer, (ii) any free base rent reasonably provided to the Transferee, (iii) marketing costs associated with such Transfer, (iv) reasonable attorneys' fees incurred in the documentation and negotiation of such Transfer and (v) any brokerage commissions in connection with the Transfer. "**Transfer Premium**" shall also include, but not be limited to, key money, bonus money or other cash consideration paid by Transferee to Tenant in connection with such Transfer, and any payment in excess of fair market value for services rendered by Tenant to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to Transferee in connection with such Transfer. For purposes of calculating any such effective rent all such concessions shall be amortized on a straight-line basis over the relevant term.

14.4 **Landlord's Option as to Contemplated Transfer Space**. Notwithstanding anything to the contrary contained in this Article 14, in the event Tenant contemplates a Transfer of the entire Premises or a portion of the Premises consisting of not less than a full floor of the Building, for all or substantially all of the remaining Lease Term, Tenant shall give Landlord notice (the "**Intention to Transfer Notice**") of such contemplated Transfer (whether or not the contemplated Transferee or the terms of such contemplated Transfer have been determined). The Intention to Transfer Notice shall specify the portion of and amount of rentable square feet of the Premises which Tenant intends to Transfer (the "**Contemplated Transfer Space**"), the contemplated date of commencement of the contemplated Transfer (the "**Contemplated Effective Date**"), and the contemplated length of the term of such contemplated Transfer, and shall specify that such Intention to Transfer Notice is delivered to Landlord pursuant to this Section 14.4 in order to allow Landlord to elect to recapture the Contemplated Transfer Space. Thereafter, Landlord shall have the option, by giving written notice to Tenant within thirty (30) days after receipt of any Intention to Transfer Notice, to recapture the Contemplated Transfer Space. Such recapture shall cancel and terminate this Lease with respect to the Contemplated Transfer Space as of the Contemplated Effective Date stated in the Intention to Transfer Notice. In the event of a recapture by Landlord, if this Lease shall be canceled with respect to less than the entire Premises, the Rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of the same. If Landlord declines, or fails to elect in a timely manner to recapture the Contemplated Transfer Space under this Section 14.4, then, subject to the other terms of this Article 14, for a period of six (6) months (the "**Six Month Period**") commencing on the last day of such thirty (30) day period, Landlord shall not have any right to recapture the Contemplated Transfer Space with respect to any Transfer made during the Six Month Period, provided that any such Transfer is substantially on the terms set forth in the Intention to Transfer Notice, and provided further that any such Transfer shall be subject to the remaining terms of this Article 14. If such a Transfer is not so consummated within the Six Month Period (or if a Transfer is so consummated, then upon the expiration of the term of any Transfer of such Contemplated Transfer Space consummated within such Six Month Period), Tenant shall again be required to submit a new Intention to Transfer Notice to Landlord with respect any contemplated Transfer of the Contemplated Transfer Space, as provided above in this Section 14.4.

14.5 **Effect of Transfer**. If Landlord consents to a Transfer, (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer by either Tenant or a Transferee, (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord, (iv) Tenant shall furnish upon Landlord's request a complete statement, certified by an independent certified public accountant, or Tenant's chief financial officer, setting forth in detail the computation of any Transfer Premium Tenant has derived and shall derive from such Transfer, and (v) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Landlord's consent, shall relieve Tenant or any guarantor of the Lease from any liability under this Lease, including, without limitation, in connection with the Subject Space. Landlord or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Tenant relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Tenant shall, within thirty (30) days after demand, pay the deficiency, and if understated by more than two percent (2%), Tenant shall pay Landlord's reasonable costs of such audit.

14.6 **Additional Transfers**. For purposes of this Lease, the term "**Transfer**" shall also include (i) if Tenant is a partnership, the withdrawal or change, voluntary, involuntary or by operation of law, of more than fifty percent (50%) of the partners, or transfer of more than fifty percent (50%) of partnership interests, within a twelve (12)-month period, or the dissolution of the partnership without immediate reconstitution thereof, and (ii) if Tenant is a closely held corporation (*i.e.*, whose stock is not publicly held and not traded through an exchange or over the counter), (A) the dissolution, merger, consolidation or other reorganization of Tenant or (B) the sale or other transfer of an aggregate of more than fifty percent (50%) of the voting shares of Tenant (other than to immediate family members by reason of gift or death), within a twelve (12)-month

period, or (C) the sale, mortgage, hypothecation or pledge of an aggregate of more than fifty percent (50%) of the value of the unencumbered assets of Tenant within a twelve (12)-month period.

14.7 **Occurrence of Default**. Any Transfer hereunder shall be subordinate and subject to the provisions of this Lease, and if this Lease shall be terminated during the term of any Transfer, Landlord shall have the right to: (i) treat such Transfer as cancelled and repossess the Subject Space by any lawful means, or (ii) require that such Transferee attorn to and recognize Landlord as its landlord under any such Transfer. If Tenant shall be in Default, Landlord is hereby irrevocably authorized to direct any Transferee to make all payments under or in connection with the Transfer directly to Landlord (which Landlord shall apply towards Tenant's obligations under this Lease) until such Default is cured. Such Transferee shall rely on any representation by Landlord that Tenant is in Default hereunder, without any need for confirmation thereof by Tenant. Upon any assignment, the assignee shall assume in writing all obligations and covenants of Tenant thereafter to be performed or observed under this Lease. No collection or acceptance of rent by Landlord from any Transferee shall be deemed a waiver of any provision of this Article 14 or the approval of any Transferee or a release of Tenant from any obligation under this Lease, whether theretofore or thereafter accruing. In no event shall Landlord's enforcement of any provision of this Lease against any Transferee be deemed a waiver of Landlord's right to enforce any term of this Lease against Tenant or any other person. If Tenant's obligations hereunder have been guaranteed, Landlord's consent to any Transfer shall not be effective unless the guarantor also consents to such Transfer.

14.8 **Deemed Consent Transfers**. Notwithstanding anything to the contrary contained in this Lease (including Section 14.6, above), (A) an assignment or subletting of all or a portion of the Premises to an "**Affiliate**" of Tenant (an entity which is controlled by, controls, or is under common control with, Tenant as of the date of the assignment or subletting), (B) an assignment of Tenant's interest in this Lease to an entity which acquires all or substantially all of the stock or assets of Tenant and has a "Tangible Net Worth" (defined below) equal to or greater than that of Tenant immediately prior to such assignment, or (C) an assignment of this Lease to an entity which is the resulting or surviving entity of a merger or consolidation of Tenant during the Lease Term and has a Tangible Net Worth equal to or greater than that of Tenant immediately prior to such assignment, shall not be deemed a Transfer requiring Landlord's consent under this Article 14 or triggering Landlord's rights under Section 14.3 or 14.4 (any such assignee or sublessee described in items (A) through (C) of this Section 14.8 hereinafter referred to as a "**Permitted Transferee**"), provided that (i) Tenant notifies Landlord at least five (5) business days prior to the effective date of any such assignment or sublease (unless such prior notice is prohibited by Applicable Laws or the terms of an applicable confidentiality agreement, in which event Tenant shall notify Landlord as soon as permissible) and promptly supplies Landlord with any documents or information reasonably requested by Landlord regarding such transfer or transferee as set forth above, (ii) such assignment or sublease is not a subterfuge by Tenant to avoid its obligations under this Lease, and (iii) no assignment relating to this Lease, whether with or without Landlord's consent, shall relieve Tenant from any liability under this Lease, and, in the event of an assignment of Tenant's entire interest in this Lease, the liability of Tenant and such transferee shall be joint and several. An assignee of Tenant's entire interest in this Lease who qualifies as a Permitted Transferee may also be referred to herein as a "**Permitted Transferee Assignee**". "**Control**", as used in this Section 14.8, shall mean the ownership, directly or indirectly, of at least fifty-one percent (51%) of the voting securities of, or possession of the right to vote, in the ordinary direction of its affairs, of at least fifty-one percent (51%) of the voting interest in, any person or entity. For purposes of this Lease, the term "**Tangible Net Worth**" shall mean total assets (not including good will as an asset) less total liabilities.

14.9 **Occupancy by Others**. Furthermore, and notwithstanding any contrary provision of this Article 14, the Tenant shall have the right, without the receipt of Landlord's consent and without payment to Landlord of the Transfer Premium, but on not less than five (5) business days prior written notice to Landlord, to permit the occupancy of up to fifteen percent (15%) of the rentable square footage of the Premises, pursuant to an occupancy agreement between Tenant and such occupant, which agreement must be approved in advance by Landlord (such approval not to be unreasonably withheld, conditioned or delayed), to any individual(s) or entity(ies) with an ongoing business relationship with Tenant. Such occupancy pursuant to this Section 14.9 shall include the use of a corresponding interior support area and other portions of the Premises which shall be common to Tenant and the permitted occupants, on and subject to the following conditions: (i) each individual or entity shall be of a character and reputation consistent with the quality of the Building and the Project; (ii) no individual or entity shall occupy a separately demised portion of the Premises or which contains an entrance to such portion of the Premises other than the primary entrance to the Premises; (iii) the rent, if any, paid by such occupants shall not be greater than the rent allocable on a pro rata basis to the portion of the Premises occupied by such occupants; (iv) such occupancy shall not be a subterfuge by Tenant to avoid its obligations under this Lease or the restrictions on Transfers pursuant to this Article 14; and (v) no such occupant shall be required to maintain the insurance coverage required to be maintained by Tenant hereunder (and, solely for the purposes of determining Tenant's liability hereunder for the acts or omissions of such occupants and the applicability of Tenant's insurance coverage towards such liability, any such occupant shall be deemed to be an employee of Tenant for the purposes of insurance and indemnity provisions of this Lease). Any occupancy permitted under this Section 14.9 shall not be deemed a Transfer under this Article 14. Notwithstanding the foregoing, no such occupancy shall relieve Tenant from any liability under this Lease.

ARTICLE 15

SURRENDER OF PREMISES; OWNERSHIP AND REMOVAL OF TRADE FIXTURES

15.1 **Surrender of Premises**. No act or thing done by Landlord or any agent or employee of Landlord during the Lease Term shall be deemed to constitute an acceptance by Landlord of a surrender of the Premises unless such intent is specifically acknowledged in writing by Landlord. The delivery of keys to the Premises to Landlord or any agent or employee of Landlord shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Landlord, and notwithstanding such delivery Tenant shall be entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Tenant, whether accepted by Landlord or not, or a mutual termination hereof, shall not work a merger, and at the option of Landlord shall operate as an assignment to Landlord of all subleases or subtenancies affecting the Premises or terminate any or all such sublessees or subtenancies.

15.2 **Removal of Tenant Property by Tenant**. Upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, subject to the provisions of Section 8.5 above and this Article 15, quit and surrender possession of the Premises to Landlord in as good order and condition as when Tenant took possession and as thereafter improved by Landlord and/or Tenant, reasonable wear and tear and repairs which are specifically made the responsibility of Landlord hereunder (including casualty or condemnation) excepted. Upon such expiration or termination, Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, and such items of furniture, equipment, business and trade fixtures, free-standing cabinet work, movable partitions and other articles of personal property, including

all Lines, owned by Tenant or installed or placed by Tenant at its expense in the Premises, and such similar articles of any other persons claiming under Tenant (collectively, "**Tenant's Property**"), as Landlord may, in its sole discretion, require to be removed, and Tenant shall repair at its own expense all damage to the Premises and Building resulting from such removal. Other than Tenant's Property and any Specialty Alterations required to be removed by Tenant pursuant to the terms of Section 8.5 above, upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall not be required, and shall have no right, to remove any other Alterations or Improvements in the Premises.

ARTICLE 16

HOLDING OVER

If Tenant holds over after the expiration of the Lease Term or earlier termination thereof, with or without the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term, and in such case Rent shall be payable at a monthly rate equal to (i) one hundred fifty percent (150%) of the Base Rent applicable during the last rental period of the Lease Term under this Lease for the first (1st) two (2) months of such holdover, and (ii) two hundred percent (200%) thereafter plus one hundred percent (100%) of all Additional Rent. Such month-to-month tenancy shall be subject to every other applicable term, covenant and agreement contained herein. Nothing contained in this Article 16 shall be construed as consent by Landlord to any holding over by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Article 16 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender and any lost profits to Landlord resulting therefrom.

ARTICLE 17

ESTOPPEL CERTIFICATES

Within ten (10) business days following a request in writing by Landlord, Tenant shall execute, and deliver to Landlord an estoppel certificate, which, as submitted by Landlord, shall be substantially in the form of **Exhibit E**, attached hereto (or such other form as may be required by any prospective mortgagee or purchaser of the Project, or any portion thereof), indicating therein any exceptions thereto that may exist at that time, and shall also contain any other information reasonably requested by Landlord or Landlord's mortgagee or prospective mortgagee; provided, however, that if such estoppel certificate is not factually correct, then Tenant may make such changes as are necessary to make such estoppel certificate factually correct and shall thereafter return such signed estoppel certificate to Landlord within said ten (10) business day period. Any such certificate may be relied upon by any prospective mortgagee or purchaser of all or any portion of the Project. Tenant shall execute and deliver whatever other instruments may be reasonably required for such purposes. At any time during the Lease Term, but only in the case of (x) a proposed sale or financing of the Project, (y) a Default by Tenant or (z) a proposed Permitted Transfer by Tenant, Landlord may require Tenant to provide Landlord with a current financial statement and financial statements of the two (2) years prior to the current financial statement year. Such statements shall be prepared in accordance with generally accepted accounting principles and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant. Failure of Tenant to timely execute, acknowledge and deliver such estoppel certificate or other instruments shall constitute an acceptance of the Premises and an acknowledgment by Tenant that statements included in the estoppel certificate are true and correct, without exception.

ARTICLE 18

SUBORDINATION

This Lease shall be subject and subordinate to all present and future ground or underlying leases of the Building or Project and to the lien of any mortgage, trust deed or other encumbrances now or hereafter in force against the Building or Project or any part thereof, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the holders of such mortgages, trust deeds or other encumbrances, or the lessors under such ground lease or underlying leases, require in writing that this Lease be superior thereto (collectively, the "**Superior Holders**"). Landlord represents to Tenant that as of the date of this Lease the Project is not encumbered by a deed of trust. However, in consideration of and a condition precedent to Tenant's agreement to subordinate this Lease to any future mortgage, trust deed or other encumbrances, shall be the receipt by Tenant of a subordination non-disturbance and attornment agreement in a commercially reasonable form (a "**SNDA**") executed by Landlord and the appropriate Superior Holder. Pursuant to such SNDA, Tenant covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage or deed in lieu thereof (or if any ground lease is terminated), to attorn, without any deductions or set-offs whatsoever, to the lienholder or purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof (or to the ground lessor), and to recognize such purchaser or lienholder or ground lessor as the lessor under this Lease, and such lienholder or purchaser or ground lessor shall agree to accept this Lease and perform the obligations of Landlord hereunder (including, without limitation, the funding of the Improvement Allowance (or in the alternative, the recognition of Tenant's right to offset rent for failure of Landlord to pay the Improvement Allowance as provided in Section 2 of the Work Letter)), and not disturb Tenant's occupancy, so long as Tenant timely pays the rent and observes and performs the terms, covenants and conditions of this Lease to be observed and performed by Tenant. Landlord's interest herein may be assigned as security at any time to any lienholder. Tenant shall, within ten (10) days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary to evidence or confirm the subordination or superiority of this Lease to any such mortgages, trust deeds, ground leases or underlying leases. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale. Landlord represents to Tenant that there are not any Superior Holders as of the date of this Lease.

ARTICLE 19

DEFAULTS; REMEDIES

19.1 **Events of Default**. The occurrence of any of the following shall constitute a "**Default**" of this Lease by Tenant:

19.1.1 Any failure by Tenant to pay any Rent or any other charge required to be paid (i) under this Lease, or (ii) under that certain Office Lease, dated as of January 1, 2014 (as amended, supplemented or modified, the "**333 Brannan Lease**"), by and between Kilroy Realty Finance Partnership, L.P., a Delaware limited partnership and Tenant, for certain premises in the office building located at 333 Brannan Street, San Francisco, California (the "**333 Brannan Building**"), as applicable, or any part thereof, when due, which failure is not cured within five (5) days after written notice from Landlord that said amount was not paid when due; provided, however, that clause (ii) of this Section 19.1.1 shall only be effective until the earlier to occur of (x) the first anniversary of the Lease Commencement Date under the 333 Brannan Lease, and (y) the date upon which both the Building and the 333 Brannan Building are no longer owned by affiliated Landlord entities; or

19.1.2 Any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant; provided that if the nature of such default is such that the same cannot reasonably be cured within a thirty (30) day period, Tenant shall not be deemed to be in default if it diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure such default; or

19.1.3 Abandonment of the Premises by Tenant pursuant to California Civil Code Section 1951.3; or

19.1.4 The failure by Tenant to observe or perform according to the provisions of Articles 5, 10, 14, 17 or 18 of this Lease, where such failure continues for more than three (3) business days after notice from Landlord.

The notice periods provided herein are in lieu of, and not in addition to, any notice periods provided by law.

19.2 **Remedies Upon Default**. Upon the occurrence of any event of default by Tenant, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity (all of which remedies shall be distinct, separate and cumulative), the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

19.2.1 Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim for damages therefor; and Landlord may recover from Tenant the following:

(i) The worth at the time of any unpaid rent which has been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant ("**Costs of Reletting**"); notwithstanding the above, if Landlord relets the Premises for a term (the "**Relet Term**") that extends past the originally scheduled Lease Expiration Date, the Costs of Reletting which may be included in Landlord's damages shall be limited to a prorated portion of the Costs of Reletting, based on the percentage that the length of the originally scheduled Lease Term remaining on the date Landlord terminates this Lease or Tenant's right to possession bears to the length of the Relet Term. For example, if there are two (2) years left on the Lease Term at the time that Landlord terminates possession and, prior to the expiration of the two (2) year period, Landlord enters into a lease with a new tenant with a Relet Term of ten (10) years, then only twenty percent (20%) of the Costs of Reletting shall be included when determining Landlord's damages; and

(v) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by Applicable Law.

The term "rent" as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Section 19.2.1(i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the rate set forth in Article 25 of this Lease, but in no case greater than the maximum amount of such interest permitted by law. As used in Section 19.2.1(iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

19.2.2 Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

19.2.3 Landlord shall at all times have the rights and remedies (which shall be cumulative with each other and cumulative and in addition to those rights and remedies available under Sections 19.2.1 and 19.2.2, above, or any law or other provision of this Lease), without prior demand or notice except as required by Applicable Law, to seek any declaratory, injunctive or other equitable relief, and specifically enforce this Lease, or restrain or enjoin a violation or breach of any provision hereof.

19.3 **Subleases of Tenant**. Whether or not Landlord elects to terminate this Lease on account of any default by Tenant, as set forth in this Article 19, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. In the event of Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

19.4 **Efforts to Relet**. No re-entry or repossession, repairs, maintenance, changes, alterations and additions, reletting, appointment of a receiver to protect Landlord's interests hereunder, or any other action or omission by Landlord shall be construed as an election by Landlord to terminate this Lease or Tenant's right to possession, or to accept a surrender of the Premises, nor shall same operate to release Tenant in whole or in part from any of Tenant's obligations hereunder, unless express written notice of such intention is sent by Landlord to Tenant. Tenant hereby irrevocably waives any right otherwise available under any law to redeem or reinstate this Lease.

19.5 **Landlord Default**.

19.5.1 **General**. Notwithstanding anything to the contrary set forth in this Lease, Landlord shall not be in default in the performance of any obligation required to be performed by Landlord pursuant to this Lease unless Landlord fails to perform such obligation within thirty (30) days after the receipt of notice from Tenant specifying in detail Landlord's failure to perform; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be in default under this Lease if it shall commence such performance within such thirty (30) day period and thereafter diligently pursue the same to completion. Upon any such default by Landlord under this Lease, Tenant may, except as otherwise specifically provided in this Lease to the contrary, exercise any of its rights provided at law or in equity.

19.5.2 **Abatement of Rent**. In the event that Tenant is prevented from using, and does not use, the Premises or any portion thereof, as a result of (i) any repair, maintenance or alteration performed by Landlord, or which Landlord failed to perform, after the applicable Lease Commencement Date and required by this Lease, which substantially interferes with Tenant's use of the Premises, or (ii) any failure of Landlord to provide services, utilities or access to the Premises as required by this Lease (either such set of circumstances as set forth in items (i) or (ii), above, to be known as an "**Abatement Event**"), then Tenant shall give Landlord notice of such Abatement Event (which notice, for the purpose of determining the effective date of delivery, will be deemed given when delivered to the Project's property management office during regular business hours), and if such Abatement Event continues for five (5) consecutive business days after Landlord's receipt of any such notice (the "**Eligibility Period**"), then the Base Rent, Tenant's Share of Direct Expenses, and Tenant's obligation to pay for parking (to the extent not utilized by Tenant) shall be abated or reduced, as the case may be, after expiration of the Eligibility Period for such time that Tenant continues to be so prevented from using, and does not use for the normal conduct of Tenant's business, the Premises or a portion thereof, in the proportion that the rentable area of the portion of the Premises that Tenant is prevented from using, and does not use, bears to the total rentable area of the Premises; provided, however, in the event that Tenant is prevented from using, and does not use, a portion of the Premises for a period of time in excess of the Eligibility Period and the remaining portion of the Premises is not sufficient to allow Tenant to effectively conduct its business therein, and if Tenant does not conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which Tenant is so prevented from effectively conducting its business therein, the Base Rent and Tenant's Share of Direct Expenses for the entire Premises and Tenant's obligation to pay for parking shall be abated for such time as Tenant continues to be so prevented from using, and does not use, the Premises. If, however, Tenant reoccupies any portion of the Premises during such period, the Rent allocable to such reoccupied portion, based on the proportion that the rentable area of such reoccupied portion of the Premises bears to the total rentable area of the Premises, shall be payable by Tenant from the date Tenant reoccupies such portion of the Premises. To the extent an Abatement Event is caused by an event covered by Articles 11 or 13 of this Lease, then Tenant's right to abate rent shall be governed by the terms of such Article 11 or 13, as applicable, and the Eligibility Period shall not be applicable thereto. Such right to abate Base Rent and Tenant's Share of Direct Expenses shall be Tenant's sole and exclusive remedy for rent abatement at law or in equity for an Abatement Event. Except as provided in this Section 19.5.2, nothing contained herein shall be interpreted to mean that Tenant is excused from paying Rent due hereunder.

19.6 **Tenant's Right to Make Repairs**. During any period in which Tenant is then leasing one hundred percent (100%) of the office space in the Building, if an "Emergency Situation" (as defined herein) or "Adverse Condition" (as defined herein) involving the Premises exists, and Landlord is obligated under the terms of this Lease to cure or remediate such Emergency Condition or Adverse Condition, then Landlord shall promptly commence and diligently perform all repairs required by Landlord under this Lease or take such other actions, if any, required of Landlord under this Lease to cure or remediate such Emergency Situation or Adverse Condition. Notwithstanding anything to the contrary contained herein, if (i) any Emergency Situation occurs or (ii) there is an actual breach by Landlord of one of its obligations under this Lease ("**Landlord Breach**"), and such Emergency Situation or Landlord Breach will have a material and adverse impact on Tenant's ability to conduct its business in the Premises, or any material portion thereof (an "**Adverse Condition**"), including, for example, any failure to provide (or cause to be provided) electricity, HVAC, water or elevator access to the Premises, then Tenant shall give Landlord notice of the same. Thereafter, Landlord shall have (i) two (2) business days to commence a cure with respect to such Emergency Situation or (ii) twenty (20) business days to commence a cure of such Adverse Condition, and, in each case, shall diligently prosecute such cure to completion (collectively "**Emergency Repairs**"). For purposes hereof, the term "**Emergency Situation**" shall mean a situation which poses an imminent threat: (x) to the physical well-being of persons at the Building or (y) of material damage to Tenant's personal property in the Premises. If Landlord fails to commence to perform such Emergency Repairs within the applicable timeframe (i.e., two (2) business days with respect to an Emergency Situation or twenty (20) business days with respect to Adverse Conditions) after Landlord receives notice of the applicable Emergency Condition or Adverse Condition, or, to the extent Landlord commences to cure with such time period but fails to thereafter diligently pursue such Emergency Repairs to completion, then Tenant, upon providing Landlord, as to an Emergency Situation, with such prior written notice, as is reasonable under the circumstances or as to an Adverse Condition, with twenty (20) business days prior notice (which notice shall clearly indicate that Tenant intends to take steps necessary to remedy the event giving rise to the Emergency Situation or Adverse Condition in question), may perform such Emergency Repairs or other actions at Landlord's expense; provided, however, that in no event shall Tenant undertake any actions which will or are reasonably likely to materially and adversely affect (A) the Building Structure, (B) any Building Systems, or (C) the exterior appearance of the Building. If Tenant exercises its right to perform Emergency Repairs or other actions on Landlord's behalf, as provided above, then Landlord shall reimburse the actual out-of-pocket reasonable cost thereof within thirty (30) days following Tenant's delivery of: (i) a written notice describing in reasonable detail the action taken by the Tenant, and (ii) reasonably satisfactory evidence of the cost of such remedy. Landlord shall, within thirty (30) days following Tenant's written request for reimbursement of the costs of the Emergency Repairs notify Tenant of whether Landlord reasonably and in good faith disputes that (1) Tenant did not perform the Emergency Repairs in the manner permitted by this Lease, (2) that the amount Tenant requests be reimbursed from Landlord for performance of the Emergency Repairs is incorrect or excessive, or (3) that Landlord was not obligated under the terms of this Lease to make all or a portion of the Emergency Repairs ("**Landlord's Set-Off Notice**"). If Landlord delivers a Landlord's Set-Off Notice to Tenant, then Tenant shall not be entitled to such deduction from Rent (provided, if Landlord contends the amount spent by Tenant in making such repairs is excessive and does not otherwise object to Tenant's actions pursuant to this Section 19.6, then Landlord shall pay the amount it contends would not have been excessive); provided that Tenant may proceed to claim a default by Landlord under this Lease for any amount not paid by Landlord. Any final award in favor of Tenant for any such default, which is not subject to appeal, from a court or arbitrator in favor of Tenant, which is not paid by Landlord within the time

period directed by such award (together with interest at the Interest Rate from the date Landlord was required to pay such amount until such offset occurs), may be offset by Tenant from Rent next due and payable under this Lease; provided, however, Tenant may not deduct the amount of the award against more than fifty percent (50%) of Base Rent next due and owing (until such time as the entire amount of such judgment is deducted) to the extent following a foreclosure or a deed-in-lieu of foreclosure. In any case, in the event any Emergency Repairs are not accomplished by Landlord within a two (2) business day period with respect to an Emergency Condition or twenty (20) business day period with respect to Adverse Conditions despite Landlord's diligent efforts, Landlord, within three (3) business days following Tenant's written request therefore, shall provide to Tenant a schedule determined in good faith setting forth the basic steps Landlord proposes to be taken to effect the Emergency Repairs or other actions in a commercially reasonable time frame given the specifics of the Emergency Repairs required and the times when such work is proposed to be done and thereafter Landlord shall proceed to complete such Emergency Repairs within the time schedule so provided. If Tenant undertakes any action pursuant to this paragraph, Tenant shall (a) proceed in accordance with all Applicable Laws; (b) retain to effect such actions only such reputable contractors and suppliers as are duly licensed in the City of San Francisco and are listed on the most recent list furnished to Tenant of Landlord's approved contractors for the Building and are insured in accordance with the provisions of Article 10 of this Lease; (c) effect such repairs or perform such other actions in a good and workmanlike and commercially reasonable manner; (d) use new or like new materials; (e) take reasonable efforts to minimize any material interference or impact on the other tenants and occupants of the Project, and (f) otherwise comply with all applicable requirements set forth in Article 8 of this Lease. Notwithstanding anything in this Article 19 to the contrary, the foregoing self-help right (i) shall not apply in the event of any fire or casualty at the Project, it being acknowledged and agreed that Article 11 shall govern with respect to any such fire or casualty event, (ii) shall not apply in the event of any condemnation, it being acknowledged and agreed that Article 13 shall govern with respect to any such condemnation, and (iii) shall not permit Tenant to access any other tenant's or occupant's space at the Project.

ARTICLE 20

COVENANT OF QUIET ENJOYMENT

Landlord covenants that Tenant, on paying the Rent, charges for services and other payments herein reserved and on keeping, observing and performing all the other terms, covenants, conditions, provisions and agreements herein contained on the part of Tenant to be kept, observed and performed, shall, during the Lease Term, peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof without interference by any persons lawfully claiming by or through Landlord. The foregoing covenant is in lieu of any other covenant express or implied.

ARTICLE 21

LETTER OF CREDIT

21.1 **Delivery of Letter of Credit**. Concurrently with Tenant's execution of this Lease, Tenant shall deliver to Landlord, as protection for the full and faithful performance by Tenant of all of its obligations under this Lease and for all losses and damages Landlord may suffer (or which Landlord reasonably estimates that it may suffer) as a result of any breach or default by Tenant under this Lease, an unconditional, clean, irrevocable negotiable standby letter of credit (the "**L-C**") in the amount set forth in Section 8 of the Summary (the "**L-C Amount**"), in the form attached hereto as **Exhibit I**, running in favor of Landlord, drawn on one of the following banks: (i) Wells Fargo Bank, N.A., (ii) Citibank, N.A., (iii) JP Morgan Chase, (iv) Bank of America, N.A., (v) Morgan Stanley Bank, N.A., (vi) Deutsche Bank AG or (vii) Goldman Sachs Bank USA, and otherwise conforming in all respects to the requirements of this Article 21, including, without limitation, all of the requirements of Section 21.2 below, all as set forth more particularly hereinbelow. The issuer of the L-C shall be referred to herein as the "**Issuing Bank**". In addition, Tenant may request the right to include additional banks in the foregoing list of approved Issuing Banks, which additional banks shall be subject to Landlord's approval in its sole discretion. Tenant hereby agrees that the L-C shall expressly provide that (i) presentation of the L-C for draw can be made locally, which for purposes of this Article 21 shall mean either in the City of San Francisco, California, or in the City of Los Angeles, California, or (ii) presentation of the L-C for draw can be made by facsimile, in which case the appropriate facsimile number for presentment shall be stated on the L-C. Tenant shall pay all expenses, points and/or fees incurred by Tenant in obtaining and maintaining the L-C. In the event of an assignment by Tenant of its interest in this Lease (and irrespective of whether Landlord's consent is required for such assignment), the acceptance of any replacement or substitute letter of credit by Landlord from the assignee shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld.

21.2 **In General**. The L-C shall be "callable" at sight, permit partial draws and multiple presentations and drawings, and be otherwise subject to the Uniform Customs and Practices for Documentary Credits (1993-Rev), International Chamber of Commerce Publication #500, or the International Standby Practices-ISP 98, International Chamber of Commerce Publication #590. Tenant further covenants and warrants as follows:

21.2.1 **Landlord Right to Transfer**. The L-C shall provide that Landlord, its successors and assigns, may, at any time and without notice to Tenant and without first obtaining Tenant's consent thereto, transfer (one or more times) all of its interest in and to the L-C to another party, person or entity, as a part of the assignment by Landlord of its rights and interests in and to this Lease. In the event of a transfer of Landlord's interest in the Building, Landlord shall transfer the L-C, to the transferee and thereupon Landlord shall, without any further agreement between the parties but upon the written assumption by the transferee of Landlord's obligations hereunder with respect to the L-C, be released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the whole or any portion of said L-C to a new landlord. In connection with any such transfer of the L-C by Landlord, Tenant shall, at Tenant's sole cost and expense, execute and submit to the Issuing Bank such applications, documents and instruments as may be necessary to effectuate such transfer, and Tenant shall be responsible for paying the Issuing Bank's transfer and processing fees in connection therewith.

21.2.2 **No Assignment by Tenant**. Tenant shall neither assign nor encumber the L-C or any part thereof. Neither Landlord nor its successors or assigns will be bound by any assignment, encumbrance, attempted assignment or attempted encumbrance by Tenant in violation of this Section 21.2.2.

21.2.3 **Replenishment**. If, as a result of any drawing by Landlord on the L-C pursuant to its rights set forth in Section 21.3 below, the amount of the L-C shall be less than the L-C Amount, Tenant shall, within ten (10) days after written notice thereof from Landlord, provide Landlord with (i) an amendment to the L-C restoring such L-C to the L-C Amount or (ii) additional L-Cs in an amount equal to the deficiency, which additional L-Cs shall comply with all of the provisions of this Article 21, and if Tenant fails to comply with the foregoing, notwithstanding anything

to the contrary contained in Section 19.1 above, the same shall constitute an incurable Default by Tenant under this Lease (without the need for any additional notice and/or cure period).

21.2.4 **Renewal; Replacement**. If the L-C expires earlier than the date (the "**LC Expiration Date**") that is sixty (60) days after the expiration of the Lease Term, Tenant shall deliver a new L-C or a certificate of renewal or extension to Landlord at least thirty (30) days prior to the expiration of the L-C then held by Landlord, without any action whatsoever on the part of Landlord, which new L-C shall be irrevocable upon the same terms as the expiring L-C or such other terms as may be acceptable to Landlord in its sole discretion. In furtherance of the foregoing, Landlord and Tenant agree that the L-C shall contain a so-called "evergreen provision," whereby the L-C will automatically be renewed unless at least sixty (60) days' prior written notice of non-renewal is provided by the issuer to Landlord. In the event that Landlord draws upon the L-C solely due to Tenant's failure to renew the L-C at least thirty (30) days before its expiration, such failure shall not constitute a default hereunder and Tenant shall thereafter have the right to provide a substitute L-C that satisfies the requirements of this Lease, and Landlord shall concurrently refund the proceeds of the draw.

21.2.5 **Issuing Bank's Financial Condition**. If, at any time during the Lease Term, the Issuing Bank's long term credit rating is reduced below a long term issuer credit rating from Standard and Poor's Professional Rating Service of A or a comparable rating from Moody's Professional Rating Service (either, a "**Bank Credit Threat**"), then Landlord shall have the right to require that Tenant obtain from a different issuer a substitute L-C that complies in all respects with the requirements of this Article 21, and Tenant's failure to obtain such substitute L-C within ten (10) business days following Landlord's written demand therefor (with no other notice or cure or grace period being applicable thereto, notwithstanding anything in this Lease to the contrary) shall entitle Landlord, or Landlord's then managing agent, to immediately draw upon the then existing L-C in whole or in part, without notice to Tenant, as more specifically described in Sections 21.3 and 21.6 below. Tenant shall be responsible for the payment of Landlord's reasonable attorneys' fees to review any replacement L-C, which replacement is required pursuant to this Section or is otherwise requested by Tenant.

21.3 **Application of Letter of Credit**. Tenant hereby acknowledges and agrees that Landlord is entering into this Lease in material reliance upon the ability of Landlord to draw upon the L-C as protection for the full and faithful performance by Tenant of all of its obligations under this Lease and for all losses and damages Landlord may suffer (or which Landlord reasonably estimates that it may suffer) as a result of any breach or default by Tenant under this Lease. Landlord, or its then managing agent, shall have the right to draw down an amount up to the face amount of the L-C if any of the following shall have occurred or be applicable: (A) such amount is past due to Landlord under the terms and conditions of this Lease, or (B) Tenant has filed a voluntary petition under the U. S. Bankruptcy Code or any state bankruptcy code (collectively, "**Bankruptcy Code**"), or (C) an involuntary petition has been filed against Tenant under the Bankruptcy Code that is not dismissed within thirty (30) days, or (D) the Issuing Bank has notified Landlord that the L-C will not be renewed or extended through the LC Expiration Date and Tenant has not provided a replacement L-C that satisfies the requirements of this Article 21 within thirty (30) days prior to the expiration thereof, or (E) a Bank Credit Threat or Receivership (as such term is defined in Section 21.6.1 below) has occurred and Tenant has failed to comply with the requirements of either Section 21.2.5 above or 21.6 below, as applicable. If Tenant shall breach any provision of this Lease or otherwise be in default hereunder in each case beyond applicable notice and cure periods or if any of the foregoing events identified in Sections 21.3(B) through (E) shall have occurred, Landlord may, but without obligation to do so, and without notice to Tenant, draw upon the L-C, in part or in whole, and the proceeds may be applied by Landlord (i) to cure any breach or default of Tenant and/or to compensate Landlord for any and all damages of any kind or nature sustained or which Landlord reasonably estimates that it will sustain resulting from Tenant's breach or default, (ii) against any Rent payable by Tenant under this Lease that is not paid when due and/or (iii) to pay for all losses and damages to which Landlord is entitled pursuant to California Civil Code Section 1951.2. If Landlord draws on the L-C pursuant to subpart (A) above, Landlord shall only draw on the L-C to the extent required to cure the default. The use, application or retention of the L-C, or any portion thereof, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by this Lease or by any Applicable Law, it being intended that Landlord shall not first be required to proceed against the L-C, and shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. Tenant agrees not to interfere in any way with payment to Landlord of the proceeds of the L-C, either prior to or following a "draw" by Landlord of any portion of the L-C, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw upon the L-C. No condition or term of this Lease shall be deemed to render the L-C conditional to justify the issuer of the L-C in failing to honor a drawing upon such L-C in a timely manner. Tenant agrees and acknowledges that (i) the L-C constitutes a separate and independent contract between Landlord and the Issuing Bank, (ii) Tenant is not a third party beneficiary of such contract, (iii) Tenant has no property interest whatsoever in the L-C or the proceeds thereof, and (iv) in the event Tenant becomes a debtor under any chapter of the Bankruptcy Code, neither Tenant, any trustee, nor Tenant's bankruptcy estate shall have any right to restrict or limit Landlord's claim and/or rights to the L-C and/or the proceeds thereof by application of Section 502(b)(6) of the U. S. Bankruptcy Code or otherwise.

21.4 **Letter of Credit not a Security Deposit**. Landlord and Tenant acknowledge and agree that in no event or circumstance shall the L-C, the "Security Deposit" (as that term is defined in Section 21.6 below), if applicable, or any renewal thereof or any proceeds thereof be (i) deemed to be or treated as a "security deposit" within the meaning of California Civil Code Section 1950.7, (ii) subject to the terms of such Section 1950.7, or (iii) intended to serve as a "security deposit" within the meaning of such Section 1950.7. The parties hereto (A) recite that the L-C and the Security Deposit (if applicable) are not intended to serve as a security deposit and such Section 1950.7 and any and all other laws, rules and regulations applicable to security deposits in the commercial context ("**Security Deposit Laws**") shall have no applicability or relevancy thereto and (B) waive any and all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Security Deposit Laws.

21.5 **Proceeds of Draw**. In the event Landlord draws down on the L-C pursuant to Section 21.3(D) or (E) above, the proceeds of the L-C may be held by Landlord and applied by Landlord against any Rent payable by Tenant under this Lease that is not paid when due (subject to applicable notice and cure periods) and/or to pay for all losses and damages that Landlord has suffered or that Landlord reasonably estimates that it will suffer as a result of any breach or default by Tenant under this Lease. Any unused proceeds shall constitute the property of Landlord and need not be segregated from Landlord's other assets. Tenant hereby (i) agrees that (A) Tenant has no property interest whatsoever in the proceeds from any such draw, and (B) such proceeds shall not be deemed to be or treated as a "security deposit" under the Security Deposit Laws, and (ii) waives all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Security Deposit Laws. Landlord agrees that the amount of any proceeds of the L-C received by Landlord, and not (a) applied against any Rent payable by Tenant under this Lease that was not paid when due or (b) used to pay for any losses and/or damages suffered by Landlord (or reasonably estimated by Landlord that it will suffer) as a result of any breach or default by Tenant under this Lease (the "**Unused L-C Proceeds**"), shall be paid by Landlord to Tenant (x) upon receipt by Landlord of a replacement L-C in the full L-C Amount, which replacement L-C shall comply in all respects with the requirements of this Article 21, and (y) immediately after the LC Expiration Date; provided, however, that if prior to the LC Expiration Date a voluntary petition is filed by Tenant, or an involuntary petition is filed against Tenant by any of Tenant's creditors, under the Bankruptcy Code, then Landlord shall not be

obligated to make such payment in the amount of the Unused L-C Proceeds until either all preference issues relating to payments under this Lease have been resolved in such bankruptcy or reorganization case or such bankruptcy or reorganization case has been dismissed.

21.6 **Issuing Bank Placed Into Receivership**. In the event the Issuing Bank is placed into receivership or conservatorship (any such event, a "**Receivership**") by the Federal Deposit Insurance Corporation or any successor or similar entity (the "**FDIC**"), then, effective as of the date such Receivership occurs, the L-C shall be deemed to not meet the requirements of this Article 21, and, within ten (10) business days following Landlord's notice to Tenant of such Receivership, Tenant shall replace the L-C with a substitute L-C from a different issuer reasonably acceptable to Landlord and that complies in all respects with the requirements of this Article 21. In the event that Landlord draws upon the L-C due to solely Tenant's failure to provide a substitute L-C due to a Bank Credit Threat or Receivership, such failure shall not constitute a default hereunder and Tenant shall thereafter have the right to provide a substitute L-C that satisfies the requirements of this Lease, in which case, Landlord shall concurrently refund the proceeds of the draw or the Security Deposit, as applicable. If Landlord improperly draws on the L-C or the Security Deposit (if applicable), Tenant may offset against Rent the amounts improperly drawn.

21.7 **Reduction of L-C Amount**. The L-C Amount shall not be reduced during that period (the "**Fixed Period**"), commencing on the first Lease Commencement Date and expiring on the date of the expiration of the Rent Abatement Period. After the expiration of the Fixed Period, the Letter of Credit Amount shall be reduced on a "Reduction Date" (as defined below) to the extent that Tenant tenders to Landlord (a) evidence reasonably satisfactory to Landlord demonstrating the Tenant satisfies the "L-C Reduction Conditions," as that term is defined below, and (b) a certificate of amendment to the existing L-C, conforming in all respects to the requirements of this Article 21, in the amount of the applicable L-C Amount as of such Reduction Date.

21.7.1 **Letter of Credit Reductions**. The L-C Amount shall be reduced on an annual basis pursuant to the following: On the first (1st) day of the first (1st) calendar month following the month in which the Fixed Period expires and the L-C Reduction Conditions are satisfied (the "**Burn Down Date**"), and on each anniversary of the Burn Down Date (each, a "**Reduction Date**"), provided Tenant satisfies the L-C Reduction Conditions, the L-C Amount shall be reduced by the "L-C Burn Down Amount," as that term is defined below.

21.7.2 **L-C Burn Down Amount**. As used herein, the "**L-C Burn Down Amount**" shall mean an amount equal to (x) the then present L-C Amount less an amount equal to one (1) month of Base Rent payable at the end of the initial Lease Term, divided by (y) the number of full years left during the initial Lease Term as of the Burn Down Date (which shall be determined by dividing the number of calendar months remaining in the initial Lease Term by 12, and rounding up to the next whole number). An example calculation of the Letter of Credit Burn Down Amount is attached hereto as **Exhibit I-2**.

21.7.3 **Letter of Credit Reduction Conditions**. If Tenant is allowed to reduce the L-C Amount pursuant to the terms of this Section 21.7, then Landlord shall reasonably cooperate with Tenant in order to effectuate such reduction. For purposes of this Section 21.7, the "**L-C Reduction Conditions**" shall mean that Tenant is not then in Default under this Lease, and either of the following conditions is satisfied, as demonstrated, in the case of item (i) below, by Tenant's most recent year-end annual financial reports prepared and certified by an independent certified public accountant and delivered to Landlord within one hundred fifty (150) days following the end of the financial year in question: (i) Tenant has (A) a positive "net operating cashflow" (defined below) of at least One Hundred Million and 00/100 Dollars ($100,000,000.00) *and* (B) a Tangible Net Worth of at least One Hundred Million and 00/100 Dollars ($100,000,000.00) *or* (ii) an initial public offering of Tenant's stock on a national public exchange with an "equity market capitalization" of greater than Eight Billion and 00/100 Dollars ($8,000,000,000.00). For purposes of this Section 21.7.3, "**net operating cashflow**" shall mean cash flow from operating activities as stated in Tenant's audited financials, as determined by generally accepted accounting principles, less dividends. In the event Tenant fails to deliver to Landlord evidence reasonably satisfactory to Landlord demonstrating the Tenant satisfies the L-C Reduction Conditions prior to the applicable Reduction Date, or if Tenant fails to deliver a certificate of amendment to the existing L-C as required by this Section 21.7, then the L-C Amount shall not be reduced upon such applicable Reduction Date, but the terms of this Section 21.7 shall remain effective and the L-C Amount shall thereafter be reduced, to the amount applicable to such Reduction Date (which reductions would be retroactive, and cumulative), on the date Tenant delivers to Landlord evidence reasonably satisfactory to Landlord demonstrating that Tenant has, once again, satisfied the L-C Reduction Conditions (provided that no such reductions shall be permitted in the event this Lease is terminated early as a result of a Tenant Default) for a period of at least eight (8) calendar quarters. After Tenant has met the Letter of Credit Reduction Conditions set forth in item (A), above, but not item (B), above, upon request, Landlord shall have the right to inspect, at Tenant's offices in San Francisco, California, Tenant's current quarterly financial reports, provided that any reports made available to Landlord shall be certified as true and correct by Tenant's chief financial officer, and at a minimum shall include an income statement, balance sheet and cash flow, and applicable notes thereto.

ARTICLE 22

INTENTIONALLY OMITTED

ARTICLE 23

SIGNS; ROOF RIGHTS

23.1 **Full Floors**. Subject to Landlord's prior written approval, in its reasonable discretion, and provided all signs are in keeping with the quality, design and style of the Building and Project, (a) to the extent that the Premises includes any full floor(s) of the Building, Tenant, at its sole cost and expense, may install identification signage anywhere on such floor(s), including in the elevator lobby of such floor(s), provided that such signs must not be visible from the exterior of the Building, and (b) to the extent that the Premises includes any partial floor(s) of the Building, Tenant, at its sole cost and expense, may install Building standard identification signage in the elevator lobby and at the entrance to the Premises on such floor(s).

23.2 **Reserved**.

23.3 **Lobby Signage**. Original Tenant and any Permitted Transferee Assignee, at Tenant's sole cost and expense, provided that Tenant satisfies the applicable "Minimum Signage Threshold" (as defined below), shall have the non-exclusive right to install, repair and maintain its name and/or logo in the ground floor lobby of the Building, provided that such right shall be exclusive to Tenant (except for Landlord's Building signage and directional signage in the ground floor lobby) so long as Tenant continues to lease the entirety of the office portion of the Building. Any such

installation, repair and/or maintenance shall be subject to compliance with Applicable Laws and Landlord's prior approval of any such signs, which approval shall not be unreasonably withheld, conditioned or delayed.

23.4 **Prohibited Signage and Other Items**. Any signs, notices, logos, pictures, names or advertisements which are installed which are visible from the exterior or the Premises and that have not been separately approved by Landlord may be removed without notice by Landlord at the sole expense of Tenant. Except as described in Section 23.5 below, Tenant may not install any signs on the exterior or roof of the Project or the Common Areas. Any signs, window coverings, or blinds (even if the same are located behind the Landlord-approved window coverings for the Building), or other items visible from the exterior of the Premises or Building, shall be subject to the prior approval of Landlord, in its sole discretion.

23.5 **Exterior Signage**. Throughout the Lease Term, as the same may be extended, provided that Tenant satisfies the applicable Minimum Signage Threshold, Original Tenant and any Permitted Transferee Assignee, at Tenant's sole cost and expense, shall have the exclusive right (except to the extent provided below) to install, repair and maintain (i) its name and logo on any monument sign installed by Landlord (in Landlord's sole discretion) and associated with the Building (provided that Tenant hereby acknowledges and agrees that no monument sign exists as of the date of this Lease, and Landlord has no obligation to install any monument sign for the Building), and (ii) two (2) signs on the exterior of the Building at the upper-most portion of the façade of the Building, which exterior signs may be Tenant's name and/or logo; provided, however, that in the event that Tenant is no longer occupying or anticipated to occupy the entirety of the Building, Tenant shall only have the right to install, repair and maintain one (1) sign on the exterior of the Building. Landlord shall work with Tenant to obtain City approval of such monument and Building top signs, provided that Landlord shall have no obligation to obtain such Building top signs for Tenant. Any such installation, repair and/or maintenance (including the design, shape, size and exact location thereof) shall be subject to compliance with Applicable Laws and Landlord's prior approval, which approval shall not be unreasonably withheld, conditioned or delayed. The term "**Minimum Signage Threshold**" shall mean that the Original Tenant and/or its Permitted Transferee Assignee shall, in the aggregate, have not subleased more than twenty-five percent (25%) of the rentable square footage of the Premises pursuant to a sublease or subleases then in effect.

23.6 **Name Change**. If Tenant changes its name at any time, Tenant shall have the right, at Tenant's cost, to make such changes to its signage as necessary to reflect the changed name, and may modify or change existing signs to do so. Any such changes or alterations to existing signage at the Project shall be subject to compliance with Applicable Laws and in connection with any exterior and lobby signage, Landlord's prior approval as to the shape, size and location of any such changes or alterations, which approval shall not be unreasonably withheld, conditioned or delayed. To the extent Tenant desires to change the name and/or logo set forth on new or existing signs, such name and/or logo shall not have a name which relates to an entity which is of a character or reputation, or is associated with a political faction or orientation, which is inconsistent with the quality of the Project, or which would otherwise reasonably offend a landlord of the Comparable Buildings.

23.7 **Roof Rights**.

23.7.1 **Right to Install Equipment**. Throughout the Lease Term, as the same may be extended, subject to Landlord's reasonable approval and the terms of this Section 23.7, Tenant shall have the non-exclusive right to install, repair, maintain (including access thereto) and replace on the roof of the Building, two (2) satellite dishes, television or communications antennae or facilities, related receiving or transmitting equipment, related cable connections and any and all other related or similar equipment (collectively, the "**Communications Equipment**"), for use in connection with Tenant's business within the Premises, in a location reasonably designated by Landlord and subject to the execution by Landlord and Tenant of a separate license agreement outlining the terms and conditions of Tenant's use of such rooftop space; provided, however, any installation shall be performed pursuant to this Section 23.7, and it shall be deemed reasonable for Landlord to withhold its approval to the extent any such installation would interfere with the Landlord's or any other tenant's use, operation, repair and/or maintenance of then-existing equipment and systems installed on the roof. The exact location, physical appearance and all specifications of the Communications Equipment (including, without limitation, mounting and structural support specifications) shall be subject to Landlord's reasonable approval, and Landlord may require Tenant to install screening around such Communications Equipment, at Tenant's sole cost and expense, as reasonably designated by Landlord. Without having to pay any additional rental or license fees therefor, but subject to Landlord's reasonable rules and regulations, Tenant may also use the Building's risers, conduits and towers for purposes of installing cabling from the Communications Equipment to the Premises in the interior of the Building. Tenant may not license, assign or sublet the right to use any of such Communications Equipment or podium roof space, other than to Transferees permitted under Article 14, without Landlord's prior written consent, which consent may be withheld in Landlord's sole and absolute discretion. Notwithstanding any provision set forth in the Lease, Tenant shall be responsible, at Tenant's sole cost and expense, for (i) obtaining, as applicable, and maintaining all permits or other governmental approvals required in connection with the Communications Equipment, (ii) repairing and maintaining and causing the Communications Equipment to comply with all Applicable Laws, and (iii) the removal of the Communications Equipment and all associated wiring promptly following the expiration or earlier termination of this Lease (and the repair of all affected areas to the condition existing prior to the installation thereof). In no event shall Tenant permit the Communications Equipment to interfere with the Building Systems or any other communications equipment at the Building.

23.7.2 **Right of Use**. Landlord may grant to other tenants of the Building and to other third parties the right to use the roof of the Building for the installation of Communications Equipment, provided that such installations do not materially interfere with any then existing Communications Equipment of Tenant.

23.7.3 **Installation, Maintenance, Operation and Removal of Communications Equipment**. Landlord shall have the right to cause its telecommunications rooftop management vendor (the "**TRMV**") to install, repair, maintain and replace the Communications Equipment at Tenant's sole cost and expense; provided the TRMV will charge commercially competitive rates for its services. Tenant shall have access to the Communications Equipment at all times, subject to any reasonable restrictions of Landlord. Any installation and maintenance of Communications Equipment shall be completed in accordance with all Applicable Laws. Tenant shall be permitted from time to time to alter its Communications Equipment in connection with technological upgrades or changes in Tenant's technological or communications requirements, subject to the terms of this Article 23. Tenant shall pay for any and all costs and expenses in connection with the installation, maintenance, and removal of the Communications Equipment, and all costs and expenses associated with repairing damage to the roof caused by Tenant, its employees or agents, including, but not limited to, any and all costs related to ensuring that any roof warranties for the Building are not terminated or negated in any way by reason of any such installations or by repair and maintenance of such facilities. Notwithstanding anything to the contrary contained in this Article 23, in the event of an emergency, Landlord shall have the right, in its sole and absolute discretion, to (or cause TRMV to) repair, maintain, or replace the Communications Equipment, as Landlord deems necessary or appropriate, without prior notice to Tenant so long as TRMV charges a market competitive price for such repair, maintenance or replacement.

ARTICLE 24

COMPLIANCE WITH LAW

24.1 **By Tenant**. Tenant shall not do anything or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated (collectively, "**Applicable Laws**"). At its sole cost and expense, Tenant shall promptly comply with all Applicable Laws which relate to (i) Tenant's use of the Premises, (ii) any Alterations made by Tenant to the Premises, and any Improvements in the Premises, or (iii) the Base Building, but as to the Base Building, only to the extent such obligations are triggered by Alterations made by Tenant to the Premises to the extent such Alterations are not normal and customary business office improvements in Comparable Buildings, or triggered by the Improvements to the extent such Improvements are not normal and customary business office improvements, or triggered by Tenant's use of the Premises for non-general office use. Tenant shall not, however, be responsible for the cost of complying with Applicable Laws to the extent that any such compliance is required as a result of the Base Building failing to comply with Applicable Laws in effect as of the date of delivery of the Premises to Tenant. Should any standard or regulation now or hereafter be imposed on Landlord or Tenant by a state, federal or local governmental body charged with the establishment, regulation and enforcement of occupational, health or safety standards for employers, employees, landlords or tenants, then Tenant agrees, at its sole cost and expense, to comply promptly with such standards or regulations to the extent they apply to Tenant's use or occupancy of the Premises. Tenant shall be responsible, at its sole cost and expense, to make all alterations to the Premises as are required to comply with the governmental rules, regulations, requirements or standards described in this Article 24 with which Tenant is responsible for compliance. The judgment of any court of competent jurisdiction or the admission of Tenant in any judicial action, regardless of whether Landlord is a party thereto, that Tenant has violated any of said governmental measures, shall be conclusive of that fact as between Landlord and Tenant. Tenant shall promptly pay all fines, penalties and damages that may arise out of or be imposed because of its failure to comply with the provisions of this Article 24. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises have not undergone inspection by a Certified Access Specialist (CASp).

24.2 **By Landlord**. Notwithstanding anything to the contrary in this Lease, to the extent required in order for Tenant to obtain a certificate of occupancy, or its legal equivalent, to legally occupy the Premises for normal and customary office use, assuming normal and customary office occupancy density, or to the extent required in order for Tenant to pull a construction permit or to otherwise comply with the requirements of the applicable permitting authority, Landlord (rather than Tenant) shall comply with all Applicable Laws relating to the Base Building and Common Areas, except to the extent such compliance is triggered by (a) Tenant's particular use of the Premises for other than normal and customary business office use or (b) Tenant's construction of Alterations or Improvements in the Premises that are not normal and customary office improvements for Comparable Buildings in which case compliance with such Applicable Laws shall be the responsibility of Tenant under this Lease. Landlord shall be permitted to include in Operating Expenses any costs or expenses incurred by Landlord under this Article 24 to the extent not prohibited by the terms of Article 4 above.

ARTICLE 25

LATE CHARGES

If any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) business days after said amount is due, then Tenant shall pay to Landlord a late charge equal to three percent (3%) of the overdue amount plus any attorneys' fees incurred by Landlord by reason of Tenant's failure to pay Rent and/or other charges when due hereunder; notwithstanding the foregoing to the contrary, Tenant shall be entitled to notice of non-payment and a five (5) business day grace period prior to the imposition of such late charge on the first (1st) occasion in any Lease Year in which any installment of Rent is not timely paid by Tenant. The late charge shall be deemed Additional Rent and the right to require it shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner. In addition to the late charge described above, any Rent or other amounts owing hereunder which are not paid within ten (10) days after the date they are due shall bear interest from the date when due until paid at a rate (the "**Interest Rate**") per annum equal to the lesser of (i) the annual "**Bank Prime Loan**" rate cited in the Federal Reserve Statistical Release Publication H.15(519), published weekly (or such other comparable index as Landlord and Tenant shall reasonably agree upon if such rate ceases to be published) plus four (4) percentage points, and (ii) the highest rate permitted by Applicable Laws.

ARTICLE 26

LANDLORD'S RIGHT TO CURE DEFAULT; PAYMENTS BY TENANT

26.1 **Landlord's Cure**. All covenants and agreements to be kept or performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any reduction of Rent, except to the extent, if any, otherwise expressly provided herein. If Tenant shall fail to perform any obligation under this Lease, and such failure shall continue in excess of the time allowed under Section 19.1.2, above, unless a specific time period is otherwise stated in this Lease, Landlord may, but shall not be obligated to, make any such payment or perform any such act on Tenant's part without waiving its rights based upon any default of Tenant and without releasing Tenant from any obligations hereunder.

26.2 **Tenant's Reimbursement**. Except as may be specifically provided to the contrary in this Lease, Tenant shall pay to Landlord, upon delivery by Landlord to Tenant of statements therefor: (i) sums equal to expenditures reasonably made and obligations incurred by Landlord in connection with the remedying by Landlord of Tenant's Defaults pursuant to the provisions of Section 26.1; (ii) sums equal to all losses, costs, liabilities, damages and expenses referred to in Article 10 of this Lease; and (iii) sums equal to all expenditures made and obligations incurred by Landlord in collecting or attempting to collect any past-due Rent, including, without limitation, all legal fees and other amounts so expended. Tenant's obligations under this Section 26.2 shall survive the expiration or sooner termination of the Lease Term.

ARTICLE 27

ENTRY BY LANDLORD

Landlord reserves the right at all reasonable times and upon reasonable notice to Tenant (except in the case of an emergency) to enter the Premises to (i) inspect them; (ii) show the Premises to prospective purchasers, mortgagees or (during the final twelve (12) months of the Lease

Term) tenants, or to current or prospective mortgagees, ground or underlying lessors or insurers; (iii) post notices of non-responsibility; or (iv) make reasonably necessary alterations, improvements or repairs to the Premises or the Building Systems. Notwithstanding anything to the contrary contained in this Article 27, Landlord may enter the Premises at any time to (A) perform services required of Landlord, including janitorial service; (B) take possession due to any Default of this Lease in the manner provided herein; and (C) perform any covenants of Tenant which Tenant fails to perform following applicable notice and cure periods. Landlord shall use commercially reasonable efforts to minimize interference with the conduct of Tenant's business in connection with such entries into the Premises. To the extent reasonably practical given the nature of the work, Landlord will provide Tenant with at least five (5) days prior notice of any of the actions set forth in this Article 27, to be taken by Landlord if such action will substantially interfere with Tenant's ability to (i) conduct business in the Premises, (ii) gain access to and from the Premises, or (iii) use or have access to and egress from the on-site parking area. Tenant shall additionally have the right to require that Landlord be accompanied by a representative of Tenant during any such entry so long as Tenant makes a representative available at commercially reasonable times. Landlord shall use good faith efforts to ensure that the performance of any such work of repairs or alterations shall not materially interfere with Tenant's use of the Premises (or any portion thereof) for Tenant's business purposes (Landlord's efforts in such regard will include, where reasonably possible, limiting the performance of any such work which might be disruptive to weekends or the evening and the cleaning of any work area prior to the commencement of the next business day). Landlord may make any such entries without the abatement of Rent (except as specifically set forth in Section 19.5.2 of this Lease) and may take such reasonable steps as required to accomplish the stated purposes. Tenant hereby waives any claims for damages or for any injuries or inconvenience to or interference with Tenant's business, lost profits, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the above purposes, Landlord shall at all times have a key with which to unlock all the doors in the Premises, excluding Tenant's vaults, safes and special security areas designated in advance by Tenant. In an emergency, Landlord shall have the right to use any means that Landlord may deem proper to open the doors in and to the Premises. Notwithstanding anything to the contrary set forth in this Article 27, Tenant may designate in writing certain reasonable areas of the Premises as "**Secured Areas**" should Tenant require such areas for the purpose of securing certain valuable property or confidential information. In connection with the foregoing, Landlord shall not enter such Secured Areas except in the event of an emergency. Landlord need not clean any area designated by Tenant as a Secured Area and shall only maintain or repair such secured areas to the extent (i) such repair or maintenance is required in order to maintain and repair the Base Building; (ii) as required by Applicable Law, or (iii) in response to specific requests by Tenant and in accordance with a schedule reasonably designated by Tenant, subject to Landlord's reasonable approval. Any entry into the Premises by Landlord in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Tenant from any portion of the Premises. No provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations except as otherwise expressly agreed to be performed by Landlord herein.

ARTICLE 28

TENANT PARKING

Subject to the terms of this Article 28, Tenant shall be obligated to rent from Landlord, commencing on the first Lease Commencement Date, the amount of parking passes set forth in Section 9 of the Summary, on a monthly basis throughout the Lease Term, which parking passes shall pertain to the Project parking facility. Tenant shall pay to Landlord for automobile parking passes on a monthly basis the monthly parking rate charged by Landlord, which monthly rate shall be consistent with the monthly parking rate then being charged by landlords of "Comparable Buildings" as that is defined in **Exhibit G**, attached hereto. In addition, Tenant shall be responsible for the full amount of any taxes imposed by any governmental authority in connection with the renting of such parking passes by Tenant or the use of the parking facility by Tenant. Tenant's continued right to use the parking passes is conditioned upon Tenant abiding by all rules and regulations which are prescribed from time to time for the orderly operation and use of the Project parking facility, including any sticker or other identification system established by Landlord, and Tenant's cooperation in seeing that Tenant's employees and visitors also comply with such rules and regulations. Landlord specifically reserves the right to change the size, configuration, design, layout and all other aspects of the Project parking facility at any time and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of Rent under this Lease, from time to time, temporarily close-off or restrict access to the Project parking facility for purposes of permitting or facilitating any such construction, alteration or improvements; provided, however, that Landlord will use reasonable efforts to provide Tenant with reasonable advance notice of any such anticipated temporary close-off or restriction in access to the parking facility. Landlord may delegate its responsibilities hereunder to a parking operator in which case such parking operator shall have all the rights of control attributed hereby to the Landlord. The parking passes rented by Tenant pursuant to this Article 28 are provided to Tenant solely for use by Tenant's own personnel and such passes may not be transferred, assigned, subleased or otherwise alienated by Tenant, except in connection with a Transfer of the Premises pursuant to Article 14 of this Lease, without Landlord's prior approval. In addition, if Landlord expands the parking area, Tenant shall have the right to its proportionate share of such additional spaces.

ARTICLE 29

MISCELLANEOUS PROVISIONS

29.1 **Terms; Captions**. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

29.2 **Binding Effect**. Subject to all other provisions of this Lease, each of the covenants, conditions and provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective heirs, personal representatives, successors or assigns, provided this clause shall not permit any assignment by Tenant contrary to the provisions of Article 14 of this Lease.

29.3 **No Air Rights**. No rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease. If at any time any windows of the Premises are temporarily darkened or the light or view therefrom is obstructed by reason of any repairs, improvements, maintenance or cleaning in or about the Project, the same shall be without liability to Landlord and without any reduction or diminution of Tenant's obligations under this Lease.

29.4 **Modification of Lease**. Should any current or prospective mortgagee or ground lessor for the Building or Project require a modification of this Lease, which modification will not cause an increased cost or expense to Tenant or in any other way materially and adversely change the rights and obligations of Tenant hereunder, then and in such event, Tenant agrees that this Lease may be so modified and agrees to execute (or make good faith comments to) whatever documents are reasonably required therefor and to deliver the same to Landlord within thirty (30) days following a request therefor. At the request of Landlord or any mortgagee or ground lessor, Tenant agrees to execute (or make good faith comments to) a short form of Lease and deliver the same to Landlord within thirty (30) days following the request therefor.

29.5 **Transfer of Landlord's Interest**. Tenant acknowledges that Landlord has the right to transfer all or any portion of its interest in the Project or Building and in this Lease, and Tenant agrees that in the event of any such transfer, Landlord shall automatically be released from all liability under this Lease arising from and after the date of such transfer and Tenant agrees to look solely to such transferee for the performance of Landlord's obligations hereunder after the date of transfer and such transferee shall be deemed to have fully assumed and be liable for all obligations of this Lease to be performed by Landlord, including the return of any Security Deposit, and Tenant shall attorn to such transferee. Tenant further acknowledges that Landlord may assign its interest in this Lease to a mortgage lender as additional security and agrees that such an assignment shall not release Landlord from its obligations hereunder and that Tenant shall continue to look to Landlord for the performance of its obligations hereunder.

29.6 **Prohibition Against Recording**. Except as provided in Section 29.4 of this Lease, neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Tenant or by anyone acting through, under or on behalf of Tenant.

29.7 **Landlord's Title**. Landlord's title is and always shall be paramount to the title of Tenant. Nothing herein contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord.

29.8 **Relationship of Parties**. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Landlord and Tenant.

29.9 **Application of Payments**. Landlord shall have the right to apply payments received from Tenant pursuant to this Lease, regardless of Tenant's designation of such payments, to satisfy any obligations of Tenant hereunder, in such order and amounts as Landlord, in its sole discretion, may elect.

29.10 **Time of Essence**. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

29.11 **Partial Invalidity**. If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

29.12 **No Warranty**. In executing and delivering this Lease, Tenant has not relied on any representations, including, but not limited to, any representation as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Landlord is furnishing the same services to other tenants, at all, on the same level or on the same basis, or any warranty or any statement of Landlord which is not set forth herein or in one or more of the exhibits attached hereto.

29.13 **Landlord Exculpation**. The liability of Landlord or the Landlord Parties to Tenant for any default by Landlord under this Lease or arising in connection herewith or with Landlord's operation, management, leasing, repair, renovation, alteration or any other matter relating to the Project or the Premises shall be limited solely and exclusively to an amount which is equal to the net interest of Landlord in the Building, including any condemnation, rental, sales or insurance proceeds received by Landlord in connection with the Building. Neither Landlord, nor any of the Landlord Parties shall have any personal liability therefor, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant. The limitations of liability contained in this Section 29.13 shall inure to the benefit of Landlord's and the Landlord Parties' present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective partners, heirs, successors and assigns. Under no circumstances shall any present or future partner of Landlord (if Landlord is a partnership), or trustee or beneficiary (if Landlord or any partner of Landlord is a trust), have any liability for the performance of Landlord's obligations under this Lease. Notwithstanding any contrary provision herein, neither Landlord nor the Landlord Parties shall be liable under any circumstances for injury or damage to, or interference with, Tenant's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring; similarly, except with respect to Tenant's violations of the provisions of this Lease regarding Hazardous Substances and Tenant's holding over in the Premises following the expiration or sooner termination of this Lease, Tenant shall not be liable under any circumstances for injury or damage to, or interference with, Landlord's business, including, but not limited to, loss of profits or other revenues (not including, however, loss of rents), loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

29.14 **Entire Agreement**. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Lease and this Lease constitutes the parties' entire agreement with respect to the leasing of the Premises and supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. None of the terms, covenants, conditions or provisions of this Lease can be modified, deleted or added to except in writing signed by the parties hereto.

29.15 **Right to Lease**. Landlord reserves the absolute right to effect such other tenancies in the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Building or Project. Tenant does not rely on the fact, nor does Landlord represent, that any specific tenant or type or number of tenants shall, during the Lease Term, occupy any space in the Building or Project.

29.16 **Force Majeure**. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease and except as to Tenant's obligations under Articles 5 and 24 of this Lease (collectively, a "**Force Majeure**"),

notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure. The provisions of this Section 29.16 shall not, however, delay (i) the trigger date for Tenant's right to abatements in Rent as set forth in Section 19.5.2 above, or (ii) the date upon which Tenant may exercise its right to terminate this Lease following casualty described in Section 11.2 above except as expressly set forth in Section 11.2. In the event that either party is delayed from performing any obligation hereunder as a result of Force Majeure, such party shall promptly give notice to the other party of the delay in question, specifying in such notice the nature of the delay and, without any such estimate being deemed a representation or warranty, such party's good faith estimate of the length of the delay in question.

29.17 **Waiver of Redemption by Tenant**. Tenant hereby waives, for Tenant and for all those claiming under Tenant, any and all rights now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Tenant's right of occupancy of the Premises after any termination of this Lease.

29.18 **Notices**. All notices, demands, statements or communications (collectively, "**Notices**") given or required to be given by either party to the other hereunder shall be in writing, shall be (A) delivered by a nationally recognized overnight courier, or (B) delivered personally. Any such Notice shall be delivered (i) to Tenant at the appropriate address set forth in Section 10 of the Summary, or to such other place as Tenant may from time to time designate in a Notice to Landlord; or (ii) to Landlord at the addresses set forth in Section 11 of the Summary, or to such other firm or to such other place as Landlord may from time to time designate in a Notice to Tenant. Any Notice will be deemed given on the date of receipted delivery, of refusal to accept delivery, or when delivery is first attempted but cannot be made due to a change of address for which no Notice was given. If Tenant is notified of the identity and address of Landlord's mortgagee or ground or underlying lessor, Tenant shall give to such mortgagee or ground or underlying lessor written notice of any default by Landlord under the terms of this Lease by registered or certified mail. The party delivering Notice shall use commercially reasonable efforts to provide a courtesy copy of each such Notice to the receiving party via electronic mail.

29.19 **Joint and Several**. If there is more than one Tenant, the obligations imposed upon Tenant under this Lease shall be joint and several.

29.20 **Authority**. If Tenant is a corporation, trust or partnership, each individual executing this Lease on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Lease and that each person signing on behalf of Tenant is authorized to do so. In such event, Tenant shall, upon request from Landlord prior to or after execution of this Lease, deliver to Landlord satisfactory evidence of such authority and, if a corporation, upon demand by Landlord, also deliver to Landlord satisfactory evidence of (i) good standing in Tenant's state of incorporation and (ii) qualification to do business in California.

29.21 **Attorneys' Fees**. In the event that either Landlord or Tenant should bring suit for the possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provision of this Lease or for any other relief against the other, then all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment.

29.22 **Governing Law; WAIVER OF TRIAL BY JURY**. This Lease, including the terms of Article 21 (which shall include any dispute between Landlord and Tenant relating to the L-C), shall be construed and enforced in accordance with the laws of the State of California. IN ANY ACTION OR PROCEEDING ARISING HEREFROM, LANDLORD AND TENANT HEREBY CONSENT TO (I) THE JURISDICTION OF ANY COMPETENT COURT WITHIN THE STATE OF CALIFORNIA, (II) SERVICE OF PROCESS BY ANY MEANS AUTHORIZED BY CALIFORNIA LAW, AND (III) IN THE INTEREST OF SAVING TIME AND EXPENSE, TRIAL WITHOUT A JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR THEIR SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. IN THE EVENT LANDLORD COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NONPAYMENT OF BASE RENT OR ADDITIONAL RENT, TENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION (UNLESS SUCH COUNTERCLAIM SHALL BE MANDATORY) IN ANY SUCH PROCEEDING OR ACTION, BUT SHALL BE RELEGATED TO AN INDEPENDENT ACTION AT LAW.

29.23 **Submission of Lease**. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of, option for or option to lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

29.24 **Brokers**. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the real estate broker specified in Section 12 of the Summary (the "**Broker**"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent, other than the Broker, occurring by, through, or under the indemnifying party. The Broker shall be compensated by Landlord pursuant to the provisions of a separate agreement.

29.25 **Independent Covenants**. This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent and not dependent and Tenant hereby expressly waives the benefit of any statute to the contrary; and, except as otherwise expressly provided for herein, Tenant agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not be entitled to make any repairs or perform any acts hereunder at Landlord's expense or to any setoff of the Rent or other amounts owing hereunder against Landlord.

29.26 **Project or Building Name**. Landlord shall have the right at any time to change the name of the Project or Building. Tenant shall not use the name of the Project or Building or use pictures or illustrations of the Project or Building in advertising or other publicity or for any purpose other than as the address of the business to be conducted by Tenant in the Premises, without the prior written consent of Landlord.

29.27 **Counterparts**. This Lease may be executed in counterparts with the same effect as if both parties hereto had executed the same document. Both counterparts shall be construed together and shall constitute a single lease.

29.28 **Confidentiality**. Tenant acknowledges that the content of this Lease and any related documents are confidential information. Tenant shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than Tenant's financial, legal, and space planning consultants, or its directors, officers, employees, attorneys, accountants, prospective lenders, prospective purchasers, brokers, underwriters, and current and potential partners or investors, or to the extent that disclosure is mandated by Applicable Laws, the Securities Exchange Commission, the rules of any public exchange upon which Tenant's shares are from time to time traded, or in connection with a stock or debt offering. Additionally, Tenant shall have the right to deliver a copy of this Lease to any proposed subtenant or assignee (with, in the case of a subtenant, economic terms redacted), provided such subtenant or assignee agrees to keep the contents hereof confidential. Landlord acknowledges that the content of this Lease and any related documents (including financial statements provided by Tenant pursuant to Articles 17 and 21 above) are confidential information. Landlord shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than Landlord's financial, legal and space planning consultants, or its directors, officers, employees, attorneys, accountants, prospective lenders, prospective purchasers, brokers, and current and potential partners or investors, or to the extent that disclosure is mandated by Applicable Laws, or the Securities Exchange Commission. Moreover, Landlord has advised Tenant that Landlord is obligated to regularly provide financial information concerning the Landlord and/or its affiliates (including Kilroy Realty Corporation, a public company whose shares of stock are listed on the New York Stock Exchange) to the shareholders of its affiliates, to the Federal Securities and Exchange Commission and other regulatory agencies, and to auditors and underwriters, which information may include summaries of financial information concerning leases, rents, costs and results of operations of its real estate business, including any rents or results of operations affected by this Lease. Notwithstanding the foregoing, the parties acknowledge that Landlord may use the name of Tenant without Tenant's consent (i) on the Building directory, and (ii) to the extent that Tenant is only referenced by name as a customer or tenant of Landlord, in investor presentations and earnings calls or earnings related releases, and in connection with the marketing efforts of Landlord or any real estate broker or agent on Landlord's behalf with respect to the proposed leasing, financing, sale or other conveyance of the Building, or any portion thereof. This provision shall survive the expiration or earlier termination of this Lease for one (1) year.

29.29 **Transportation Management**. Tenant shall fully comply with all present or future programs intended to manage parking, transportation or traffic in and around the Building, and in connection therewith, Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises by working directly with Landlord, any governmental transportation management organization or any other transportation-related committees or entities.

29.30 **Building Renovations**. It is specifically understood and agreed that Landlord has made no representation or warranty to Tenant and has no obligation and has made no promises to alter, remodel, improve, renovate, repair or decorate the Premises, Building, or any part thereof and that no representations respecting the condition of the Premises or the Building have been made by Landlord to Tenant except as specifically set forth herein or in the Work Letter. However, Tenant hereby acknowledges that Landlord is currently renovating or may during the Lease Term renovate, improve, alter, or modify (collectively, the "**Renovations**") the Project, the Building and/or the Premises, including without limitation, the parking structure, Common Areas, Building Systems and/or Building Structure, which Renovations may include, without limitation, (i) installing sprinklers in the Common Areas and tenant spaces; (ii) modifying the Common Areas and tenant spaces to comply with Applicable Laws, including regulations relating to the physically disabled, seismic conditions, and Building safety and security, and (iii) installing new floor covering, lighting, and wall coverings in the Common Areas, and in connection with any Renovations, Landlord may, among other things, erect scaffolding or other necessary structures in the Building, limit or eliminate access to portions of the Project, including portions of the Common Areas, or perform work in the Building, which work may create noise, dust or leave debris in the Building. Landlord shall use commercially reasonable efforts to undertake and complete any Renovations in a manner which does not materially, adversely affect Tenant's use of or access to the Premises. Notwithstanding the foregoing, Tenant hereby agrees that such Renovations and Landlord's actions in connection with such Renovations shall in no way constitute a constructive eviction of Tenant nor, subject to the provisions of Section 19.5.2 above, entitle Tenant to any abatement of Rent. Landlord shall have no responsibility or for any reason be liable to Tenant for any direct or indirect injury to or interference with Tenant's business arising from the Renovations, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises or of Tenant's personal property or improvements resulting from the Renovations or Landlord's actions in connection with such Renovations, or for any inconvenience or annoyance occasioned by such Renovations or Landlord's actions, provided that the foregoing shall not limit Landlord's liability, if any, pursuant to Applicable Law for personal injury and property damage to the extent caused by the gross negligence or willful misconduct of Landlord, its agents, employees or contractors.

29.31 **No Violation**. Tenant hereby warrants and represents that neither its execution of nor performance under this Lease shall cause Tenant to be in violation of any agreement, instrument, contract, law, rule or regulation by which Tenant is bound, and Tenant shall protect, defend, indemnify and hold Landlord harmless against any claims, demands, losses, damages, liabilities, costs and expenses, including, without limitation, reasonable attorneys' fees and costs, arising from Tenant's breach of this warranty and representation.

29.32 **Communications and Computer Lines**. Tenant may install, maintain, replace, remove or use any communications or computer wires and cables (collectively, the "**Lines**") at the Project in or serving the Premises, provided that (i) Tenant shall obtain Landlord's prior written consent to the installation of any such Lines (such consent not to be unreasonably withheld), use an experienced and qualified contractor approved in writing by Landlord (such approval not to be unreasonably withheld), and comply with all of the other provisions of Articles 7 and 8 of this Lease, (ii) an acceptable amount of space for additional Lines shall be maintained for future occupants of the Project, as determined in Landlord's reasonable opinion, (iii) the Lines (including riser cables) shall be appropriately insulated to prevent excessive electromagnetic fields or radiation, and shall be surrounded by a protective conduit reasonably acceptable to Landlord, (iv) any Lines servicing the Premises shall comply with all Applicable Laws, (v) as a condition to permitting the installation of new Lines, Landlord may require that Tenant remove existing Lines located in or serving the Premises that will no longer be used by Tenant and repair any damage in connection with such removal, and (vi) Tenant shall pay all costs in connection therewith. Landlord reserves the right to require that Tenant remove any Lines located in or serving the Premises which are installed in violation of these provisions, or which are at any time in violation of any Applicable Laws or represent a dangerous or potentially dangerous condition. Upon the expiration of the Lease Term, or immediately following any earlier termination of this Lease, Tenant shall, at Tenant's sole cost and expense, remove all Lines installed by Tenant, and repair any damage caused by such removal.

29.33 **Office and Communications Services**.

29.33.1 **The Provider**. Tenant shall be permitted to contract with an office and communications services concessionaire (the "**Provider**") selected by Tenant and subject to Landlord's reasonable approval (which may include, without limitation, cable or satellite television service).

29.33.2 **Other Terms**. Tenant acknowledges and agrees that: (i) Landlord has made no warranty or representation to Tenant with respect to the availability of any such services, or the quality, reliability or suitability thereof; (ii) Landlord shall have no responsibility or liability for the installation, alteration, repair, maintenance, furnishing, operation, adjustment or removal of any such services, equipment or facilities; and (iii) any contract or other agreement between Tenant and Provider shall be independent of this Lease, the obligations of Tenant hereunder, and the rights of Landlord hereunder, and, without limiting the foregoing, no default or failure of Provider with respect to any such services, equipment or facilities, or under any contract or agreement relating thereto, shall have any effect on this Lease or give to Tenant any offset or defense to the full and timely performance of its obligations hereunder, or entitle Tenant to any abatement of rent or additional rent or any other payment required to be made by Tenant hereunder, or constitute any accrual or constructive eviction of Tenant, or otherwise give rise to any other claim of any nature against Landlord.

29.34 **Water Sensors**. Tenant shall, at Tenant's sole cost and expense, be responsible for promptly installing web-enabled wireless water leak sensor devices designed to alert the Tenant on a twenty-four (24) hour seven (7) day per week basis if a water leak is occurring in the Premises (which water sensor device(s) located in the Premises shall be referred to herein as "**Water Sensors**"). The Water Sensors shall be installed in any areas in the Premises where water is utilized (such as sinks, pipes, faucets, water heaters, coffee machines, ice machines, water dispensers and water fountains), and in locations that may be reasonably designated from time to time by Landlord (the "**Sensor Areas**"). In connection with any Alterations affecting or relating to any Sensor Areas, Landlord may require Water Sensors to be installed or updated in Landlord's reasonable discretion. With respect to the installation of any such Water Sensors, Tenant shall use an experienced and qualified contractor reasonably approved by Landlord, and comply with all of the other provisions of Article 8 of this Lease. Tenant shall, at Tenant's sole cost and expense, pursuant to Article 7 of this Lease keep any Water Sensors located in the Premises in good working order, repair and condition at all times during the Lease Term and comply with all of the other provisions of Article 7 of this Lease. Notwithstanding any provision to the contrary contained herein, Landlord has neither an obligation to monitor, repair or otherwise maintain the Water Sensors, nor an obligation to respond to any alerts it may receive from the Water Sensors or which may be generated from the Water Sensors. Upon the expiration of the Lease Term, or immediately following any earlier termination of this Lease, Tenant shall leave the Water Sensors in place together with all necessary user information such that the same may be used by a future occupant of the Premises (*e.g.*, the Water Sensors shall be unblocked and ready for use by a third-party).

29.35 **Utility Billing Information**. In the event that Landlord permits Tenant to contract directly for the provision of electricity, gas and/or water services to the Premises with the third-party provider thereof, Tenant shall provide Landlord with a copy of each invoice received from the applicable utility provider promptly following Tenant's receipt thereof. Tenant acknowledges that pursuant to California Public Resources Code Section 25402.10 and the regulations adopted pursuant thereto (collectively the "**Energy Disclosure Requirements**"), Landlord may be required to disclose information concerning Tenant's energy usage at the Building to certain third parties, including, without limitation, prospective purchasers, lenders and tenants of the Building (the "**Tenant Energy Use Disclosure**"). Tenant hereby consents to all such Tenant Energy Use Disclosures, and Landlord shall use commercially reasonable efforts to notify Tenant of any Tenant Energy Use Disclosures made by Landlord. Further, Tenant hereby releases Landlord from any and all losses, costs, damages, expenses and liabilities relating to, arising out of and/or resulting from any Tenant Energy Use Disclosure. The terms of this Section 29.35 shall survive the expiration or earlier termination of this Lease.

29.36 **Green Cleaning/Recycling Program**. Tenant shall cooperate if and to the extent Landlord implements a green cleaning program and/or recycling program for the Project, and hereby agrees that the reasonable costs associated with any such green cleaning and/or recycling program shall be included in Operating Expenses.

29.37 **LEED Certification**. Landlord may, in Landlord's sole and absolute discretion, elect to apply to obtain or maintain a LEED certification for the Project (or portion thereof), or other applicable certification in connection with Landlord's sustainability practices for the Project (as such sustainability practices are to be determined by Landlord, in its sole and absolute discretion, from time to time). In the event that Landlord elects to pursue such an aforementioned certification, Tenant shall, at Tenant's sole cost and expense, promptly cooperate with the Landlord's efforts in connection therewith and provide Landlord with any documentation it may need in order to obtain or maintain the aforementioned certification (which cooperation may include, but shall not be limited to, Tenant complying with certain standards pertaining to the purchase of materials used in connection with any Alterations or improvements undertaken by the Tenant in the Project, the sharing of documentation pertaining to any Alterations or improvements undertaken by Tenant in the Project with Landlord, and the sharing of Tenant's billing information pertaining to trash removal and recycling related to Tenant's operations in the Project).

29.38 **Prohibited Persons; Anti-Money Laundering**. Neither (i) Tenant nor any of its officers, directors or managers, or, (ii) to Tenant's knowledge, any of Tenant's affiliates, nor any of their respective members, partners, other equity holders, officers, directors or managers is, nor prior to or during the Lease Term, will they become a person or entity with whom U.S. persons or entities are restricted from doing business under (a) the Patriot Act (as defined below), (b) any other requirements contained in the rules and regulations of the Office of Foreign Assets Control, Department of the Treasury ("**OFAC**") (including any "blocked" person or entity listed in the Annex to Executive Order Nos. 12947, 13099 and 13224 and any modifications thereto or thereof or any other person or entity named on OFAC's Specially Designated Blocked Persons List) or (c) any other U.S. statute, Executive Order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or other governmental action (collectively, "**Prohibited Persons**"). Tenant is not entering into this Lease, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering. As used herein, "Patriot Act" shall mean the USA Patriot Act of 2001, 107 Public Law 56 (October 26, 2001) and all other statutes, orders, rules and regulations of the U.S. government and its various executive departments, agencies and offices interpreting and implementing the Patriot Act.**]**

29.39 **Approvals**. Whenever this Lease requires an approval, consent, determination, selection or judgment by either Landlord or Tenant, unless another standard is expressly set forth, such approval, consent, determination, selection or judgment and any conditions imposed thereby shall be reasonable and shall not be unreasonably withheld or delayed.

29.40 **Multi-Tenant Lease Provisions**. At any time that Tenant is no longer occupying or anticipated to occupy the entirety of the Building pursuant to the terms of this Lease, Landlord and Tenant shall promptly enter into a lease amendment consistent with the terms and conditions of this Lease, but documenting the nature of the Project as no longer a single-tenant office project, including, without limitation, appropriate adjustments to (i) Base Rent (and the amount of any pre-paid Base Rent), Tenant's Share, the L-C Amount (determined at the rate of $80.00 per rentable square foot of the Premises) and the L-C Burn Down Amount, based on the stipulated number of rentable square feet of those portions of the Building which are included within the Premises; (ii) services and utilities, as relates to Landlord's ability to provide (as opposed to

Tenant's right to directly contract for such services and utilities) and as relates to monitoring Tenant's use of such services and utilities; and (iii) signage and parking rights, as relates to granting signage rights and parking rights to other tenant(s) of the Project (including, without limitation, Tenant's right to have only one (1) sign on the exterior of the Building).

[Signature Page to Follow]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed the day and date first above written.

LANDLORD:

KILROY REALTY, L.P.,
a Delaware limited partnership

By: Kilroy Realty Corporation,
a Maryland corporation,

Its: General Partner

By: /s/Robert E. Palmer

Name: Robert E. Palmer

Title: Senior Vice President, Operations

By: /s/ Richard Buziak

Name: Richard Buziak

Title: Senior Vice President, Asset Management

TENANT:

DROPBOX, INC.,
a Delaware corporation

By: /s/ Drew Houston
Name: Drew Houston
Title: CEO

By: /s/ Vanessa Wittman
Name: Vanessa Wittman
Title: CFO

[signatures continue on next page]

EXHIBIT A

301 BRANNAN STREET

OUTLINE OF PREMISES

[to be inserted]

EXHIBIT B

301 BRANNAN STREET

WORK LETTER

This Work Letter shall set forth the terms and conditions relating to the construction of the Premises. This Work Letter is essentially organized chronologically and addresses the issues of the construction of the Premises, in sequence, as such issues will arise during the actual construction of the Premises. All references in this Work Letter to Articles or Sections of "this Lease" shall mean the relevant portions of Articles 1 through 29 of the Office Lease to which this Work Letter is attached as **Exhibit B**, and all references in this Work Letter to Sections of "this Work Letter" shall mean the relevant portions of Sections 1 through 5 of this Work Letter. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Lease.

SECTION 1

DELIVERY

Tenant acknowledges that it has thoroughly examined the condition of the Premises as of the date of this Lease. Upon the expiration or earlier termination of the existing leases of the Premises by the Superior Right Holders pursuant to the Superior Rights, Landlord shall deliver the Premises and Tenant shall accept the Premises from Landlord in their then existing, "as-is" condition as of the date of delivery thereof.

SECTION 2

IMPROVEMENTS

2.1 **Improvement Allowance**. Tenant shall be entitled to an Improvement allowance (the "**Improvement Allowance**") in the amount set forth in Section 13 of the Summary for the costs relating to the design, permitting and construction of improvements, which, except as otherwise provided in Section 2.2.1, below, are permanently affixed to the Premises (the "**Improvements**"). In no event shall Landlord be obligated to make disbursements pursuant to this Work Letter in a total amount which exceeds the Improvement Allowance and "Landlord's Drawing Contribution" (as that term is defined below). In the event that the Improvement Allowance for any particular portion of the Premises is not fully utilized by Tenant within one (1) year following the applicable Lease Commencement Date for such Phase of the Premises, then such unused amounts shall revert to Landlord, and Tenant shall have no further rights with respect thereto. Any Improvements that require the use of Building risers, raceways, shafts and/or conduits, shall be subject to Landlord's and Landlord's management company's reasonable rules, regulations, and restrictions. In addition, Landlord shall contribute an amount not to exceed One Thousand Nine Hundred Forty-Three and 40/100 Dollars ($1,943.40) ("**Landlord's Drawing Contribution**") toward the cost of a preliminary analysis and fit plan to be prepared by the "Architect" (as that term is defined below) for the Premises, and no portion of the Landlord's Drawing Contribution, if any, remaining after completion of the Improvements shall be available for use by Tenant.

2.2 **Disbursement of the Improvement Allowance**.

2.2.1 **Improvement Allowance Items**. Except as otherwise set forth in this Work Letter, the Improvement Allowance shall be disbursed by Landlord only for the following items and costs and, except as otherwise specifically and expressly provided in this Work Letter or the Lease, Landlord shall not deduct any other expenses from the Improvement Allowance (collectively the "**Improvement Allowance Items**"):

2.2.1.1 Payment of the fees of the "Architect" and "Engineers" (as those terms are defined in Section 3.1 of this Work Letter) and other consultants (including any construction manager) retained by or on behalf of Tenant, in connection with space planning and design of the Improvements and the payment of plan check, permit and license fees relating to construction of the Improvements (but in no event shall disbursements of the Improvement Allowance for all of the foregoing items in this Section 2.2.1.1 exceed an aggregate amount equal to Five and 00/100 Dollars ($5.00) per rentable square foot of the Premises);

2.2.1.2 Subject to Section 6.5 below, the cost of construction of the Improvements, including, without limitation, all materials and labor to complete the Improvements, testing and inspection costs, freight elevator usage, hoisting and trash removal costs, and contractors' fees and general conditions;

2.2.1.3 Tenant's costs of performing any changes to the Base Building when such changes are required by the Construction Documents and are not Landlord's obligation pursuant to Section 1 above (including if such changes are due to the fact that such work is prepared on an unoccupied basis), such cost to include all direct architectural and/or engineering fees and expenses, and any City or permit costs, incurred in connection therewith;

2.2.1.4 The cost of any changes to the Construction Documents or Improvements required by all applicable building codes (the "**Code**");

2.2.1.5 The cost of connection of the Premises to the Building's energy management and access control systems and for chilled water hook-up fees, if applicable;

2.2.1.6 The cost of the "Coordination Fee," as that term is defined in Section 4.2.2 of this Work Letter;

2.2.1.7 Sales and use taxes and Title 24 fees, gross receipts taxes and any other taxes imposed on or pertaining to construction of the Improvements;

2.2.1.8 Payment of the reasonable out-of-pocket fees incurred by, and the reasonable out-of-pocket cost of documents and materials supplied by, Landlord and Landlord's consultants in connection with the preparation and review of the "Construction Documents," as that term is defined in Section 3.1 of this Work Letter;

2.2.1.9 All other reasonable and actual out-of-pocket costs expended by Landlord, upon prior notice to Tenant, in connection with the construction of the Improvements.

2.2.1.10 Any costs and/or expenses incurred in connection with the design, permitting and construction of the Improvements which are (i) the obligation of Tenant under this Work Letter, or (ii) expressly designated in the Lease as costs and/or expenses which may be deducted from the Improvement Allowance.

2.2.2 Disbursement of Improvement Allowance. Prior to the commencement of construction of the Improvements, Tenant shall deliver all of the Tenant Deliverables set forth in Section 1 (*i.e.*, the "Prior to Start of Construction" category of Tenant Deliverables) of Schedule 1 attached to this Exhibit B (the "**List of Tenant Deliverables**") to Landlord. During the design and construction of the Improvements, Landlord shall make monthly disbursements of the Improvement Allowance for Improvement Allowance Items for the benefit of Tenant and shall authorize the release of monies for the benefit of Tenant as follows:

2.2.2.1 Monthly Disbursements. Tenant shall use commercially reasonable efforts to deliver to Landlord, on or before the twentieth (20th) day of each calendar month during the design and construction of the Improvements (or such other date as Landlord may designate), the following items: (i) a request for payment of the "Contractor," as that term is defined in Section 4.1.1 of this Work Letter, approved by Tenant, on AIA forms G702 or G703 (or comparable forms reasonably approved by Landlord), showing the schedule, by trade, of percentage of completion of the Improvements in the Premises, detailing the portion of the work completed and the portion not completed; (ii) invoices from all of "Tenant's Agents," as that term is defined in Section 4.1.2 of this Work Letter, for labor rendered and materials delivered to the Premises and proof of payment of the same by Tenant; (iii) executed unconditional mechanic's lien releases from all of Tenant's Agents which shall comply with California Civil Code Sections 8132, 8134, 8136 and 8138; provided, however, that with respect to fees and expenses of the Architect, or construction or project managers or other similar consultants, and/or any other pre-construction items for which the payment scheme set forth in items (i) through (iii), above, of this Work Letter, is not applicable (collectively, the "**Non-Contribution Items**"), Tenant shall only be required to deliver to Landlord an invoice of the cost for the applicable Non-Contribution Items and proof of payment by Tenant; and (iv) all of the Tenant Deliverables set forth in Sections 2 and 3 of the List of Tenant Deliverables (*i.e.*, the "Ongoing During Construction" and "Prior to Release of Any Funds" categories of Tenant Deliverables, respectively), to the extent such items are not mentioned in clauses (i) through (iii) of this Section 2.2.1; and (v) all other information reasonably requested by Landlord. Tenant's request for payment shall, as between Landlord and Tenant only, be deemed Tenant's acceptance and approval of the work furnished and/or the materials supplied as set forth in Tenant's payment request vis-à-vis Landlord. Within thirty (30) days thereafter, Landlord shall deliver a check to Tenant made jointly payable to the contractor submitting the invoice and Tenant, in payment of the lesser of: (A) the amounts so requested by Tenant, as set forth in this Section 2.2.2.1, above, less a ten percent (10%) retention (the aggregate amount of such retentions to be known as the "**Final Retention**"), and (B) the balance of any remaining available portion of the Improvement Allowance (not including the Final Retention), provided that Landlord does not dispute any request for payment based on non-compliance of any work with the "Approved Working Drawings," as that term is defined in Section 3.4, below, or due to any substandard work; and provided, further, that (x) no such retention shall be applicable to the fees of the Architect, Engineers, Tenant's project manager and consultants, and (y) with respect to payment requests in connection with the construction of

the Improvements only, Landlord's payment of such amounts shall not be deemed Landlord's approval or acceptance of the work furnished or materials supplied as set forth in Tenant's payment request.

2.2.2.2 Final Retention. Subject to the provisions of this Work Letter (including, without limitation, Section 4.3 below), a check for the Final Retention payable jointly to Tenant and Contractor, shall be delivered by Landlord to Tenant following the completion of construction of the Improvements, provided that (i) Tenant delivers to Landlord properly executed mechanics lien releases in compliance with both California Civil Code Section 8134 and Section 8138 from Tenant's contractor, subcontractors and material suppliers and any other party which has lien rights in connection with the construction of the Improvements, (ii) Landlord, in Landlord's reasonable good faith judgment, has determined that no substandard work exists which materially deviates from the "Approved Working Drawings", as that term is defined in Section 3.4, below, materially adversely affects the Building Systems, the exterior walls of the Building, or the Building Structure or exterior appearance of the Building (provided that Landlord will have thirty (30) days following Tenant's request for the Final Retention in which to determine whether any such substandard work exists and notify Tenant of such determination, failing which Landlord shall be deemed to have determined that no such substandard work exists), (iii) Tenant delivers to Landlord a certificate issued by Architect, in a form reasonably acceptable to Landlord, certifying that the construction of the Improvements in the Premises has been substantially completed, (iv) Tenant delivers to Landlord two (2) hard copies and one (1) electronic copy of the "Close-Out Package" (as that term is defined in Section 4.3.3 below); and (v) Tenant delivers to Landlord all of the Tenant Deliverables set forth in Section 4 of the List of Tenant Deliverables (*i.e.*, the "Prior to Release of Final Payment" category of Tenant Deliverables), to the extent such items are not mentioned in clauses (i) through (iv) of this Section 2.2.2.2.

2.2.2.3 Other Terms. Landlord shall only be obligated to make disbursements from the Improvement Allowance to the extent costs are incurred by Tenant for Improvement Allowance Items. To the extent that a dispute shall arise as to whether certain amounts of the Allowance are due and/or payable to Tenant, any amounts which are not the subject of such dispute, shall be disbursed by Landlord pursuant to Section 2.4, below.

2.3 Building Standards. Landlord has established specifications for certain Building standard components (the "**Building Standards**") to be used in the construction of the Improvements in the Premises, which certain Building Standards are more particularly described as follows: those certain Minimum Building Standards prepared by Landlord for 301 Brannan, San Francisco, California, and delivered to Tenant, via electronic mail, on June 9, 2015. The quality of Improvements shall be equal to or of greater quality than the quality of the Building Standards, provided that certain Improvements shall comply with certain Building Standards, as set forth therein, and further provided, that in no event shall Tenant paint the underside or top of the structural slab. Landlord may make commercially reasonable changes to the Building Standards from time to time; provided, however, that if Landlord has previously approved any Construction Drawings which were made pursuant to the provisions of the previously applicable Building Standards, Landlord's revisions to such Building Standards shall not be deemed to require Tenant to update or revise its previously approved Construction Drawings.

2.4 Failure to Disburse Improvement Allowance. If Landlord fails to timely fulfill its obligation to fund any portion of the Improvement Allowance, Tenant shall be entitled to deliver notice (the "**Payment Notice**") thereof to Landlord and to any mortgage or trust deed holder of the Building whose identity and address have been previously provided to Tenant. If Landlord still fails to fulfill any such obligation within twenty (20) business days after Landlord's receipt of the Payment Notice from Tenant and if Landlord fails to deliver a notice to Tenant within such twenty (20) business day period explaining Landlord's reasons that Landlord believes that the amounts described in Tenant's Payment Notice are not due and payable by Landlord ("**Refusal Notice**"), Tenant shall be entitled to offset the amount so owed to Tenant by Landlord but not paid by Landlord (or if Landlord delivers a Refusal Notice but only with respect to a portion of the amount set forth in the Payment Notice and Landlord fails to pay such undisputed amount as required by the next succeeding sentence, the undisputed amount so owed to Tenant), together with interest at the Interest Rate (as defined in Article 25 of this Lease) from the date that the amount was originally due and payable until the date of offset, against Tenant's next obligations to pay Rent. Notwithstanding the foregoing, Landlord hereby agrees that if Landlord delivers a Refusal Notice disputing a portion of the amount set forth in Tenant's Payment Notice, Landlord shall pay to Tenant, concurrently with the delivery of the Refusal Notice, the undisputed portion of the amount set forth in the Payment Notice. However, if Tenant is in Default under Section 19.1.1 of the Lease at the time that such offset would otherwise be applicable, Tenant shall not be entitled to such offset until such Default is cured. If Landlord delivers a Refusal Notice, and if Landlord and Tenant are not able to agree on the disputed amounts to be so paid by Landlord, if any, within ten (10) days after Tenant's receipt of a Refusal Notice, Tenant may submit such dispute to arbitration in accordance with the American Arbitration Association. If Tenant prevails in any such arbitration, Tenant shall be entitled to apply such award as a credit against Tenant's obligations to pay Rent.

SECTION 3

CONSTRUCTION DRAWINGS

3.1 Selection of Architect/Construction Documents. Tenant shall retain an architect/space planner reasonably approved by Landlord (the "**Architect**") to prepare the "Construction Documents," as that term is defined in this Section 3.1. Tenant shall retain (or cause the Architect or, on a design-build basis, the Contractor to retain) engineering consultants reasonably approved by Landlord (the "**Engineers**"), which approval shall be granted or withheld within five (5) business days following Tenant's written request (if Landlord fails to notify Tenant of Landlord's approval or disapproval of any such Engineers within such five (5) business day period, Tenant shall deliver Landlord an additional notice requesting approval and if Landlord thereafter fails to respond within three (3) business days of receipt of such additional notice, then Landlord will be deemed to have approved such Engineers), to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, lifesafety, and sprinkler work in the Premises, which work is not part of the Base Building, and Tenant agrees that it shall be required to hire (i) Landlord's preferred structural engineer for all structural work, and(ii) Landlord's preferred engineers for all fire-life-safety work, or any other replacement engineers, designated by Landlord, for such structural or fire-life-safety work, provided that such Engineers charge commercially competitive rates for the work in question. The plans and drawings to be prepared by Architect and

the Engineers hereunder shall be known collectively as the "**Construction Documents**." Tenant shall deliver one (1) hard copy and one (1) electronic copy of the Construction Documents to Landlord. Tenant shall be required to include in its contracts with the Architect and the Engineers a provision which requires ownership of all Construction Documents to be transferred to Tenant upon the Substantial Completion of the Improvements and Tenant hereby grants to Landlord a non-exclusive right to use such Construction Documents, including, without limitation, a right to make copies thereof. All Construction Documents shall be delivered in a CAD drawing format. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the Base Building plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Construction Documents as set forth in this Section 3, shall be for its sole purpose and shall not imply Landlord's review of the same, or obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Construction Documents are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Documents, and Tenant's waiver and indemnity set forth in this Lease shall specifically apply to the Construction Documents.

3.2 Final Space Plan. Tenant shall supply Landlord with four (4) hard copies and one (1) electronic copy of its final space plan for the Premises. The final space plan (the "**Final Space Plan**") shall include a layout and designation of all offices, rooms and other partitioning, their intended use, and the equipment anticipated to be contained therein. Landlord may request clarification or more specific drawings for special use items not included in the Final Space Plan. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Space Plan if the same is approved, or, if the Final Space Plan is not reasonably satisfactory or is incomplete in any respect, disapproved, in which event Landlord shall include in its notice of disapproval a reasonably detailed explanation as to which items are not satisfactory or complete and the reason(s) therefor. Landlord shall not unreasonably withhold its consent to the Final Space Plan, provided that Tenant shall design such improvements so as to not (i) have a material adverse effect on the Building Structure or Building Systems, or (ii) fail to comply with Code. If Tenant is so advised that the Final Space Plan is not satisfactory or complete, Tenant shall promptly cause the Final Space Plan to be revised to correct any deficiencies or other matters Landlord may reasonably require and deliver such revised Final Space Plan to Landlord. If Landlord disapproves the Final Space Plan, Tenant may resubmit the proposed Final Space Plan to Landlord at any time, and Landlord shall approve or disapprove of the resubmitted Final Space Plan, based upon the criteria set forth in this Section 3.2, within five (5) business days after Landlord receives such resubmitted Final Space Plan. Such procedure shall be repeated until the Final Space Plan is approved; provided, however, that if Landlord fails to notify Tenant of Landlord's approval or disapproval of any iteration of the Final Space Plan within the five (5) business day review period for approval or disapproval thereof, Tenant shall deliver Landlord an additional notice requesting approval and if Landlord thereafter fails to respond within three (3) business days of receipt of such additional notice, Landlord will be deemed to have approved such iteration of the Final Space Plan.

3.3 Final Working Drawings. After the Final Space Plan has been approved by Landlord, Tenant shall supply the Engineers with a complete listing of standard and non-standard equipment and specifications, including, without limitation, B.T.U. calculations, electrical requirements and special electrical receptacle requirements for the Premises, to enable the Engineers and the Architect to complete the "Final Working Drawings" (as that term is defined below) in the manner as set forth below. Upon the approval of the Final Space Plan by Landlord and Tenant, Tenant shall cause the Architect and the Engineers to complete the architectural and engineering drawings for the Premises, and Architect shall compile a fully coordinated set of architectural, structural, mechanical, electrical and plumbing working drawings in a form which is complete to allow subcontractors to bid on the work, to the extent applicable, and to obtain all applicable permits (collectively, the "**Final Working Drawings**") and shall submit the same to Landlord for Landlord's approval, which approval shall not be unreasonably withheld. Tenant shall supply Landlord with four (4) hard copies and one (1) electronic copy of such Final Working Drawings. Landlord shall advise Tenant within ten (10) business days after Landlord's receipt of the Final Working Drawings for the Premises if the same are approved, or, if the Final Working Drawings are not reasonably satisfactory or are incomplete in any respect, disapproved, in which event Landlord shall include in its notice of disapproval a reasonably detailed explanation as to which items are not satisfactory or complete and the reason(s) therefor. If Tenant is so advised that the Final Working Drawings are not satisfactory or complete, Tenant shall promptly revise the Final Working Drawings in accordance with such review and any disapproval of Landlord in connection therewith, and Landlord shall approve or disapprove the resubmitted Final Working Drawings, based upon the criteria set forth in this Section 3.3, within five (5) business days after Landlord receives such resubmitted Final Working Drawings. Such procedure shall be repeated until the Final Working Drawings are approved; provided, however, that if Landlord fails to notify Tenant of Landlord's approval or disapproval of any iteration of the Final Working Drawings within the initial ten (10) business day review period or any subsequent five (5) business day review period for approval or disapproval thereof, Tenant shall deliver Landlord an additional notice requesting approval and if Landlord thereafter fails to respond within five (5) business days of receipt of such additional notice, Landlord will be deemed to have approved such iteration of the Final Working Drawings.

3.4 Approved Working Drawings. The Final Working Drawings shall be approved by Landlord (the "**Approved Working Drawings**") prior to the submission of the same to the appropriate municipal authorities for all applicable building permits (the "**Permits**") and commencement of construction of the Improvements by Tenant; provided, however, at Tenant's election and at Tenant's risk with respect to any subsequent changes that may be required by Landlord in accordance with this Work Letter, Tenant may submit the Final Working Drawings to the appropriate municipal authorities for Permits concurrently with Landlord's review thereof. After approval by Landlord of the Final Working Drawings, Tenant shall submit such Approved Working Drawings for the Permits. Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any building permit(s) for the Improvements or required permission for lawful occupancy for the Premises and that obtaining the same shall be Tenant's responsibility; provided, however, that Landlord, at its cost, shall provide to Tenant such path-of-travel documentation regarding the Building and the Project, as available, as may be required in order for Tenant to apply for and/or obtain any building permit(s) for the Improvements or required permission for lawful occupancy for the Premises (the parties acknowledging that Landlord shall

have no obligation to prepare such path-of-travel documentation to comply with the foregoing), and shall cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such permit(s) or occupancy permission. No material changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord, which consent may not be unreasonably withheld, conditioned or delayed. Landlord shall provide any approvals and take any actions required under this Work Letter within the time periods specified herein, or, if no time period is specified, then within five (5) business days.

3.5 Change Orders. In the event Tenant desires to materially change the Approved Working Drawings, Tenant shall deliver notice (the "**Drawing Change Notice**") of the same to Landlord, setting forth in detail the changes (the "**Tenant Change**") Tenant desires to make to the Approved Working Drawings. Landlord shall, within five (5) business days of receipt of a Drawing Change Notice, either (i) approve the Tenant Change, or (ii) disapprove the Tenant Change and deliver a notice to Tenant specifying in reasonably sufficient detail the reasons for Landlord's disapproval. Any additional costs which arise in connection with such Tenant Change shall be paid by Tenant pursuant to this Work Letter; provided, however, that to the extent the Improvement Allowance has not been fully disbursed, such payment shall be made out of the Improvement Allowance subject to the terms of this Work Letter.

SECTION 4

CONSTRUCTION OF THE IMPROVEMENTS

4.1 Tenant's Selection of Contractors.

4.1.1 The Contractor. Tenant shall retain a licensed general contractor, approved in advance by Landlord ("**Contractor**"), to construct the Improvements. Landlord's approval of the Contractor shall not be unreasonably withheld. Landlord shall notify Tenant of Landlord's approval or disapproval of such Contractor within five (5) business days following notice to Landlord of Tenant's selection; if Landlord fails to timely notify Tenant of Landlord's approval or disapproval, Tenant shall deliver Landlord an additional notice requesting approval and if Landlord thereafter fails to respond within three (3) business days of receipt of such additional notice, Landlord will be deemed to have approved such Contractor.

4.1.2 Tenant's Agents. All subcontractors, laborers, materialmen, and suppliers used by Tenant in connection with the Improvements, together with the Contractor, shall be known collectively as "**Tenant's Agents**". The subcontractors used by Tenant, but not any materialmen, and suppliers, must be approved in writing by Landlord, which approval shall not be unreasonably withheld or delayed. Landlord will notify Tenant within five (5) business days following Tenant's notice to Landlord of the identity of any such subcontractors, if Landlord approves or disapproves such subcontractors; if Landlord fails to timely notify Tenant of Landlord's approval or disapproval of such subcontractors, Tenant shall deliver Landlord an additional notice requesting approval and if Landlord thereafter fails to respond within three (3) business days of receipt of such additional notice, Landlord will be deemed to have approved such subcontractors.

4.2 Construction of Improvements by Tenant's Agents.

4.2.1 Construction Contract; Cost Budget. Prior to Tenant's execution of the construction contract and general conditions with Contractor (the "**Contract**"), Tenant shall submit the Contract (including Contractor's proposal and all exhibits and back-up documentation associated with such Contract) to Landlord for its approval, which approval shall not be unreasonably withheld or delayed. Prior to the commencement of the construction of the Improvements, Tenant shall provide Landlord with a detailed breakdown, by trade, of the anticipated costs to be incurred or which have been incurred, as set forth more particularly in Sections 2.2.1.1 through 2.2.1.10, above, in connection with the design and construction of the Improvements to be performed by or at the direction of Tenant or the Contractor (the "**Anticipated Costs**"). Prior to the commencement of construction of the Improvements, Tenant shall identify the amount equal to the difference between the amount of the Anticipated Costs and the amount of the Improvement Allowance (less any portion thereof already disbursed by Landlord, or in the process of being disbursed by Landlord, on or before the commencement of construction of the Improvements). In the event that the Anticipated Costs are greater than the amount of the Improvement Allowance (the "**Anticipated Over-Allowance Amount**"), then Tenant shall pay a percentage of each amount requested by the Contractor or otherwise to be disbursed under this Work Letter, which percentage (the "**Percentage**") shall be equal to the Anticipated Over-Allowance Amount divided by the amount of the Anticipated Costs (after deducting from the Anticipated Costs any amounts expended in connection with the preparation of the Construction Drawings, and the cost of all other Improvement Allowance Items incurred prior to the commencement of construction of the Improvements), and such payments by Tenant (the "**Over-Allowance Payments**") shall be a condition to Landlord's obligation to pay any amounts from the Improvement Allowance (the "**Improvement Allowance Payments**"). After Tenant's initial determination of the Anticipated Costs, Tenant shall advise Landlord from time to time as such Anticipated Costs are further refined or determined or the costs relating to the design and construction of the Improvements otherwise change and the Anticipated Over-Allowance Amount, and the Over-Allowance Payments shall be adjusted such that the Improvement Allowance Payments by Landlord and the Over-Allowance Payments by Tenant shall accurately reflect the then-current amount of Anticipated Costs. Notwithstanding the foregoing content of this Section 4.2.1, Landlord may elect, at its sole option, from time to time, to adjust the Percentage in order to increase the amount(s) of the Improvement Allowance Payments (and thereby reduce the amount(s) of the Over-Allowance Payments paid in connection therewith), provided, that Landlord shall not be required to make any payments in excess of the Improvement Allowance, and any such adjustment in the Percentage shall be reconciled in later disbursements of the Improvement Allowance Payments and the Over-Allowance Payments. In connection with any Over-Allowance Payments made by Tenant pursuant to this Section 4.2.1, Tenant shall provide Landlord with the documents described in Sections 2.2.2.1 (i), (ii), and (iii) of this Work Letter, above, for Landlord's approval, prior to Tenant paying such costs. Notwithstanding anything set forth in this Work Letter to the contrary, but subject to the last sentence of Section 3.4 above, construction of the Improvements shall not commence until (a) Landlord has approved the Contract, and (b) Tenant has procured and delivered to Landlord a copy of all Permits for the applicable Improvements.

4.2.2 Tenant's Agents.

4.2.2.1 Landlord's General Conditions for Tenant's Agents and Improvement Work. Tenant's and Tenant's Agent's construction of the Improvements shall comply with the following: (i) the Improvements shall be constructed in material accordance with the Approved Working Drawings, subject to minor field adjustments and approved Tenant Changes; (ii) Landlord's reasonable rules and regulations for the construction of improvements in the Building, including as pertains to the use of freight, loading dock and service elevators and the storage of construction materials, (iii) Landlord shall reasonably cooperate (and shall cause its respective contractors, subcontractors and agents to cooperate) with Tenant on a commercially reasonable basis in order that the work being performed by Tenant may be completed without material interference by the other party. In connection with the foregoing, Tenant's Agents shall submit schedules of all work relating to the Improvements to Landlord. Tenant shall pay a logistical coordination fee (the "**Coordination Fee**") to Landlord in an amount equal to One and 00/100 Dollar ($1.00) per rentable square foot of the Premises (*i.e.*, $82,834.00 based upon 82,834 rentable square feet), which Coordination Fee shall be for services relating to the coordination of the construction of the Improvements, such Coordination Fee to be disbursed as part of each disbursement of the Improvement Allowance on a proportionate basis (i.e., based on the proportion the Coordination Fee bears to the total Improvement Allowance).

4.2.2.2 Indemnity. Tenant's indemnity of Landlord and Landlord's indemnity of Tenant, as set forth in this Lease shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to any act or omission of Tenant or Tenant's Agents, or anyone directly or indirectly employed by any of them, or in connection with Tenant's or Landlord's, as the case may be, non-payment of any amount arising out of the Improvements and/or Tenant's or Landlord's, as the case may be, disapproval of all or any portion of any request for payment. The foregoing indemnity shall not apply to claims caused by the negligence or willful misconduct of the other party, its member partners, shareholders, officers, directors, agents, employees, and/or contractors, or other party's violation of this Lease.

4.2.2.3 Requirements of Tenant's Agents. Contractor (on behalf of itself and Tenant's Agents) shall guarantee to Tenant and for the benefit of Landlord that the Improvements shall be free from any defects in workmanship and materials for a period of not less than one (1) year from the date of completion thereof. Contractor shall be responsible for the replacement or repair, without additional charge, of all work done or furnished in accordance with the Contract that shall become defective within one (1) year after the completion of the Improvements. The correction of such work shall include, without additional charge, all additional expenses and damages incurred in connection with such removal or replacement of all or any part of the Improvements, and/or the Building and/or common areas that may be damaged or disturbed thereby. Such warranty shall be contained in the Contract and shall be written such that it shall inure to the benefit of both Landlord and Tenant, as their respective interests may appear, and can be directly enforced by either. To the extent reasonably necessary, Tenant covenants to give to Landlord any assignment or other assurances which may be necessary to effect such right of direct enforcement.

4.2.2.4 Insurance Requirements.

4.2.2.4.1 General Coverages. All of Tenant's Agents shall carry worker's compensation insurance covering all of their respective employees, and shall also carry public liability insurance, including property damage, all with limits, in form and with companies as are required to be carried by Tenant as set forth in this Lease (provided that the limits of liability to be carried by Tenant's Agents and Contractor shall be in amounts reasonably required by Landlord, which shall be reasonably commensurate with the levels of coverage required by owners of Comparable Buildings.

4.2.2.4.2 Special Coverages. During construction of the Improvements, Tenant shall carry "Builder's All Risk" insurance in an amount reasonably approved by Landlord (but in no event greater than 100% of the completed insurable value of the Improvements) covering the construction of the Improvements (at Tenant's option, Tenant shall cause Contractor to carry such Builder's All Risk insurance), and such other insurance as Landlord may reasonably require, it being understood and agreed that the Improvements shall be insured by Tenant pursuant to this Lease immediately upon completion thereof. Such insurance shall be in amounts and shall include such customary extended coverage endorsements as may be reasonably required by Landlord and are reasonably commensurate with the levels and types of coverage required by owners of Comparable Buildings, and shall be in form and with companies as are required to be carried by Tenant as set forth in this Lease.

4.2.2.4.3 General Terms. Certificates for all insurance carried pursuant to this Section 4.2.2.4 shall be delivered to Landlord before the commencement of construction of the Improvements and before the Contractor's equipment is moved onto the site. Tenant shall immediately notify Landlord in the event any policy of insurance carried by Tenant is cancelled or the coverage materially changed. Tenant's Contractor and subcontractors shall maintain all of the foregoing insurance coverage in force until the Improvements are fully completed and accepted by Landlord, except for any Products and Completed Operation Coverage insurance required by Landlord, which is to be maintained for ten (10) years following completion of the work and acceptance by Landlord and Tenant, where applicable. All policies carried under this Section 4.2.2.4 (other than Workers' Compensation coverage) shall insure Landlord and Tenant, as their interests may appear. All insurance, except Workers' Compensation, maintained by Tenant's Agents shall preclude subrogation claims by the insurer against anyone insured thereunder, as evidenced by an endorsement or policy excerpt. Such insurance shall provide that it is primary insurance with respect to the Improvements and that any other insurance maintained by owner is excess and noncontributing with the insurance required hereunder. The requirements for the foregoing insurance shall not derogate from the provisions for indemnification of Landlord by Tenant and Tenant by Landlord under the Lease or of this Work Letter and each party's rights with respect to the waiver of subrogation.

4.2.3 Governmental Compliance. The Improvements shall comply in all respects with the following: (i) the Code and other state, federal, city or quasi-governmental laws, codes, ordinances and regulations, as each may apply according to the rulings of the controlling public official, agent or other person; (ii) applicable standards of the American Insurance Association

(formerly, the National Board of Fire Underwriters) and the National Electrical Code; and (iii) building material manufacturer's specifications.

4.2.4 Inspection by Landlord. Landlord shall have the right to inspect the Improvements at all reasonable times, provided however, that Landlord shall not unreasonably interfere with the construction of the Improvements and Landlord's failure to inspect the Improvements shall in no event constitute a waiver of any of Landlord's rights hereunder nor shall Landlord's inspection of the Improvements constitute Landlord's approval of the same. Should Landlord reasonably disapprove any portion of the Improvements, Landlord shall, as soon as reasonably possible, notify Tenant in writing of such disapproval and shall specify the items disapproved and the reasons therefor. Any defects or deviations in, and/or disapproval by Landlord of, the Improvements shall be rectified by Tenant at no expense to Landlord, provided however, that in the event Landlord reasonably determines that a defect or deviation exists or disapproves of any matter in connection with any portion of the Improvements and such defect, deviation or matter would adversely affect the Building Systems, the Building Structure or the exterior appearance of the Building or any other tenant's use of such other tenant's leased premises, and Tenant fails to commence and thereafter diligently carry out the correction of such item within five (5) business days of written notice from Landlord, then Landlord may take such action as Landlord reasonably deems necessary, at Tenant's expense and without incurring any liability on Landlord's part, to correct any such defect, deviation and/or matter, including, without limitation, causing the cessation of performance of the construction of the Improvements until such time as the defect, deviation and/or matter is corrected to Landlord's reasonable satisfaction. Landlord shall perform any such correction in a diligent and timely manner so as to minimize any delay in the construction of the Improvements.

4.2.5 Meetings. Tenant shall hold regular meetings (not less than weekly following commencement of construction of the Improvements) with the Architect and the Contractor regarding the progress of the preparation of Construction Documents and the construction of the Improvements, which meetings shall be held on-site or at another mutually agreeable location in the City of San Francisco, and Landlord and/or its agents shall receive prior notice of, and shall have the right to attend, all such meetings. In addition, minutes shall be taken at all such meetings, a copy of which minutes shall be promptly delivered to Landlord. During the construction of the Improvements, one such meeting each month shall include the review of Contractor's current request for payment.

4.3 Notice of Completion; Record Set of As-Built Drawings; Close-Out Package.

4.3.1 Notice of Completion. Within fifteen (15) days after completion of construction of the Improvements, Tenant shall cause a Notice of Completion to be recorded in the office of the Recorder of the county in which the Building is located in accordance with Section 8182 of the Civil Code of the State of California or any successor statute, and shall furnish a copy thereof to Landlord upon such recordation. In the event Tenant fails to so record the Notice of Completion as required pursuant to this Section 4.3, then such failure shall not, in and of itself, constitute a default hereunder but Tenant shall (a) indemnify, defend, protect and hold harmless Landlord and the Landlord Parties from any and all loss, cost, damage, expense and liability (including, without

limitation, court costs and reasonable attorneys' fees) in connection with such failure by Tenant to so record the Notice of Completion as required hereunder, and (b) not be entitled to receive the Final Retention pursuant to this Work Letter until such time as the lien period for Tenant's Agents has expired. If Tenant fails to do so, Landlord may execute and file the same on behalf of Tenant as Tenant's agent for such purpose, at Tenant's sole cost and expense.

4.3.2 Record Set of As-Built Drawings. At the conclusion of construction, Tenant shall cause the Architect and Contractor (A) to update the Approved Working Drawings as necessary to reflect all changes made to the Approved Working Drawings during the course of construction, and (B) to certify to the best of their knowledge that the "record-set" of as-built drawings (the "**Record Set**") is true and correct and Tenant shall deliver (or cause to be delivered) to Landlord four (4) hard copies and two (2) electronic copies (in .pdf and CAD format) of such Record Set within ninety (90) days following issuance of a certificate of occupancy or temporary certificate of occupancy, or legal equivalent for the Premises.

4.3.3 Close-Out Package. No later than sixty (60) days following the conclusion of construction, Tenant shall deliver to Landlord two (2) hard copies and one (1) electronic copy of all closed Permits, all warranties, guaranties, and operating manuals and information relating to the improvements, equipment, and systems in the Premises, and any other items reasonably requested by Landlord, including, if available, a certificate of occupancy or temporary certificate of occupancy, or legal equivalent for the Premises (collectively, along with the recorded Notice of Completion described in Section 4.3.1 above and the Record Set described in Section 4.3.2 above, the "**Close-Out Package**").

SECTION 5

DELAYS OF LEASE COMMENCEMENT DATE

5.1 Lease Commencement Date Delays. The applicable Lease Commencement Date shall occur as provided in Section 3.1 of this Lease, provided that the applicable Lease Commencement Date shall be extended by the number of days of delay of the Substantial Completion of the Improvements in the Premises to the extent caused by a "Lease Commencement Date Delay," as that term is defined, below. As used herein, the term "**Lease Commencement Date Delay**" shall mean only a "Force Majeure Delay" or a "Landlord Caused Delay," as those terms are defined below in this Section 5.1 of this Work Letter. As used herein, the term "**Force Majeure Delay**" shall mean only an actual delay resulting from strikes, fire, wind, damage or destruction to the Building, explosion, casualty, flood, hurricane, tornado, the elements, acts of God or the public enemy, sabotage, war, terrorist acts, invasion, insurrection, rebellion, civil unrest, riots, or earthquakes. As used in this Work Letter, "**Landlord Caused Delay**" shall mean actual delays to the extent resulting from the following acts or omissions of Landlord or Landlord's agents, employees or contractors: (i) the failure of Landlord to timely approve or disapprove any Construction Drawings; (ii) interference (when judged in accordance with industry custom and practice) by Landlord, its agents or Landlord Parties (except as otherwise allowed under this Work Letter) with the Substantial Completion of the Improvements and which objectively preclude or delay the construction of improvements in the Building by any person, which interference relates to access by Tenant, or Tenant's Agents to the Building; or (iii) delays due to the acts or failures to act of Landlord or

Landlord Parties with respect to payment of the Improvement Allowance (except as otherwise allowed under this Work Letter) but Tenant shall have a right to suspend its design and construction of its Improvements if Landlord fails to reimburse Tenant all or any part of the Improvement Allowance when due.

5.2 Determination of Lease Commencement Date Delay. If Tenant contends that a Lease Commencement Date Delay has occurred, Tenant shall notify Landlord in writing of the event which constitutes such Lease Commencement Date Delay. Such notice may be via electronic mail to Landlord's construction representative described below, provided that if Tenant notifies Landlord's construction representative via electronic mail, then Tenant must also deliver Notice to Landlord's other notice addresses required under the Lease within one (1) business day after delivery of such electronic mail. Tenant will additionally use reasonable efforts to mitigate the effects of any Landlord Delay through the re-sequencing or re-scheduling of work, if feasible, but this sentence will not be deemed to require Tenant to incur overtime or after-hours costs unless Landlord agrees in writing to bear such costs. If such actions, inaction or circumstance described in the Notice set forth in (i) above of this Section 5.2 of this Work Letter (the "**Delay Notice**") are not cured by Landlord within one (1) business day of Landlord's receipt of the Delay Notice and if such action, inaction or circumstance otherwise qualify as a Lease Commencement Date Delay, then a Lease Commencement Date Delay shall be deemed to have occurred commencing as of the date of Landlord's receipt of the Delay Notice and ending as of the date such delay ends.

5.3 Definition of Substantial Completion of the Improvements. For purposes of this Section 5, "**Substantial Completion of the Improvements**" shall mean completion of construction of the Improvements in the Premises pursuant to the Approved Working Drawings, with the exception of any punch list items.

SECTION 6

MISCELLANEOUS

6.1 Tenant's Representatives. Tenant has designated Chris Hom ( ) and Sarah Kelley ( ) as its sole representatives with respect to the matters set forth in this Work Letter, who each shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter.

6.2 Landlord's Representatives. Landlord has designated Scott Halfwassen ( ) as its sole representative with respect to the matters set forth in this Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Work Letter.

6.3 Time of the Essence in This Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days. If any item requiring approval is timely disapproved by Landlord, the procedure for preparation of the document and approval thereof shall be repeated until the document is approved by Landlord.

6.4 Tenant's Agents. All subcontractors, laborers, materialmen, and suppliers retained directly by Tenant shall all be union labor in compliance with the then existing master labor agreements.

6.5 No Miscellaneous Charges. Prior to the applicable Lease Commencement Date, during the construction of the Improvements, and subject to compliance with Landlord's reasonable and customary construction rules and regulations applicable to the Building (as the same are in effect on the date of this Lease), and if and to the extent reasonably available, Tenant may use the following items, free of charge, during such times as are reasonably necessary to Tenant's construction schedule, furniture and equipment delivery and relocation activities, on a nonexclusive basis, and in a manner and to the extent reasonably necessary to perform the Improvements: freight elevators, loading docks, utilities, and toilets; provided, however, Tenant acknowledges that there may be an after-hours charge to reimburse Landlord for its actual costs with respect to the use of the Building's freight elevator and/or loading docks during hours other than normal construction hours, but only to the extent that such use requires Landlord to engage elevator operations or security personnel. Notwithstanding the foregoing, if Tenant or Contractor or other agents require any of the foregoing in connection with any use reasonably unrelated to Tenant's construction and/or installation of the Improvements, Tenant shall pay the applicable cost of such service. In no event shall Tenant store construction materials or other property at or in the elevators or loading docks of the Building.

6.6 Tenant's Lease Default. Notwithstanding any provision to the contrary contained in this Lease, if a Default as described in this Lease or this Work Letter has occurred at any time on or before the substantial completion of the Improvements, then (i) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, Landlord shall have the right to withhold payment of all or any portion of the Improvement Allowance and/or Landlord may cause Contractor to cease the construction of the Improvements (in which case, Tenant shall be responsible for any delay in the substantial completion of the Improvements caused by such work stoppage), and (ii) all other obligations of Landlord under the terms of this Work Letter shall be forgiven until such time as such default is cured pursuant to the terms of this Lease (in which case, Tenant shall be responsible for any delay in the substantial completion of the Improvements caused by such inaction by Landlord). Notwithstanding the foregoing, if a default by Tenant is cured, forgiven or waived, Landlord's suspended obligations shall be fully reinstated and resumed, effective immediately.

SCHEDULE 1 TO EXHIBIT B

301 BRANNAN STREET

LIST OF TENANT DELIVERABLES

1. Prior to Start of Construction

1.1 Approved and Permitted Construction Drawings

1.2 Approved Subcontractors List

1.3 Copies of all Contracts with Contractor

1.4 Construction Schedule

1.5 Copies of Permits for Improvements

2. Ongoing During Construction

2.1 Budget and Schedule Revisions as they occur.

2.2 Change Orders as they occur.

2.3 Plan Revisions as they occur.

2.4 Monthly Applications of Payment w/reciprocal releases **when received**

2.5 Monthly Architects Field Report or Equivalent.

2.6 Monthly 4-week look ahead schedule.

2.7 Weekly meeting minutes

2.8 Permit sign off card **when received**

2.9 Temporary certificate of occupancy/certificate of occupancy **when received**

3. Prior to Release of Any Funds

3.1 Space Plans

3.2 Construction Drawings

3.3 Project Budget

3.4 Project Schedule

3.5 Pay applications as above

4. Prior to Release of Final Payment

4.1 Signed off Inspection Card or Equivalent temporary certificate of occupancy

4.2 Architects Certificate of Substantial Completion

4.3 Final Contractor Pay Application indicating 100% complete, 90 % previous paid.

4.4 Physical inspection of the premises by Landlord inspection team

4.5 Unconditional Releases

4.6 Final As Built

4.7 Final Subcontractors List

4.8 Warranties and Guarantees

4.9 CAD Files

EXHIBIT C

301 BRANNAN STREET

NOTICE OF LEASE TERM DATES

To: _____
_____
_____
_____

Re: Office Lease dated _____, 201__ between _____, a _____ ("Landlord"), and _____, a _____ ("Tenant") concerning Suite _____ on floor(s) _____ of the office building located at _____.

Gentlemen:

In accordance with the Office Lease (the "Lease"), we wish to advise you and/or confirm as follows:

1. The Phase I Lease Commencement Date occurred on _____, the Phase II Lease Commencement Date occurred on _____, and the Lease Expiration Date shall be _____, unless extended as provided for in the Lease.

2. Rent commenced to accrue on the Phase I Lease Commencement Date, subject to the rent abatement set forth in Section 3.2 of the Lease.

3. The Base Year is _____.

4. If the first Lease Commencement Date is other than the first day of the month, the first billing will contain a pro rata adjustment. Each billing thereafter, with the exception of the final billing, shall be for the full amount of the monthly installment as provided for in the Lease.

5. Your rent checks should be made payable to _____ at _____.

6. Tenant's Share of Direct Expenses with respect to the Premises is 100%.

7. Capitalized terms used herein that are defined in the Lease shall have the same meaning when used herein.

If the provisions of this letter correctly set forth our understanding, please so acknowledge by signing at the place provided below on the enclosed copy of this letter and returning the same to Landlord.

"Landlord"

a _____ ,

By:
Its:

Agreed to and Accepted
as of _____, 201___.

"Tenant"

a _____ ,

By:

Its:

EXHIBIT D

301 BRANNAN STREET

RULES AND REGULATIONS

Tenant shall faithfully observe and comply with the following Rules and Regulations. Landlord shall not be responsible to Tenant for the nonperformance of any of such Rules and Regulations by or otherwise with respect to the acts or omissions of any other tenants or occupants of the Project. In the event of any conflict between the Rules and Regulations and the other provisions of this Lease, the latter shall control.

1. Tenant shall not alter any lock or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Landlord's prior written consent. Tenant shall bear the cost of any lock changes or repairs required by Tenant. Two keys will be furnished by Landlord for the Premises, and any additional keys required by Tenant must be obtained from Landlord at a reasonable cost to be established by Landlord. Upon the termination of this Lease, Tenant shall restore to Landlord all keys of stores, offices, and toilet rooms, either furnished to, or otherwise procured by, Tenant and in the event of the loss of keys so furnished, Tenant shall pay to Landlord the cost of replacing same or of changing the lock or locks opened by such lost key if Landlord shall deem it necessary to make such changes.

2. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the Premises.

3. Landlord reserves the right to close and keep locked all entrance and exit doors of the Building during such hours as are customary for the Comparable Buildings. Tenant, its employees and agents must be sure that the doors to the Building are securely closed and locked when leaving the Premises if it is after the Building Hours. Tenant shall be responsible for its employees, agents or any other persons entering or leaving the Building at any time after Building Hours. Landlord and his agents shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Building or the Project during the continuance thereof by any means it deems appropriate for the safety and protection of life and property.

4. No furniture, freight or equipment of any kind shall be brought into the Building without prior notice to Landlord. All moving activity into or out of the Building shall be scheduled with Landlord and done in such manner as Landlord reasonably designates. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy property brought into the Building and also the times and manner of moving the same in and out of the Building. Safes and other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property in any case. Any damage to any part of the Building, its contents, occupants or visitors by moving or maintaining any such safe or other property shall be the sole responsibility and expense of Tenant.

5. No furniture, large packages, supplies, or equipment will be received in the Building or carried up or down in the elevators, except between such hours and in such specific elevator as shall be reasonably designated by Landlord.

6. The requirements of Tenant will be attended to only upon application at the management office for the Project or at such office location designated by Landlord. Employees of Landlord shall not perform any work or do anything outside their regular duties unless under special instructions from Landlord.

7. No sign, advertisement, notice or handbill shall be exhibited, distributed, painted or affixed by Tenant on any part of the Premises (to the extent the same can be seen from outside the Premises) or the Building without the prior written consent of the Landlord. Tenant shall not disturb, solicit, peddle, or canvass any occupant of the Project and shall cooperate with Landlord and its agents of Landlord to prevent same.

8. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose servants, employees, agents, visitors or licensees shall have caused same.

9. Tenant shall not overload the floor of the Premises.

10. Except for vending machines intended for the sole use of Tenant's employees and invitees, no vending machine shall be installed, maintained or operated upon the Premises without the written consent of Landlord.

11. Tenant shall not use or keep in or on the Premises, the Building, or the Project any kerosene, gasoline, explosive material, corrosive material, material capable of emitting toxic fumes, or other inflammable or combustible fluid chemical, substitute or material. Tenant shall provide material safety data sheets for any Hazardous Substances used or kept on the Premises.

12. Tenant shall not without the prior written consent of Landlord use any method of heating or air conditioning other than that supplied by Landlord.

13. Tenant shall not use, keep or permit to be used or kept, any foul or noxious gas or substance in or on the Premises, or permit or allow the Premises to be occupied or used in a manner that would unreasonably disturb other occupants of the Project by reason of noise, odors, or vibrations, or unreasonably interfere with other tenants or those having business therein, as a consequence of the use of any musical instrument, radio, or phonograph. Tenant shall not throw anything out of doors, windows or skylights or down passageways.

14. Tenant shall not bring into or keep within the Project, the Building or the Premises any animals (except service animals), birds, or aquariums.

15. The Premises shall not be used for lodging. No cooking shall be done or permitted on the Premises other than in areas properly equipped therefor, except that Underwriters' laboratory-approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate and similar beverages for employees and visitors, provided that such use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.

16. The Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the use of the Premises provided for in the Summary. Tenant shall not occupy or permit any portion of the Premises to be occupied as an office for a messenger-type operation or dispatch office, public stenographer or typist, or for the manufacture or sale of liquor, narcotics, or tobacco in any form, or as a medical office, or as a barber or manicure shop, or as an employment bureau without the express prior written consent of Landlord.

17. Landlord reserves the right to exclude or expel from the Project any person who, in the reasonable judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules and Regulations.

18. Tenant, its employees and agents shall not loiter in or on the entrances, corridors, sidewalks, lobbies, courts, halls, stairways, elevators, vestibules or any Common Areas for the purpose of smoking tobacco products or for any other purpose, nor in any way obstruct such areas, and shall use them only as a means of ingress and egress for the Premises.

19. Tenant shall participate in recycling programs undertaken by Landlord. Tenant shall store all its trash and garbage within the interior of the Premises. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in San Francisco, California without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entry-ways and elevators provided for such purposes at such times as Landlord shall designate. If the Premises is or becomes infested with vermin as a result of the use or any misuse or neglect of the Premises by Tenant, its agents, servants, employees, contractors, visitors or licensees, Tenant shall forthwith, at Tenant's expense, cause the Premises to be exterminated from time to time to the satisfaction of Landlord and shall employ such licensed exterminators as shall be approved in writing in advance by Landlord.

20. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

21. No awnings or other projection shall be attached to the outside walls of the Building without the prior written consent of Landlord, and no curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises other than Landlord's Building standard window coverings. Neither the interior nor exterior of any windows shall be coated or otherwise sunscreened without the prior written consent of Landlord. Tenant shall keep its window coverings closed during any period of the day when the sun is shining directly on the windows of the Premises. Prior to leaving the Premises for the day, Tenant shall draw or lower window coverings and extinguish all lights.

22. The sashes, sash doors, skylights, windows, and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by Tenant, nor shall any bottles, parcels or other articles be placed on the windowsills.

23. Tenant must comply with requests by the Landlord concerning the informing of their employees of items of importance to the Landlord.

24. Tenant must comply with all applicable "NO-SMOKING" or similar ordinances, rules, laws and regulations.

25. Tenant hereby acknowledges that Landlord shall have no obligation to provide guard service or other security measures for the benefit of the Premises, the Building or the Project. Tenant hereby assumes all responsibility for the protection of Tenant and its agents, employees, contractors, invitees and guests, and the property thereof, from acts of third parties, including keeping doors locked and other means of entry to the Premises closed, whether or not Landlord, at its option, elects to provide security protection for the Project or any portion thereof. Tenant further assumes the risk that any safety and security devices, services and programs which Landlord elects, in its sole discretion, to provide may not be effective, or may malfunction or be circumvented by an unauthorized third party, and Tenant shall, in addition to its other insurance obligations under this Lease, obtain its own insurance coverage to the extent Tenant desires protection against losses related to such occurrences. Tenant shall cooperate in any reasonable safety or security program developed by Landlord or required by law.

26. All large electrical or mechanical office equipment shall be placed by Tenant in the Premises in settings approved by Landlord to absorb or prevent any excessive vibration or noise.

27. Tenant shall not use in any space or in the public halls of the Building, any hand trucks except those equipped with rubber tires and rubber side guards.

28. No auction, liquidation, fire sale, going-out-of-business or bankruptcy sale shall be conducted in the Premises without the prior written consent of Landlord.

29. No tenant shall use or permit the use of any portion of the Premises for living quarters, sleeping apartments or lodging rooms.

30. Tenant shall install and maintain, at Tenant's sole cost and expense, an adequate, visibly marked and properly operational fire extinguisher next to any duplicating or photocopying machines or similar heat producing equipment, which may or may not contain combustible material, in the Premises.

Landlord reserves the right at any time to change or rescind any one or more of these Rules and Regulations, or to make such other and further reasonable Rules and Regulations as in Landlord's reasonable judgment may from time to time be necessary for the proper management, safety, care and cleanliness of the Premises, Building, the Common Areas and the Project, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants therein. Landlord will enforce the foregoing Rules and Regulations in a non-discriminatory manner

and to the extent Landlord declines to enforce any of the foregoing Rules and Regulations with respect to any other tenant in the Building, Landlord will not be entitled to enforce such Rules or Regulations with respect to Tenant.

EXHIBIT E

301 BRANNAN STREET

FORM OF TENANT'S ESTOPPEL CERTIFICATE

The undersigned ("Tenant"), as the tenant under that certain Office Lease (the "Lease") made and entered into as of _____, 201__ by and between _____ ("Landlord"), and Tenant, for Premises on the _____ floor(s) of the office building located at _____, certifies as follows:

1. Attached hereto as Exhibit A is a true and correct copy of the Lease and all amendments and modifications thereto. The documents contained in Exhibit A represent the entire agreement between the parties as to the Premises.

2. Tenant currently occupies the Premises described in the Lease, the Lease Term commenced on _____, and the Lease Term expires on _____, and Tenant has no option to terminate or option to cancel the Lease or to purchase all or any part of the Premises, the Building and/or the Project.

3. Base Rent became payable on the Lease Commencement Date, subject to the rent abatement set forth in Section 3.2 of the Lease.

4. The Lease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in Exhibit A.

5. Tenant has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows: _____

6. All monthly installments of Base Rent, all Additional Rent and monthly installments of estimated Additional Rent have been paid through _____. The current monthly installment of Base Rent is $_____.

7. As of the date hereof, to Tenant's knowledge, all conditions of the Lease to be performed by Landlord necessary to the enforceability of the Lease have been satisfied and Landlord is not in default thereunder [except as follows: _____]. In addition, Tenant has not delivered any notice to Landlord regarding a default by Landlord thereunder [except as follows: _____].

8. Except with respect to the pre-payment of first (1st) month's Base Rent pursuant to the Lease, no rental has been paid more than thirty (30) days in advance and no security has been deposited with Landlord except as provided in the Lease.

9. As of the date hereof, to Tenant's knowledge, there are no existing defenses, offsets or claims, or any basis for a claim, that Tenant has against Landlord [except as follows: _____].

10. If Tenant is a corporation or partnership, each individual executing this Estoppel Certificate on behalf of Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Estoppel Certificate and that each person signing on behalf of Tenant is authorized to do so.

11. There are no actions pending against Tenant under the bankruptcy or similar laws of the United States or any state.

12. Other than to the extent permitted under the Lease, Tenant has not used or stored any Hazardous Substances in the Premises.

13. To Tenant's knowledge, all improvement work to be performed by Landlord under the Lease has been completed in accordance with the Lease and has been accepted by Tenant and all reimbursements and allowances due to Tenant under the Lease in connection with any improvement work have been paid in full [except as follows: _____].

Tenant acknowledges that this Estoppel Certificate may be delivered to Landlord or to a prospective mortgagee or prospective purchaser, and acknowledges that said prospective mortgagee or prospective purchaser will be relying upon the statements contained herein in making the loan or acquiring the property of which the Premises is a part and that receipt by it of this certificate is a condition of making such loan or acquiring such property.

Executed at _____ on the ____ day of _____, 201__.

"Tenant"

,

a _____

By:
Its:

By:
Its:

EXHIBIT F

301 BRANNAN STREET

INTENTIONALLY OMITTED

EXHIBIT G

301 BRANNAN STREET

MARKET RENT ANALYSIS

When determining Market Rent, the following rules and instructions shall be followed.

1. **RELEVANT FACTORS**. The "**Market Rent**," as used in this Lease, shall be derived from an analysis (as such derivation and analysis are set forth in this **Exhibit G**) of the "Net Equivalent Lease Rates," of the "Comparable Transactions". The "**Market Rent**," as used in this Lease, shall be equal to the annual rent per rentable square foot as would be applicable on the commencement of the applicable Option Term at which tenants, are, pursuant to transactions consummated within the twelve (12) month period immediately preceding the first day of the Option Term (provided that timing adjustments shall be made to reflect any perceived changes which will occur in the Market Rent following the date of any particular Comparable Transaction up to the date of the commencement of the Option Term) leasing non-sublease, non-encumbered, non-equity space comparable in location and quality to the Premises and consisting of at least fifty thousand (50,000) rentable square feet, for a comparable term, in an arm's-length transaction, which comparable space is located in the "Comparable Buildings," as that term is defined in Section 4, below (transactions satisfying the foregoing criteria shall be known as the "**Comparable Transactions**"). The terms of the Comparable Transactions shall be calculated as a Net Equivalent Lease Rate pursuant to the terms of this **Exhibit G** and shall take into consideration only the following terms and concessions (the "**Concessions**"): (i) the rental rate and escalations for the Comparable Transactions taking into account the amenities included in such Comparable Transactions, such as usage rights with respect to unique amenities, common areas, parking rights, and signage rights, compared with the amenities included under this Lease, parking rights, the Common Areas, and signage rights, (ii) the amount of parking rent per parking permit paid in the Comparable Transactions, (iii) operating expense and tax escalation protection granted in such Comparable Transactions such as a base year or expense stop; (iv) improvements or allowances provided or to be provided for such comparable space, as compared to the value of the existing improvements in the Premises, such value of existing improvements in the Premises to be based upon the age, quality and layout of the improvements and the extent to which the same could be utilized by general office users, (v) rental/parking abatement concessions, if any, being granted such tenants in connection with such comparable space, and (vi) all other monetary allowances and concessions being granted such tenants in connection with such Comparable Transactions; provided, however, that no consideration shall be given to (1) the fact that Landlord is or is not required to pay a real estate brokerage commission in connection with the applicable term or the fact that the Comparable Transactions do or do not involve the payment of real estate brokerage commissions, and (2) any period of rental abatement, if any, granted to tenants in Comparable Transactions in connection with the design, permitting and construction of improvements in such comparable space; provided, however, to the extent any of the tenants in the Comparable Transactions complete (or are reasonably anticipated to complete) the construction of improvements in such comparable space early, and are allowed to occupy their premises for purpose of conducting business without the payment of rent (similar to Tenant's beneficial occupancy right in Section 2.5.2 of this Lease), then

such occupancy period shall be considered in connection with the determination of Option Rent. The Market Rent shall include adjustment of the stated size of the Premises, based upon the standards of measurement utilized in the Comparable Transactions. In addition, because the rentable square footage of the Premises shall have determined pursuant to Section 1.2 of the Lease, no consideration shall be given to the measurement standard used to determine the rentable square footage of the Comparable Transactions, as compared to the measurement standard used by Landlord and Tenant to determine the rentable square footage of the Premises, and in no event shall the size of the Premises change in connection with the determination of Market Rent.

2. **INTENTIONALLY OMITTED**.

3. **CONCESSIONS**. If, in determining the Market Rent for an Option Term, Tenant is entitled to Concessions, Tenant shall not be granted such Concessions in-kind, but instead the rental rate component of the Market Rent shall be adjusted (pursuant to the methodology provided in Section 5), to reflect the fact that Tenant shall not be receiving such Concessions; provided, however, Landlord may, at Landlord's sole option, elect to grant any "free rent", "rent abatement", or "improvement allowances" Concessions to Tenant in-kind (i.e., as free rent, rent abatement, or improvement allowances), in which case the rental rate component of the Market Rent shall not be adjusted with respect to such free rent, rent abatement, and/or improvement allowance Concessions (but shall still be adjusted for any other Concessions Tenant is entitled to but not granted).

4. **COMPARABLE BUILDINGS**. For purposes of this Lease, the term "**Comparable Buildings**" shall mean the Building and those certain other comparable multi-tenant office buildings of similar size, age, appearance, and quality of construction to the Building and located in the area bounded by Fourth Street on the West side, Howard Street on the North side, King Street on the South side, and Embarcadero Boulevard on the East side (the "**Market Area**"). Buildings located on the streets forming the Market Area, shall be deemed inside the Market Area regardless of whether such buildings are located on the side of the street that the remainder of the Market Area is located, or on the side of the street opposite from the Market Area.

5. **METHODOLOGY FOR REVIEWING AND COMPARING THE COMPARABLE TRANSACTIONS**. In order to analyze the Comparable Transactions based on the factors to be considered in calculating Market Rent, and given that the Comparable Transactions may vary in terms of length of term, rental rate, concessions, etc., the following steps shall be taken into consideration to "adjust" the objective data from each of the Comparable Transactions. By taking this approach, a "Net Equivalent Lease Rate" for each of the Comparable Transactions shall be determined using the following steps to adjust the Comparable Transactions, which will allow for an "apples to apples" comparison of the Comparable Transactions.

5.1 The contractual rent payments for each of the Comparable Transactions should be arrayed monthly or annually over the lease term. All Comparable Transactions should be adjusted to simulate a net rent structure, wherein the tenant is responsible for the payment of all property operating expenses and taxes. This results in the estimate of Net Equivalent Rent received by each landlord for each Comparable Transaction being expressed as a periodic net rent payment.

5.2 Any free rent or similar inducements received over time should be deducted in the time period in which they occur, resulting in the net cash flow arrayed over the lease term.

5.3 The resultant net cash flow to be received by the landlord in a Comparable Transaction should be then discounted (using an annual discount rate equal to 8.0%) to the commencement date of the lease term for such Comparable Transaction (but not including any build-out period if included in the lease term), resulting in a net present value estimate.

5.4 From the net present value, up front inducements (improvements allowances and other concessions) should be deducted. These items should be deducted directly, on a "dollar for dollar" basis, without discounting since they are typically incurred at lease commencement, while rent (which is discounted) is a future receipt.

5.5 The net present value should then amortized back over the lease term as a level monthly or annual net rent payment using the same annual interest rate of 8.0% used in the present value analysis. This calculation will result in a hypothetical level or even payment over the option period, termed the "Net Equivalent Lease Rate" (or constant equivalent in general financial terms).

6. **USE OF NET EQUIVALENT LEASE RATES FOR COMPARABLE TRANSACTIONS**. The Net Equivalent Lease Rates for the Comparable Transactions shall then be used to reconcile, in a manner usual and customary for a real estate appraisal process, to a conclusion of Market Rent which shall be stated as a Net Equivalent Lease Rate applicable the Option Term.

EXHIBIT H

301 BRANNAN STREET

INTENTIONALLY OMITTED

EXHIBIT I

301 BRANNAN STREET

FORM OF LETTER OF CREDIT

(Letterhead of a money center bank acceptable to the Landlord)

FAX NO. [(___) ___-____]
SWIFT: [Insert No., if any]

[Insert Bank Name And Address]

DATE OF ISSUE: _____

BENEFICIARY:

Kilroy Realty Finance Partnership, L.P.
c/o Kilroy Realty Corporation
12200 West Olympic Boulevard, Suite 200
Los Angeles, California 90064
Attention: Legal Department

Fax:

APPLICANT:
[Insert Applicant Name And Address]

LETTER OF CREDIT NO. ___

EXPIRATION DATE:
___ AT OUR COUNTERS

AMOUNT AVAILABLE:
USD[Insert Dollar Amount]
(U.S. DOLLARS [Insert Dollar Amount])

LADIES AND GENTLEMEN:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____ IN YOUR FAVOR FOR THE ACCOUNT OF [Insert Tenant's Name], A [Insert Entity Type], UP TO THE AGGREGATE AMOUNT OF USD[Insert Dollar Amount] ([Insert Dollar Amount] U.S. DOLLARS) EFFECTIVE IMMEDIATELY AND EXPIRING ON ___(Expiration Date)___ AVAILABLE BY PAYMENT UPON PRESENTATION OF YOUR DRAFT AT SIGHT DRAWN ON [Insert Bank Name] WHEN ACCOMPANIED BY THE FOLLOWING DOCUMENT(S):

1. THE ORIGINAL OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND AMENDMENT(S), IF ANY.

2. BENEFICIARY'S SIGNED STATEMENT PURPORTEDLY SIGNED BY AN AUTHORIZED REPRESENTATIVE OF [Insert Landlord's Name], A [Insert Entity Type] ("LANDLORD") STATING THE FOLLOWING:

"THE UNDERSIGNED HEREBY CERTIFIES THAT THE LANDLORD, EITHER (A) UNDER THE LEASE (DEFINED BELOW), OR (B) AS A RESULT OF THE TERMINATION OF SUCH LEASE, HAS THE RIGHT TO DRAW DOWN THE

AMOUNT OF USD ____ IN ACCORDANCE WITH THE TERMS OF THAT CERTAIN OFFICE LEASE DATED [Insert Lease Date], AS THE SAME MAY HAVE BEEN AMENDED (COLLECTIVELY, THE "LEASE"), OR SUCH AMOUNT CONSTITUTES DAMAGES OWING BY THE TENANT TO BENEFICIARY RESULTING FROM THE BREACH OF SUCH LEASE BY THE TENANT THEREUNDER, OR THE TERMINATION OF SUCH LEASE, AND SUCH AMOUNT REMAINS UNPAID AT THE TIME OF THIS DRAWING."

OR

"THE UNDERSIGNED HEREBY CERTIFIES THAT WE HAVE RECEIVED A WRITTEN NOTICE OF [Insert Bank Name]'S ELECTION NOT TO EXTEND ITS STANDBY LETTER OF CREDIT NO. _____ AND HAVE NOT RECEIVED A REPLACEMENT LETTER OF CREDIT WITHIN AT LEAST SIXTY (60) DAYS PRIOR TO THE PRESENT EXPIRATION DATE."

OR

"THE UNDERSIGNED HEREBY CERTIFIES THAT BENEFICIARY IS ENTITLED TO DRAW DOWN THE FULL AMOUNT OF LETTER OF CREDIT NO. _____ AS THE RESULT OF THE FILING OF A VOLUNTARY PETITION UNDER THE U.S. BANKRUPTCY CODE OR A STATE BANKRUPTCY CODE BY THE TENANT UNDER THAT CERTAIN OFFICE LEASE DATED [Insert Lease Date], AS THE SAME MAY HAVE BEEN AMENDED (COLLECTIVELY, THE "LEASE"), WHICH FILING HAS NOT BEEN DISMISSED AT THE TIME OF THIS DRAWING."

OR

"THE UNDERSIGNED HEREBY CERTIFIES THAT BENEFICIARY IS ENTITLED TO DRAW DOWN THE FULL AMOUNT OF LETTER OF CREDIT NO. _____ AS THE RESULT OF AN INVOLUNTARY PETITION HAVING BEEN FILED UNDER THE U.S. BANKRUPTCY CODE OR A STATE BANKRUPTCY CODE AGAINST THE TENANT UNDER THAT CERTAIN OFFICE LEASE DATED [Insert Lease Date], AS THE SAME MAY HAVE BEEN AMENDED (COLLECTIVELY, THE "LEASE"), WHICH FILING HAS NOT BEEN DISMISSED AT THE TIME OF THIS DRAWING."

OR

"THE UNDERSIGNED HEREBY CERTIFIES THAT BENEFICIARY IS ENTITLED TO DRAW DOWN THE FULL AMOUNT OF LETTER OF CREDIT NO. _____ AS THE RESULT OF THE REJECTION, OR DEEMED REJECTION, OF THAT CERTAIN OFFICE LEASE DATED [Insert Lease Date], AS THE SAME MAY HAVE BEEN AMENDED, UNDER SECTION 365 OF THE U.S. BANKRUPTCY CODE."

SPECIAL CONDITIONS:

PARTIAL DRAWINGS AND MULTIPLE PRESENTATIONS MAY BE MADE UNDER THIS STANDBY LETTER OF CREDIT, PROVIDED, HOWEVER, THAT EACH SUCH DEMAND THAT IS PAID BY US SHALL REDUCE THE AMOUNT AVAILABLE UNDER THIS STANDBY LETTER OF CREDIT.

ALL INFORMATION REQUIRED WHETHER INDICATED BY BLANKS, BRACKETS OR OTHERWISE, MUST BE COMPLETED AT THE TIME OF DRAWING. [Please Provide The Required Forms For Review, And Attach As Schedules To The Letter Of Credit.]

ALL SIGNATURES MUST BE MANUALLY EXECUTED IN ORIGINALS.

ALL BANKING CHARGES ARE FOR THE APPLICANT'S ACCOUNT.

IT IS A CONDITION OF THIS STANDBY LETTER OF CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR A PERIOD OF ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE, UNLESS AT LEAST SIXTY (60) DAYS PRIOR TO THE EXPIRATION DATE WE SEND YOU NOTICE BY NATIONALLY RECOGNIZED OVERNIGHT COURIER SERVICE THAT WE ELECT NOT TO EXTEND THIS LETTER OF CREDIT FOR ANY SUCH ADDITIONAL PERIOD. SAID NOTICE WILL BE SENT TO THE ADDRESS INDICATED ABOVE, UNLESS A CHANGE OF ADDRESS IS OTHERWISE NOTIFIED BY YOU TO US IN WRITING BY RECEIPTED MAIL OR COURIER. ANY NOTICE TO US WILL BE DEEMED EFFECTIVE ONLY UPON ACTUAL RECEIPT BY US AT OUR DESIGNATED OFFICE. IN NO EVENT, AND WITHOUT FURTHER NOTICE FROM OURSELVES, SHALL THE EXPIRATION DATE BE EXTENDED BEYOND A FINAL EXPIRATION DATE OF ___(120 days from the Lease Expiration Date)___.

THIS LETTER OF CREDIT MAY BE TRANSFERRED SUCCESSIVELY IN WHOLE OR IN PART ONLY UP TO THE THEN AVAILABLE AMOUNT IN FAVOR OF A NOMINATED TRANSFEREE ("TRANSFEREE"), ASSUMING SUCH TRANSFER TO SUCH TRANSFEREE IS IN COMPLIANCE WITH ALL APPLICABLE U.S. LAWS AND REGULATIONS. AT THE TIME OF TRANSFER, THE ORIGINAL LETTER OF CREDIT AND ORIGINAL AMENDMENT(S) IF ANY, MUST BE SURRENDERED TO US TOGETHER WITH OUR TRANSFER FORM (AVAILABLE UPON REQUEST) AND PAYMENT OF OUR CUSTOMARY TRANSFER FEES, WHICH FEES SHALL BE PAYABLE BY APPLICANT (PROVIDED THAT BENEFICIARY MAY, BUT SHALL NOT BE OBLIGATED TO, PAY SUCH FEES TO US ON BEHALF OF APPLICANT, AND SEEK REIMBURSEMENT THEREOF FROM APPLICANT). IN CASE OF ANY TRANSFER UNDER THIS LETTER OF CREDIT, THE DRAFT AND ANY REQUIRED STATEMENT MUST BE EXECUTED BY THE TRANSFEREE AND WHERE THE BENEFICIARY'S NAME APPEARS WITHIN THIS STANDBY LETTER OF CREDIT, THE TRANSFEREE'S NAME IS AUTOMATICALLY SUBSTITUTED THEREFOR.

ALL DRAFTS REQUIRED UNDER THIS STANDBY LETTER OF CREDIT MUST BE MARKED: "DRAWN UNDER [Insert Bank Name] STANDBY LETTER OF CREDIT NO. _____."

WE HEREBY AGREE WITH YOU THAT IF DRAFTS ARE PRESENTED TO [Insert Bank Name] UNDER THIS LETTER OF CREDIT AT OR PRIOR TO [Insert Time – (*e.g.*, 11:00 AM)], ON A BUSINESS DAY, AND PROVIDED THAT SUCH DRAFTS PRESENTED CONFORM TO THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, PAYMENT SHALL BE INITIATED BY US IN IMMEDIATELY AVAILABLE FUNDS BY OUR CLOSE OF BUSINESS ON THE SUCCEEDING BUSINESS DAY. IF DRAFTS ARE PRESENTED TO [Insert Bank Name] UNDER THIS LETTER OF CREDIT AFTER [Insert Time – (*e.g.*, 11:00 AM)], ON A BUSINESS DAY, AND PROVIDED THAT SUCH DRAFTS CONFORM WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, PAYMENT SHALL BE INITIATED BY US IN IMMEDIATELY AVAILABLE FUNDS BY OUR CLOSE OF BUSINESS ON THE SECOND SUCCEEDING BUSINESS DAY. AS USED IN THIS LETTER OF CREDIT, "BUSINESS DAY" SHALL MEAN ANY DAY OTHER THAN A SATURDAY, SUNDAY OR A DAY ON WHICH BANKING INSTITUTIONS IN THE STATE OF CALIFORNIA ARE AUTHORIZED OR REQUIRED BY LAW TO CLOSE. IF THE EXPIRATION DATE FOR THIS LETTER OF CREDIT SHALL EVER FALL ON A DAY WHICH IS NOT A BUSINESS DAY THEN SUCH EXPIRATION DATE SHALL AUTOMATICALLY BE EXTENDED TO THE DATE WHICH IS THE NEXT BUSINESS DAY.

PRESENTATION OF A DRAWING UNDER THIS LETTER OF CREDIT MAY BE MADE ON OR PRIOR TO THE THEN CURRENT EXPIRATION DATE HEREOF BY HAND DELIVERY, COURIER SERVICE, OVERNIGHT MAIL, OR FACSIMILE. PRESENTATION BY FACSIMILE TRANSMISSION SHALL BE BY TRANSMISSION OF THE ABOVE REQUIRED SIGHT DRAFT DRAWN ON US TOGETHER WITH THIS LETTER OF CREDIT TO OUR FACSIMILE NUMBER, [Insert Fax Number – (___) ___-____], ATTENTION: [Insert Appropriate Recipient], WITH TELEPHONIC CONFIRMATION OF OUR RECEIPT OF SUCH FACSIMILE TRANSMISSION AT OUR TELEPHONE NUMBER [Insert Telephone Number – (___) ___-____] OR TO SUCH OTHER FACSIMILE OR TELEPHONE NUMBERS, AS TO WHICH YOU HAVE RECEIVED WRITTEN NOTICE FROM US AS BEING THE APPLICABLE SUCH NUMBER. WE AGREE TO NOTIFY YOU IN WRITING, BY NATIONALLY RECOGNIZED OVERNIGHT COURIER SERVICE, OF ANY CHANGE IN SUCH DIRECTION. ANY FACSIMILE PRESENTATION PURSUANT TO THIS PARAGRAPH SHALL ALSO STATE THEREON THAT THE ORIGINAL OF SUCH SIGHT DRAFT AND LETTER OF CREDIT ARE BEING REMITTED, FOR DELIVERY ON THE NEXT BUSINESS DAY, TO [Insert Bank Name] AT THE APPLICABLE ADDRESS FOR PRESENTMENT PURSUANT TO THE PARAGRAPH FOLLOWING THIS ONE.

WE HEREBY ENGAGE WITH YOU THAT ALL DOCUMENT(S) DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS STANDBY LETTER OF CREDIT WILL BE DULY HONORED IF DRAWN AND PRESENTED FOR PAYMENT AT OUR OFFICE LOCATED AT [Insert Bank Name], [Insert Bank Address], ATTN: [Insert Appropriate Recipient], ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT, ___(Expiration Date)___.

IN THE EVENT THAT THE ORIGINAL OF THIS STANDBY LETTER OF CREDIT IS LOST, STOLEN, MUTILATED, OR OTHERWISE DESTROYED, WE HEREBY AGREE TO ISSUE A DUPLICATE ORIGINAL HEREOF UPON RECEIPT OF A WRITTEN REQUEST FROM YOU

AND A CERTIFICATION BY YOU (PURPORTEDLY SIGNED BY YOUR AUTHORIZED REPRESENTATIVE) OF THE LOSS, THEFT, MUTILATION, OR OTHER DESTRUCTION OF THE ORIGINAL HEREOF.

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED HEREIN, THIS STANDBY LETTER OF CREDIT IS SUBJECT TO THE "INTERNATIONAL STANDBY PRACTICES" (ISP 98) INTERNATIONAL CHAMBER OF COMMERCE (PUBLICATION NO. 590).

Very truly yours,

(Name of Issuing Bank)

By: _____

EXHIBIT I-1

301 BRANNAN STREET

EXAMPLE OF L-C BURNDOWN

[to be inserted]

OFFICE LEASE

301 BRANNAN STREET

KILROY REALTY, L.P.,
a Delaware limited partnership,

as Landlord,

and

DROPBOX, INC.,
a Delaware corporation,

as Tenant.

TABLE OF CONTENTS

Page

INDEX

Page(s)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd McKinnon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Okta, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) 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) 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

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

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

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

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

Date: September 7, 2017

/s/ Todd McKinnon

Todd McKinnon
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William E. Losch certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Okta, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) 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) 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

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

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

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

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

Date: September 7, 2017

/s/ William E. Losch

William E. Losch
Chief Financial Officer
(Principal Accounting and 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

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Todd McKinnon, Chief Executive Officer of Okta, Inc. (the "Company"), and William E. Losch, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2017, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

Date: September 7, 2017

/s/ Todd McKinnon

Todd McKinnon
Chief Executive Officer
(Principal Executive Officer)

/s/ William E. Losch

William E. Losch
Chief Financial Officer
(Principal Accounting and Financial Officer)