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, 2018
OR

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

For the transition period from to

Commission File Number: 001-38044

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, 2018, the number of shares of registrant's Class A common stock outstanding was 97,147,059 and the number of shares of the registrant's Class B common stock outstanding was 12,035,911.

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 contained in this Form 10-Q include, but are not limited to, statements about:

- our future financial performance, including our revenue, costs of revenue, gross profits, margins and operating expenses;
- trends in our key business metrics;
- the sufficiency of our cash and cash equivalents, investments, credit facility and cash provided by sales of our products and services to meet our liquidity needs;
- market or other opportunities arising from business combinations; and
- the impact of recent accounting pronouncements on our financial statements.

Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond our control. Our 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 us 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, except per share data)

(unaudited)

	July 31, 2018	January 31, 2018 As Adjusted [1]
Assets		
Current assets:		
Cash and cash equivalents	$ 192,882	$ 127,949
Short-term investments	343,374	101,765
Accounts receivable, net of allowances of $962 and $1,472	59,839	52,248
Deferred commissions	19,848	17,755
Prepaid expenses and other current assets	17,433	17,781
Total current assets	633,376	317,498
Property and equipment, net	40,670	12,540
Deferred commissions, noncurrent	43,287	40,755
Intangible assets, net	16,006	11,761
Goodwill	18,095	6,282
Other assets	12,483	10,427
Total assets	$ 763,917	$ 399,263
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 12,577	$ 9,566
Accrued expenses and other current liabilities	6,333	6,187
Accrued compensation	12,803	12,374
Deferred revenue	186,427	159,816
Total current liabilities	218,140	187,943
Convertible senior notes, net	263,762	—
Deferred revenue, noncurrent	5,471	4,963
Other liabilities, noncurrent	31,399	7,017
Total liabilities	518,772	199,923
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, par value $0.0001 per share; 100,000 shares authorized, no shares issued and outstanding as of July 31, 2018 and January 31, 2018.	—	—
Class A Common stock, par value $0.0001 per share; 1,000,000 shares authorized as of July 31, 2018 and January 31, 2018; 96,680 and 70,610 shares issued and outstanding as of July 31, 2018 and January 31, 2018, respectively.	10	7
Class B Common stock, par value $0.0001 per share; 120,000 shares authorized as of July 31, 2018 and January 31, 2018; 12,314 and 33,361 shares issued and outstanding as of July 31, 2018 and January 31, 2018, respectively.	1	3
Additional paid-in capital	677,497	565,653
Accumulated other comprehensive income (loss)	(480)	391
Accumulated deficit	(431,883)	(366,714)
Total stockholders' equity	245,145	199,340
Total liabilities and stockholders' equity	$ 763,917	$ 399,263

[1] See Note 2 for a summary of adjustments.

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,	
	2018	2017 As Adjusted [1]	2018	2017 As Adjusted [1]
Revenue:				
Subscription	$ 87,854	$ 55,317	$ 164,695	$ 103,596
Professional services and other	6,732	4,942	13,512	8,988
Total revenue	94,586	60,259	178,207	112,584
Cost of revenue:				
Subscription	19,211	12,691	35,543	23,848
Professional services and other	9,017	6,991	16,792	13,297
Total cost of revenue	28,228	19,682	52,335	37,145
Gross profit	66,358	40,577	125,872	75,439
Operating expenses:				
Research and development	24,829	16,923	44,758	32,282
Sales and marketing	59,004	37,891	108,497	73,194
General and administrative	20,955	11,948	36,025	23,587
Total operating expenses	104,788	66,762	189,280	129,063
Operating loss	(38,430)	(26,185)	(63,408)	(53,624)
Other income (expense), net	(1,762)	382	(2,977)	363
Loss before provision for (benefit from) income taxes	(40,192)	(25,803)	(66,385)	(53,261)
Provision for (benefit from) income taxes	(985)	229	(1,216)	477
Net loss	$ (39,207)	$ (26,032)	$ (65,169)	$ (53,738)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.37)	$ (0.28)	$ (0.62)	$ (0.80)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	106,702	93,576	105,475	67,125

[1] See Note 2 for a summary of adjustments.

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,	
	2018	2017 As Adjusted [1]	2018	2017 As Adjusted [1]
Net loss	$ (39,207)	$ (26,032)	$ (65,169)	$ (53,738)
Other comprehensive income (loss):				
Net change in unrealized losses on available-for-sale securities	77	(12)	(48)	(12)
Foreign currency translation adjustments	(379)	181	(823)	249
Other comprehensive income (loss)	(302)	169	(871)	237
Comprehensive loss	$ (39,509)	$ (25,863)	$ (66,040)	$ (53,501)

[1] See Note 2 for a summary of adjustments.

See Notes to Condensed Consolidated Financial Statements.

OKTA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Six Months Ended July 31,	
	2018	2017 As Adjusted [1]
Cash flows from operating activities:		
Net loss	$ (65,169)	$ (53,738)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	32,357	20,884
Depreciation, amortization and accretion	3,699	3,288
Amortization of debt discount and issuance costs	6,413	—
Amortization of deferred commissions	9,613	7,006
Deferred income taxes	(1,575)	—
Non-cash charitable contributions	1,008	—
Other	18	689
Changes in operating assets and liabilities, net of business combination:		
Accounts receivable	(7,240)	(1,311)
Deferred commissions	(14,240)	(9,517)
Prepaid expenses and other assets	(800)	(4,900)
Accounts payable	2,557	2,732
Accrued compensation	498	2,562
Accrued expenses and other liabilities	4,679	(1,601)
Deferred revenue	26,811	17,982
Net cash used in operating activities	(1,371)	(15,924)
Cash flows from investing activities:		
Capitalization of internal-use software costs	(1,725)	(2,743)
Purchases of property and equipment	(9,790)	(5,156)
Purchases of securities available for sale	(320,018)	(86,776)
Proceeds from maturities of securities available for sale	79,500	12,835
Proceeds from sales of securities available for sale	—	1,538
Payments for business acquisition, net of cash acquired	(15,638)	—
Net cash used in investing activities	(267,671)	(80,302)
Cash flows from financing activities:		
Proceeds from initial public offering, net of underwriters' discounts and commissions	—	199,948
Proceeds from issuance of convertible senior notes, net of issuance costs	334,980	—
Purchase of convertible senior notes hedge	(80,040)	—
Proceeds from issuance of warrants related to convertible notes	52,440	—
Payments of deferred offering costs	—	(4,038)
Proceeds from stock option exercises, net of repurchases	21,055	3,916
Proceeds from shares issued in connection with employee stock purchase plan	6,654	—
Other	(206)	(273)
Net cash provided by financing activities	334,883	199,553
Effects of changes in foreign currency exchange rates on cash and cash equivalents	(632)	134
Net increase in cash, cash equivalents and restricted cash	65,209	103,461
Cash, cash equivalents and restricted cash at beginning of period	136,233	23,282
Cash, cash equivalents and restricted cash at end of period	$ 201,442	$ 126,743
Supplementary cash flow disclosure:		
Non-cash investing and financing activities:		
Vesting of early exercised common stock options	459	693
Issuance of common stock in connection with warrant exercises	—	272
Common stock issued as charitable contribution	1,008	—
Property and equipment acquired through tenant improvement allowance	22,237	—

Property and equipment and other accrued but not yet paid	605	271
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	$ 192,882	$ 126,464
Restricted cash, noncurrent included in other assets	8,560	279
Total cash, cash equivalents and restricted cash	$ 201,442	$ 126,743

(1) See Note 2 for a summary of adjustments.

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) is the leading independent provider of identity for the enterprise. The Okta Identity Cloud enables the Company's customers to securely connect people to technology, anywhere, anytime and from any device. The Company was incorporated in January 2009 as Saasure Inc., a California corporation, and was later reincorporated in April 2010 under the name Okta, Inc. as a Delaware corporation. The Company is headquartered in San Francisco, California.

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). All intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of January 31, 2018, 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, 2019 or any future period.

The Company's fiscal year ends on January 31. References to fiscal 2019, for example, refer to the fiscal year ending January 31, 2019.

The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Form 10-K filed with the Securities and Exchange Commission (SEC) on March 12, 2018.

Effective February 1, 2018, the Company adopted the requirements of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* as discussed in Note 2. All amounts and disclosures set forth in this Form 10-Q have been updated to comply with this standard, as indicated by references to "as adjusted" in these condensed consolidated financial statements and related notes.

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 Class A common stock 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.

Convertible Senior Notes

In February 2018, the Company issued $345.0 million aggregate principal amount of 0.25% convertible senior notes due February 15, 2023 in a private offering, including the initial purchasers' exercise in full of their option to purchase additional notes (2023 Notes). The Company received aggregate proceeds of $345.0 million, before deducting costs of issuance of $10.0 million. See Note 8 for additional details.

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 include the stand alone selling price (SSP) for each distinct performance obligation included in customer contracts with multiple performance obligations, the determination of the period of benefit for deferred commissions, the determination of the effective interest rate of the liability components of the 2023 Notes, the valuation of deferred income tax assets and contingencies and the valuation of acquired intangible assets.

2. Accounting Standards and Significant Accounting Policies

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606 supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) Topic 605, Revenue Recognition (Topic 605), and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers, which requires the deferral of incremental costs of obtaining a contract with a customer. Collectively, the Company refers to Topic 606 and Subtopic 340-40 as "ASC 606."

The Company adopted the requirements of ASC 606 as of February 1, 2018, utilizing the full retrospective method of transition. Adoption of ASC 606 resulted in changes to the Company's accounting policies for revenue recognition and deferred commissions as detailed below. The Company applied ASC 606 using a practical expedient where the consideration allocated to the remaining performance obligations or an explanation of when the Company expects to recognize that amount as revenue for all reporting periods presented before the date of the initial application is not disclosed.

The impact of adopting ASC 606 on fiscal 2018 and 2017 revenue is not material. The primary impact of adopting ASC 606 relates to the deferral of incremental commission costs of obtaining contracts. Under Topic 605, the Company deferred only direct and incremental commission costs to obtain a contract and amortized those costs on a straight-line basis over the term of the related contract, which was generally one to three years. Under ASC 606, the Company defers all incremental commission costs to obtain the contract. The Company amortizes these costs on a straight-line basis over a period of benefit, determined to be generally five years or the related contractual renewal term.

The Company adjusted its condensed consolidated financial statements from amounts previously reported due to the adoption of ASC 606. Select condensed consolidated statement of operations line items, which reflect the adoption of ASC 606, are as follows (in thousands except per share data):

	Three Months Ended July 31, 2017			Six Months Ended July 31, 2017		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
		(unaudited)			(unaudited)	
Revenue:						
Subscription	$ 56,080	$ (763)	$ 55,317	$ 104,437	$ (841)	$ 103,596
Professional services and other	4,915	27	4,942	9,565	(577)	8,988
Total revenue	60,995	(736)	60,259	114,002	(1,418)	112,584
Gross profit	41,313	(736)	40,577	76,857	(1,418)	75,439
Operating expenses:						
Sales and marketing	39,597	(1,706)	37,891	76,777	(3,583)	73,194
Total operating expenses	68,468	(1,706)	66,762	132,646	(3,583)	129,063
Loss before income taxes	(26,773)	970	(25,803)	(55,426)	2,165	(53,261)
Net loss	(27,002)	970	(26,032)	(55,903)	2,165	(53,738)
Net loss per share, basic and diluted	(0.29)	0.01	(0.28)	(0.83)	0.03	(0.80)

Select condensed consolidated balance sheet line items, which reflect the adoption of ASC 606, are as follows (in thousands):

	As of January 31, 2018		
	As Reported	Adjustments	As Adjusted
		(unaudited)	
Assets			
Current assets:			
Deferred commissions	$ 16,481	$ 1,274	$ 17,755
Prepaid expenses and other current assets	16,973	808	17,781
Total current assets	315,416	2,082	317,498
Deferred commissions, noncurrent	10,971	29,784	40,755
Total assets	367,397	31,866	399,263
Liabilities and stockholders' equity			
Current liabilities:			
Deferred revenue	$ 162,633	$ (2,817)	$ 159,816
Total current liabilities	190,760	(2,817)	187,943
Deferred revenue, noncurrent	6,034	(1,071)	4,963
Total liabilities	203,811	(3,888)	199,923
Accumulated deficit	(402,468)	35,754	(366,714)
Total stockholders' equity	163,586	35,754	199,340
Total liabilities and stockholders' equity	367,397	31,866	399,263

The adoption of ASC 606 had no impact on cash provided by or used in operating, financing, or investing activities in the Company's condensed consolidated statement of cash flows. Additionally, the adoption of ASC 606 did not have a material impact on the provision for (benefit from) income taxes. The adoption adjustments impacted the deferred income taxes pertaining to the U.S. entity which are subject to a full valuation allowance.

Significant Accounting Policies

The Company's significant accounting policies are discussed in "Note 2. Summary of Significant Accounting Policies" in Item 8. Financial Statements and Supplementary Data of its Form 10-K for the fiscal year ended January

31, 2018. Except for the accounting policies for revenue recognition and deferred commissions that were updated below as a result of adopting ASC 606, and the accounting policies for convertible senior notes, there have been no significant changes to these policies for the six months ended July 31, 2018.

Revenue Recognition

The Company derives revenue from subscription fees (which include support fees) and professional services fees. The Company sells subscriptions to its platform through arrangements that are generally one to five years in length. The Company's arrangements are generally noncancelable and nonrefundable. Furthermore, if a customer reduces the contracted usage or service level, the customer has no right of refund. The Company's subscription arrangements do not provide customers with the right to take possession of the software supporting the platform and, as a result, are accounted for as service arrangements. This revenue recognition policy is consistent for sales generated directly with customers and sales generated indirectly through channel partners.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Subscription Revenue

Subscription revenue, which includes support, is recognized on a straight-line basis over the noncancelable contractual term of the arrangement, generally beginning on the date that the Company's service is made available to the customer.

Professional Services Revenue

The Company's professional services principally consist of customer-specific requests for application integrations, user interface enhancements and other customer-specific requests. Revenue for the Company's professional services are recognized as services are performed in proportion with their pattern of transfer.

Contracts with Multiple Performance Obligations

Some of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative SSP basis. The Company determines SSP based on, if available, observable prices for those related services when sold separately. When observable prices are not available, the Company determines SSP based on overarching pricing objectives and strategies, taking into consideration market conditions and other factors, including customer size, volume purchased, market and industry conditions, product-specific factors and historical sales of the deliverables.

Geographic Information

Revenue by location is determined by the billing address of the customer. The following table sets forth revenue in dollars by geographic area (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017 As Adjusted [1]	2018	2017 As Adjusted [1]
United States	$ 79,499	$ 50,972	$ 150,757	$ 95,943
International	15,087	9,287	27,450	16,641
Total	$ 94,586	$ 60,259	$ 178,207	$ 112,584

[1] The prior periods presented above have been adjusted to reflect the adoption of ASC 606.

Other than the United States, no individual country exceeded 10% of total revenue for the three and six months ended July 31, 2018 and 2017.

Accounts Receivable and Allowances

Accounts receivable are recorded at the invoiced amount, net of allowances. These allowances are based on the Company's assessment of the collectability of accounts by considering the age of each outstanding invoice and the collection history of each customer and an evaluation of potential risk of loss associated with delinquent accounts. Amounts deemed uncollectible are recorded to these allowances in the condensed consolidated balance sheets with an offsetting decrease in related deferred revenue or a charge in the condensed consolidated statement of operations.

For the three and six months ended July 31, 2018 and 2017, write-offs were not material.

Deferred Commissions

Sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for new revenue contracts, including incremental sales to existing customers, are deferred and then amortized on a straight-line basis over a period of benefit, which the Company has determined to be generally five years. The Company determined the period of benefit by taking into consideration its customer contracts, its technology and other factors. Sales commissions for renewal contracts (which are not considered commensurate with sales commissions for new revenue contracts and incremental sales to existing customers) are deferred and then amortized on a straight-line basis over the related period of benefit, which is generally the related contract renewal term. Amortization expense is included in sales and marketing expenses in the accompanying condensed consolidated statements of operations.

Sales commissions capitalized as contract costs totaled $8.5 million and $5.3 million in the three months ended July 31, 2018 and 2017, respectively, and $14.2 million and $9.5 million in the six months ended July 31, 2018 and 2017, respectively. Amortization of contract costs was $5.0 million and $3.7 million for the three months ended July 31, 2018 and 2017, respectively, and $9.6 million and $7.0 million for the six months ended July 31, 2018 and 2017, respectively. There was no impairment loss in relation to the costs capitalized.

Convertible Senior Notes

The 2023 Notes are accounted for in accordance with FASB ASC Subtopic 470-20, Debt with Conversion and Other Options. Pursuant to ASC Subtopic 470-20, issuers of certain convertible debt instruments, such as the 2023 Notes, that have a net settlement feature and may be settled wholly or partially in cash upon conversion are required to separately account for the liability (debt) and equity (conversion option) components of the instrument. The carrying amount of the liability component of the instrument is computed by estimating the fair value of a similar liability without the conversion option. The amount of the equity component is then calculated by deducting the fair value of the liability component from the principal amount of the instrument. The difference between the principal amount and the liability component represents a debt discount that is amortized to interest expense over the respective term of the 2023 Notes using the effective interest rate method. The equity component is not remeasured as long as it continues to meet the

conditions for equity classification. In accounting for the issuance costs related to the 2023 Notes, the allocation amount of issuance costs incurred to liability and equity components was based on their relative values.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842). Topic 842 amends a number of aspects of lease accounting, including requiring lessees to recognize leases with a term greater than one year as a right-of-use asset and corresponding liability, measured at the present value of the lease payments. In July 2018, the FASB issued supplemental adoption guidance and clarification to Topic 842 within ASU 2018-10 “Codification Improvements to Topic 842, Leases” and ASU 2018-11 “Leases (Topic 842): Targeted Improvements.” The new guidance aims to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. A modified retrospective application is required with an option to not restate comparative periods in the period of adoption. This guidance is effective for the Company on February 1, 2019 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements, which will consist primarily of a balance sheet gross up of its operating leases to show equal and offsetting right-of-use assets and lease liabilities.

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU 2018-02). Under existing U.S. GAAP, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of income tax expense in the period in which the law was enacted. When deferred tax balances related to items originally recorded in accumulated other comprehensive income (loss) are adjusted, certain tax effects become stranded in accumulated other comprehensive income. The amendments in ASU 2018-02 allow a reclassification from accumulated other comprehensive income (loss) to retained earnings (accumulated deficit) for stranded income tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the Tax Act). The amendments in this ASU also require certain disclosures about stranded income tax effects. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption in any period is permitted. The Company’s provisional adjustments recorded in fiscal year 2018 to account for the impact of the Tax Act did not result in stranded tax effects. The Company does not anticipate that the adoption of this standard will have a material impact on its condensed consolidated financial statements.

3. Business Combinations

Stormpath

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 was accounted for as a business combination. The total consideration of $3.7 million, consisting of 200,000 shares of common stock valued at $2.2 million, at the time of the transaction, issued to Stormpath and replacement awards of $1.5 million issued to the hired employees, was recognized as goodwill.

In addition, the Company issued to Stormpath an incremental 800,000 shares of restricted common stock valued at $8.6 million, at the time of the transaction, which is being recognized as post-combination stock-based compensation expense. See Note 10 for further details.

ScaleFT

On July 13, 2018, the Company acquired all issued and outstanding capital stock of ScaleFT, Inc. (ScaleFT), a “zero trust” security company which provides access solutions for the modern workforce. The preliminary acquisition date cash consideration transferred for ScaleFT was $15.6 million, net of $0.6 million in cash received. The Company recorded $4.6 million for developed technology intangible assets with estimated useful life of three years and $11.8 million of goodwill which is primarily attributed to the assembled workforce as well as the integration of ScaleFT’s technology and the Company’s technology. The Company incurred $1.1 million of acquisition related costs.

The business combination did not have a material impact on the condensed consolidated financial statements and therefore historical and proforma disclosures have not be presented.

4. Cash Equivalents and Short-Term Investments

The amortized cost, unrealized gain (loss) and estimated fair value of the Company's cash equivalents and short-term investments as of July 31, 2018 and January 31, 2018 were as follows (in thousands):

	As of July 31, 2018			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(unaudited)			
Cash equivalents:				
Money market funds	$ 155,347	$ —	$ —	$ 155,347
Commercial paper	12,237	—	—	12,237
Total cash equivalents	$ 167,584	$ —	$ —	$ 167,584
Short-term investments:				
Commercial paper	$ 56,191	$ —	$ —	$ 56,191
U.S. treasury securities	248,081	—	(217)	247,864
Corporate debt securities	39,352	6	(39)	39,319
Total short-term investments	343,624	6	(256)	343,374
Total	$ 511,208	$ 6	$ (256)	$ 510,958

	As of January 31, 2018			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Cash equivalents:				
Money market funds	$ 90,770	$ —	$ —	$ 90,770
Total cash equivalents	$ 90,770	$ —	$ —	$ 90,770
Short-term investments:				
Commercial paper	$ 15,946	$ —	$ —	$ 15,946
U.S. treasury securities	61,896	—	(158)	61,738
Corporate debt securities	24,125	—	(44)	24,081
Total short-term investments	101,967	—	(202)	101,765
Total	$ 192,737	$ —	$ (202)	$ 192,535

All short-term investments were designated as available-for-sale securities as of July 31, 2018 and January 31, 2018.

The following tables present the contractual maturities of the Company's short-term investments as of July 31, 2018 and January 31, 2018 (in thousands):

	As of July 31, 2018		As of January 31, 2018	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(unaudited)			
Due within one year	$ 328,694	$ 328,460	$ 93,421	$ 93,237
Due between one to five years	14,930	14,914	8,546	8,528
	$ 343,624	$ 343,374	$ 101,967	$ 101,765

The Company had 53 and 23 short-term investments in unrealized loss positions as of July 31, 2018 and January 31, 2018, respectively. There were no material gross unrealized gains or losses from available-for-sale securities and no 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, 2018 or 2017.

For available-for-sale debt securities that have unrealized losses, the Company evaluates whether (i) the Company has the intention to sell any of these investments and (ii) it is not more likely than not that the Company 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, 2018 and January 31, 2018.

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, 2018			
	Level 1	Level 2	Level 3	Total
		(unaudited)		
Assets:				
Cash equivalents:				
Money market funds	$ 155,347	$ —	$ —	$ 155,347
Commercial paper	—	12,237	—	12,237
Total cash equivalents	$ 155,347	$ 12,237	$ —	$ 167,584
Short-term investments:				
Commercial paper	$ —	$ 56,191	$ —	$ 56,191
U.S. treasury securities	—	247,864	—	247,864
Corporate debt securities	—	39,319	—	39,319
Total short-term investments	—	343,374	—	343,374
Total cash equivalents and short-term investments	$ 155,347	$ 355,611	$ —	$ 510,958

	As of January 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 90,770	$ —	$ —	$ 90,770
Total cash equivalents	$ 90,770	$ —	$ —	$ 90,770
Short-term investments:				
Commercial paper	$ —	$ 15,946	$ —	$ 15,946
U.S. treasury securities	—	61,738	—	61,738
Corporate debt securities	—	24,081	—	24,081
Total short-term investments	—	101,765	—	101,765
Total cash equivalents and short-term investments	$ 90,770	$ 101,765	$ —	$ 192,535

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 and accounts payable approximate fair value due to their short-term maturities and are excluded from the fair value table above.

Fair Value Measurements of Other Financial Instruments

The following table presents the carrying amounts and estimated fair values of our financial instruments that are not recorded at fair value on the condensed consolidated balance sheets (in thousands):

	As of July 31, 2018	
	Net Carrying Amount Before Unamortized Debt Issuance Costs	Estimated Fair Value
		(unaudited)
Convertible senior notes	$ 270,972	$ 421,800

The difference between the principal amount of the 2023 Notes, $345.0 million, and the net carrying amount before unamortized debt issuance costs represents the unamortized debt discount (See Note 8 for additional details). The estimated fair value of the 2023 Notes, which the Company has classified as Level 2 financial instruments, was determined based on the quoted bid price of the convertible senior notes in an over-the-counter market on the last trading day of the reporting period. As of July 31, 2018, the difference between the net carrying amount of the 2023 Notes and estimated fair value represents the equity conversion value premium the market assigned to the 2023 Notes. Based on the closing price of our common stock of $49.65 on July 31, 2018, the if-converted value of the 2023 Notes exceeded the principal amount of $345.0 million.

6. Goodwill and Intangible Assets, net

Goodwill

As of July 31, 2018 and January 31, 2018, goodwill was $18.1 million and $6.3 million, respectively. During the three months ended July 31, 2018, the Company recorded $11.8 million of goodwill in connection with the ScaleFT acquisition that was completed in July 2018. See Note 3 for further details. No goodwill impairments were recorded during the three and six months ended July 31, 2018 and 2017.

Intangible Assets, net

Intangible assets consisted of the following (in thousands):

	As of July 31, 2018		
	Gross	Accumulated Amortization	Net
		(unaudited)	
Capitalized internal-use software costs	$ 18,467	$ (7,441)	$ 11,026
Purchased developed technology	5,170	(570)	4,600
Software licenses	1,023	(643)	380
	$ 24,660	$ (8,654)	$ 16,006

	As of January 31, 2018		
	Gross	Accumulated Amortization	Net
Capitalized internal-use software costs	$ 16,434	$ (5,172)	$ 11,262
Software licenses	1,057	(558)	499
Purchased developed technology	570	(570)	—
	$ 18,061	$ (6,300)	$ 11,761

The Company capitalized $0.8 million and $1.9 million of internal-use software costs in the three months ended July 31, 2018 and 2017, respectively, and $2.0 million and $3.3 million of internal-use software costs in the six months ended July 31, 2018 and 2017, respectively. Included in the total amount capitalized is stock-based compensation expense of $0.1 million and $0.4 million for the three months ended July 31, 2018 and 2017, respectively, and $0.3 million and $0.6 million for the six months ended July 31, 2018 and 2017, respectively.

In addition, during the three months ended July 31, 2018, the Company acquired $4.6 million of purchased developed technology from the ScaleFT acquisition. See Note 3 for further details.

Intangible amortization expense was $1.2 million and $0.7 million for the three months ended July 31, 2018 and 2017, respectively, and $2.4 million and $1.4 million for the six months ended July 31, 2018 and 2017, respectively.

7. Deferred Revenue and Performance Obligations

Deferred Revenue

Deferred revenue, which is a contract liability, consists primarily of payments received in advance of revenue recognition under the Company's contracts with customers and is recognized as the revenue recognition criteria are met.

Subscription revenue recognized during the three months ended July 31, 2018 and 2017 that was included in the deferred revenue balances at the beginning of the respective periods was $73.1 million and $46.7 million, respectively, and $114.3 million and $73.3 million for the six months ended July 31, 2018 and 2017, respectively. Professional services and other revenue recognized in the three and six months ended July 31, 2018 and 2017 from deferred revenue balances at the beginning of the respective periods was not material.

Transaction Price Allocated to the Remaining Performance Obligations

Transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue for subscription contracts that have been invoiced and will be recognized as revenue in future periods.

As of July 31, 2018, total remaining noncancelable performance obligations under the Company's subscription contracts with customers was approximately $543.9 million, and the Company expects to recognize revenue on approximately 56% of these remaining performance obligations over the next 12 months, with the balance to be recognized thereafter. Revenue from remaining performance obligations for professional services and other contracts as of July 31, 2018 was not material.

Unbilled Receivables

The Company receives payments from customers based on billing schedules as established in its contracts. Unbilled receivables, which are contract assets, relate to the Company's rights to consideration for performance obligations satisfied but not billed at the reporting date on contracts. As of July 31, 2018 and January 31, 2018, unbilled receivables were $0.8 million, which are included in prepaid expenses and other current assets in the condensed consolidated balance sheets. Unbilled receivables are transferred to accounts receivable when the rights become unconditional.

8. Debt and Financing Arrangements

Convertible Senior Notes

The 2023 Notes are senior, unsecured obligations of the Company, and bear interest at a fixed rate of 0.25% per year. Interest is payable in cash semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2018. The 2023 Notes mature on February 15, 2023 unless earlier repurchased or converted. The Company may not redeem the 2023 Notes prior to maturity. The total net proceeds from the 2023 Notes, after deducting initial purchasers' discounts and debt issuance costs, was approximately $335.0 million.

The terms of the 2023 Notes are governed by an Indenture by and between the Company and Wilmington Trust, National Association, as Trustee (the Indenture). Upon conversion, the 2023 Notes may be settled in cash, shares of Class A common stock or a combination of cash and shares of Class A common stock, at the Company's election. It is the Company's current intent to settle the principal amount of the 2023 Notes with cash.

The 2023 Notes are convertible at an initial conversion rate of 20.6795 shares of Class A common stock per $1,000 principal amount of 2023 Notes, which is equal to an initial conversion price of approximately $48.36 per share of Class A common stock, subject to adjustment under certain circumstances in accordance with the terms of the Indenture. Prior to the close of business on the business day immediately preceding October 15, 2022, holders of the 2023 Notes may convert all or a portion of their 2023 Notes only in multiples of $1,000 principal amount, under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ending on April 30, 2018 (and only during such fiscal quarter), if the last reported sale price of Class A common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2023 Notes on each applicable trading day;

- during the five business day period after any five consecutive trading day period in which the trading price per $1,000 principal amount of the 2023 Notes for each trading day of that five consecutive trading day period was less than 98% of the product of the last reported sale price of Class A common stock and the conversion rate on such trading day; or

- upon the occurrence of specified corporate events, as described in the Indenture.

On or after October 15, 2022 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2023 Notes regardless of the foregoing circumstances. During the three and six months ended July 31, 2018, the conditions allowing holders of the 2023 Notes to convert were not met.

Holders of the 2023 Notes who convert their 2023 Notes in connection with certain corporate events that constitute a make-whole fundamental change (as defined in the Indenture) are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, in the event of a corporate event that constitutes a fundamental change (as defined in the Indenture), holders of the 2023 Notes may require the Company to repurchase all or a portion of their 2023 Notes at a price equal to 100% of the principal amount of the 2023 Notes being repurchased, plus any accrued and unpaid interest.

In accounting for the issuance of the 2023 Notes, the Company separated the 2023 Notes into liability and equity components. The carrying amounts of the liability components were calculated by measuring the fair value of similar liabilities that do not have associated convertible features. The carrying amount of the equity components representing the conversion option were determined by deducting the fair value of the liability component from the par value of the 2023 Notes. The Company bifurcated the conversion option of the 2023 Notes from the debt instrument, classified the conversion option in equity and will accrete the resulting debt discount as interest expense over the contractual term of the 2023 Notes using the effective interest rate method. The equity component is not remeasured as long as they continue to meet the conditions for equity classification.

The effective interest rate of the liability component of the 2023 Notes is 5.68%. This interest rate was based on the interest rates of similar liabilities held by other companies with similar credit risk ratings at the time of issuance that did not have associated convertible features. The following table sets forth total interest expense recognized related to the 2023 Notes (in thousands):

	Three Months Ended July 31, 2018	Six Months Ended July 31, 2018
	(unaudited)	
Contractual interest expense	$ 216	$ 362
Amortization of debt issuance costs	288	478
Amortization of debt discount	3,554	5,935
Total	$ 4,058	$ 6,775

Total issuance costs of $10.0 million related to the 2023 Notes were allocated between liability and equity in the same proportion as the allocation of the total proceeds to the liability and equity components. Issuance costs attributable to the liability component are being amortized to interest expense over the respective term of the 2023 Notes using the effective interest rate method. The issuance costs attributable to the equity component were netted against the respective equity component in Additional paid-in capital. The Company recorded liability issuance costs of $7.7 million and equity issuance costs of $2.3 million.

The 2023 Notes, net consisted of the following (in thousands):

	As of July 31, 2018
	(unaudited)
Liability component:	
Principal	$ 345,000
Less: unamortized debt issuance costs and debt discount	(81,238)
Net carrying amount	$ 263,762

	At Issuance
	(unaudited)
Equity component:	
2023 Notes	$ 79,962
Less: issuance costs	(2,320)
Carrying amount of the equity component[(1)]	$ 77,642

[(1)] Included in the condensed consolidated balance sheets within Additional paid-in capital.

Note Hedges

In connection with the pricing of the 2023 Notes, the Company entered into convertible note hedge transactions with respect to its Class A common stock (the Note Hedges). The Note Hedges are purchased call options that give the Company the option to purchase, subject to anti-dilution adjustments substantially identical to those in the 2023 Notes, approximately 7.1 million shares of its Class A common stock for $48.36 per share (subject to adjustment),

corresponding to the approximate initial conversion price of the 2023 Notes, exercisable upon conversion of the 2023 Notes. The Note Hedges will expire in 2023, if not exercised earlier. The Note Hedges are intended to offset potential dilution to the Company's Class A common stock and/or offset the potential cash payments that the Company could be required to make in excess of the principal amount upon any conversion of the 2023 Notes under certain circumstances. The Note Hedges are separate transactions and are not part of the terms of the 2023 Notes.

The Company paid an aggregate amount of $80.0 million for the Note Hedges. The amount paid for the Note Hedges was recorded as a reduction to Additional paid-in capital in the condensed consolidated balance sheets.

See Note 11 for the tax impacts of the 2023 Notes and Note Hedges.

Warrants

In connection with the issuance of the 2023 Notes, the Company also entered into separate warrant transactions pursuant to which it sold net-share-settled (or, at the Company's election subject to certain conditions, cash-settled) warrants (the Warrants) to acquire, subject to anti-dilution adjustments, up to approximately 7.1 million shares over 80 scheduled trading days beginning in May 2023 of the Company's Class A common stock at an initial exercise price of $68.06 per share (subject to adjustment). If the Warrants are not exercised on their exercise dates, they will expire. If the market value per share of the Company's Class A common stock exceeds the applicable exercise price of the Warrants, the Warrants could have a dilutive effect on the Company's Class A common stock unless, subject to the terms of the Warrants, the Company elects to cash settle the Warrants. The Warrants are separate transactions and are not part of the terms of the 2023 Notes or the Note Hedges.

The Company received aggregate proceeds of $52.4 million from the sale of the Warrants in connection with the 2023 Notes. The proceeds from the sale of the Warrants was recorded as an increase to Additional paid-in capital in the condensed consolidated balance sheets.

Loan and Security Agreement

The Company has available a line of credit (Revolving Line) with Silicon Valley Bank (SVB) in the amount of $40.0 million, with a maturity date of November 21, 2018. The available amount, not to exceed $40.0 million, is based on certain revenue metrics and is reduced by letters of credit totaling $4.2 million as of July 31, 2018 established in connection with facility lease agreements. As of July 31, 2018, $35.8 million was available under the Revolving Line.

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, 2018 and January 31, 2018, 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.

9. 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 various cities in the United States, United Kingdom, Australia and Canada. These office leases expire on various dates through October 2028.

Deferred rent was $30.5 million and $5.5 million as of July 31, 2018 and January 31, 2018, respectively, which is included in accrued expenses and other current liabilities and other liabilities, noncurrent in the condensed consolidated balance sheets. Rent expense was $5.8 million and $2.5 million for the three months ended July 31, 2018 and 2017, respectively and $9.2 million and $4.7 million for the six months ended July 31, 2018 and 2017, respectively.

In conjunction with the execution of leases, letters of credit in the aggregate amount of $12.5 million and $12.2 million were issued and outstanding as of July 31, 2018 and January 31, 2018, respectively. No draws have been made under such letters of credit. The Company secured its new corporate headquarters lease in San Francisco with

an $8.0 million letter of credit, which is designated as restricted cash and included in other assets on its condensed consolidated balance sheet as of July 31, 2018.

In June 2018, the Company signed an agreement to sublease the premises at 634 2nd Street, San Francisco, California (2nd Street Sublease), which, together with the premises at 301 Brannan Street, San Francisco, California, comprise the Company's current headquarters. The term of the 2nd Street Sublease agreement commences on January 31, 2019. The 2nd Street Sublease and the master lease both expire in September 2024. The Company's future income under the terms of the 2nd Street Sublease agreement will be approximately equal to the amount required to be paid by the Company to its landlord under the terms of the master lease. The Company and the sub-lessee executed a standby letter of credit amounting to $3.0 million to be held by the Company to secure the 2nd Street Sublease in the event of uncured default by the sub-lessee.

Pursuant to a termination agreement pertaining to the Company's lease of the premises at 301 Brannan Street, San Francisco, California, the non-cancellable lease term for those premises now expires in January 2019 instead of July 2019.

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, 2018.

10. Employee Incentive Plans

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

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,	
	2018	2017	2018	2017
	(unaudited)			
Cost of revenue				
Subscription	$ 1,901	$ 1,056	$ 3,430	$ 1,742
Professional services and other	1,083	738	1,972	1,207
Research and development	5,272	4,438	9,485	7,739
Sales and marketing	5,471	3,021	9,624	5,396
General and administrative	4,495	2,725	7,846	4,800
Total	$ 18,222	$ 11,978	$ 32,357	$ 20,884

Stock-based compensation expense recorded to research and development in the condensed consolidated statements of operations excludes amounts that were capitalized related to internal-use software for the three and six months ended July 31, 2018 and 2017. 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, 2018, options granted under the 2009 Plan to purchase 20,133,894 shares of Class B common stock remain outstanding and options granted under the 2017 Plan to purchase 764,596 shares of Class A common stock remain outstanding.

Shares of common stock reserved for future issuance are as follows:

	As of July 31, 2018
	(unaudited)
Stock options and unvested RSUs outstanding	25,789,276
Available for future stock option and RSU grants	12,464,154
Available for ESPP	3,035,697
	41,289,127

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, 2018	24,917,045	$ 7.37	7.6	$ 550,173
Granted	684,500	39.21		
Exercised	(4,025,395)	5.23		
Canceled	(677,660)	8.41		
Outstanding as of July 31, 2018 (unaudited)	20,898,490	$ 8.79	7.4	$ 853,892
As of July 31, 2018				
Vested and exercisable (unaudited)	9,797,292	$ 6.35	6.8	$ 424,203

No stock options were granted in the three months ended July 31, 2018 and 2017. The weighted-average grant-date fair value of options granted was $17.21 and $5.36 during the six months ended July 31, 2018 and 2017, respectively. The total grant-date fair value of stock options vested was $7.8 million and $8.4 million during the three months ended July 31, 2018 and 2017, respectively, and $13.5 million and $13.0 million for the six months ended July 31, 2018 and 2017, 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 $73.2 million and $5.3 million for the three months ended July 31, 2018 and 2017, respectively, and $155.1 million and $19.3 million for the six months ended July 31, 2018 and 2017, respectively.

As of July 31, 2018, there was a total of $50.9 million of unrecognized stock-based compensation expense, which is expected to be recognized over a weighted-average period of 2.3 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,	
	2018	2017	2018	2017
			(unaudited)	
Expected volatility	—	—	40%	40% - 41%
Expected term (in years)	—	—	6.25	6.0 - 6.4
Risk-free interest rate	—	—	2.70%	2.06% - 2.21%
Expected dividend yield	—	—	—	—

Restricted Stock Units

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

	Number of RSUs	Weighted-Average Grant Date Fair Value Per Share
Outstanding as of January 31, 2018	2,862,929	$ 24.38
Granted	2,752,588	50.67
Vested	(542,969)	22.71
Forfeited	(181,762)	29.39
Outstanding as of July 31, 2018 (unaudited)	4,890,786	$ 39.17

As of July 31, 2018, there was $180.2 million of unrecognized stock-based compensation expense related to unvested RSUs, which is expected to be recognized over a weighted-average period of 3.4 years based on vesting under the award service conditions.

Equity Awards Issued in Connection with Business Combination

In connection with the Stormpath transaction in February 2017, the Company issued 800,000 shares of restricted common stock to Stormpath with an aggregate fair value of $8.6 million at the time of the transaction to be recognized as post combination stock-based compensation. The restricted common stock vests ratably on the first and second anniversaries of the transaction date upon achievement of the respective performance conditions, of which 400,000 shares vested during the six months ended July 31, 2018. As of July 31, 2018, there was $1.2 million of unrecognized compensation expense related to restricted common stock which is expected to be recognized over the remaining weighted average life of 0.6 years.

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 at the time of the transaction with performance conditions. 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. Of the $9.1 million total aggregate fair value of the awards, $1.5 million was related to pre-combination service and was 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 is being recognized over two or three years based on an accelerated attribution method. The expense for the stock options is being recognized ratably over the requisite service period.

During the six months ended July 31, 2018, 210,850 shares of restricted stock awards vested. As of July 31, 2018, there was $1.4 million of unrecognized compensation expense related to unvested restricted stock awards, which is expected to be recognized over the remaining weighted average life of 1.0 year.

As of July 31, 2018, there was $1.4 million of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over the remaining weighted average life of 1.9 years. The related stock options expense and activity are included within the Stock Options section above.

Employee Stock Purchase Plan

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 consists of up to two six-month purchase periods. The initial offering period began April 7, 2017 and ended on June 20, 2018.

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,	
	2018	2017	2018	2017
			(unaudited)	
Expected volatility	39% - 40%	32% - 34%	39% - 40%	32% - 37%
Expected term (in years)	0.5 - 1.0	0.5 - 1.0	0.5 - 1.0	0.5 - 1.2
Risk-free interest rate	2.12% - 2.34%	1.12% - 1.22%	2.12% - 2.34%	0.95% - 1.22%
Expected dividend yield	—	—	—	—

During the three and six months ended July 31, 2018, the Company's employees purchased 434,640 shares of its Class A common stock under the ESPP. The shares were purchased at a weighted-average purchase price of $15.31 with proceeds of $6.7 million.

As of July 31, 2018, there was $5.3 million of unrecognized stock-based compensation expense related to ESPP that is expected to be recognized over an average vesting period of 0.7 years.

Awards Issued as Charitable Contributions

During the three and six months ended July 31, 2018, the Company granted 20,000 shares of Class A common stock as charitable contributions and recognized $1.0 million as general and administrative expense in the condensed consolidated statement of operations. During the three and six months ended July 31, 2017, the Company did not grant any common stock as a charitable contribution.

11. Income Taxes

For the three and six months ended July 31, 2018, the Company recorded a tax benefit of $1.0 million and $1.2 million, respectively, on pretax losses of $40.2 million and $66.4 million, respectively. The effective tax rate for the three and six months ended July 31, 2018 was 2.5% and 1.8%, respectively. The effective tax rate differs from the statutory rate primarily as a result of not recognizing deferred tax assets for U.S. losses due to a full valuation allowance against U.S. deferred tax assets, release of the valuation allowance in the United States in connection with the ScaleFT acquisition and excess tax benefits from stock-based compensation in the United Kingdom. The tax benefit was partially offset by income tax expense in profitable foreign jurisdictions and U.S. state taxes.

For the three and six months ended July 31, 2017, the Company recorded tax provisions of $0.2 million and $0.5 million, respectively, on pretax losses of $25.8 million and $53.3 million, respectively. The effective tax rate for both the three and six months ended July 31, 2017 was (0.9)%. The effective tax rate differs from the statutory rate primarily as a result of not recognizing a deferred tax asset for U.S. losses due to having a full valuation allowance against U.S. deferred tax assets.

The difference between the book and tax bases of the 2023 Notes, Note Hedges and debt issuance costs resulted in deductible temporary differences and corresponding deferred tax assets of $0.6 million as of July 31, 2018, which are subject to a full valuation allowance.

On December 22, 2017, the Tax Act was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease to 21% effective for tax years beginning after December 31, 2017, and changes to how the United States imposes income tax on multinational corporations.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allows the Company to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. The Company recorded a provisional amount of $61.0 million as of January 31, 2018 related to the remeasurement of certain deferred tax balances before valuation allowance. For the six months ended July 31, 2018, the Company has not made a material adjustment to the provisional amount. The Company will continue to analyze and refine the calculations to the measurement of these balances. The Company expects to complete its analysis within the measurement period in accordance with SAB 118.

The United Kingdom tax authority completed its examination of fiscal year 2016 income tax returns for the Company's UK subsidiary during the three months ended April 30, 2018. As a result, the Company's UK subsidiary is no longer subject to examination for fiscal years prior to 2017.

12. Net Loss Per Share

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

	Three Months Ended July 31,				Six Months Ended July 31,			
	2018		2017		2018		2017	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
	(unaudited)							
Numerator:								
Net loss [1]	$ (33,862)	$ (5,345)	$ (4,075)	$ (21,957)	$ (53,242)	$ (11,927)	$ (7,254)	$ (46,484)
Denominator:								
Weighted-average shares outstanding - basic and diluted	92,156	14,546	14,650	78,926	86,172	19,303	9,061	58,064
Net loss per share attributable to common stockholders, basic and diluted	$ (0.37)	$ (0.37)	$ (0.28)	$ (0.28)	$ (0.62)	$ (0.62)	$ (0.80)	$ (0.80)

[1] Net loss for the three and six months ended July 31, 2017 has been adjusted. See Note 2 for a summary of adjustments.

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,	
	2018	2017
	(unaudited)	
Unvested restricted common stock issued and outstanding	400	800
Stock options issued and outstanding	20,898	33,360
Unvested RSUs issued and outstanding	4,891	2,210
Unvested restricted stock awards issued and outstanding	388	599
Shares related to convertible senior notes	7,134	—
Shares committed under the ESPP	360	1,082
Unvested shares subject to repurchase	96	324
	34,167	38,375

The Company expects to settle the principal amount of the 2023 Notes in cash, and therefore, the Company uses the treasury stock method for calculating any potential dilutive effect of the conversion option on diluted net income per share, if applicable. The conversion option will have a dilutive impact on net income per share of common stock when the average market price per share of the Company's Class A common stock for a given period exceeds the conversion price of the 2023 Notes of $48.36 per share. During the three months ended July 31, 2018, the weighted average price per share of the Company's Class A common stock exceeded the conversion price of the 2023 Notes; however, since the Company is in a net loss position there was no dilutive effect during any period presented.

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 Annual Report on Form 10-K. As discussed in the section titled "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 Part I, Item 1A in our Annual Report on Form 10-K. Our fiscal year ends January 31.

Overview

Okta is the leading independent provider of identity for the enterprise. 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 day, 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 and security infrastructures more efficiently as the number of users, devices, clouds and other technologies in their ecosystem grows. Our customers are able to achieve fast time to value, lower costs and increased 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, our superior cloud architecture and a vast and increasing network of integrations.

We founded the company in 2009 to reinvent identity for the modern cloud era, where identity is the critical foundation for connection and trust between users and technology. Since our inception, we have consistently innovated to enhance our platform and our product offerings.

In parallel to this product innovation, we have rapidly expanded the breadth and depth of the Okta Integration 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, 2018, we had over 5,500 integrations with cloud, mobile and web applications and IT infrastructure providers.

We employ a SaaS business model. We focus on acquiring and retaining our 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 products directly through our field and inside sales teams, as well as indirectly through our network of independent software vendors, or ISVs, and 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. Our customers use our platform to manage and secure their extended enterprise (employees, contractors and partners), which we previously referred to as the internal use case. Organizations also use our platform to manage and secure their customers' identities via the powerful APIs we have developed, which we previously referred to as the external use case. 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 and usage of 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.

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 as the work is performed for time-and-materials arrangements, and up front for fixed fee arrangements. All professional services revenue is recognized as the services are performed.

Overhead Allocation and Employee Compensation Costs

We allocate shared costs, such as facilities (including rent, utilities and depreciation on assets 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. Cost of subscription primarily consists of expenses related to hosting our services and providing support. These expenses include employee-related costs associated with our cloud-based infrastructure and our customer support organization, 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 capitalized internal-use software costs and related amortization to increase. 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 professional services delivery team. 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 allocated overhead. 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 considered incremental and recoverable costs of obtaining a contract with a customer are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be generally five years. 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, charitable contributions, 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 Expense, Net

Other expense, net consists of interest income from our investment holdings and interest expense, which primarily includes amortization of debt discount and issuance costs and contractual interest expense for our $345.0 million aggregate principal amount of 0.25% convertible senior notes due February 15, 2023 (2023 Notes).

Provision for (Benefit from) for Income Taxes

Our provision for (benefit from) income taxes consists of federal and state income taxes in the United States and income taxes in certain foreign jurisdictions, and is determined for interim periods using an estimate of our annual effective tax rate, adjusted for discrete items occurring in the quarter. The primary difference between our effective tax rate and the federal statutory rate relates to the net operating losses in jurisdictions with a valuation allowance against related deferred tax assets.

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,	
	2018	2017 As Adjusted [1]	2018	2017 As Adjusted [1]
	(in thousands)			
Revenue:				
Subscription	$ 87,854	$ 55,317	$ 164,695	$ 103,596
Professional services and other	6,732	4,942	13,512	8,988
Total revenue	94,586	60,259	178,207	112,584
Cost of revenue:				
Subscription[2]	19,211	12,691	35,543	23,848
Professional services and other[2]	9,017	6,991	16,792	13,297
Total cost of revenue	28,228	19,682	52,335	37,145
Gross profit	66,358	40,577	125,872	75,439
Operating expenses:				
Research and development[2]	24,829	16,923	44,758	32,282
Sales and marketing[2]	59,004	37,891	108,497	73,194
General and administrative[2]	20,955	11,948	36,025	23,587
Total operating expenses	104,788	66,762	189,280	129,063
Operating loss	(38,430)	(26,185)	(63,408)	(53,624)
Other income (expense), net	(1,762)	382	(2,977)	363
Loss before provision for (benefit from) income taxes	(40,192)	(25,803)	(66,385)	(53,261)
Provision for (benefit from) income taxes	(985)	229	(1,216)	477
Net loss	$ (39,207)	$ (26,032)	$ (65,169)	$ (53,738)

[1] See Note 2 to our condensed consolidated financial statements for a summary of adjustments.

[2] Includes stock-based compensation expense as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
	(in thousands)			
Cost of subscription revenue	$ 1,901	$ 1,056	$ 3,430	$ 1,742
Cost of professional services and other revenue	1,083	738	1,972	1,207
Research and development	5,272	4,438	9,485	7,739
Sales and marketing	5,471	3,021	9,624	5,396
General and administrative	4,495	2,725	7,846	4,800
Total stock-based compensation expense	$ 18,222	$ 11,978	$ 32,357	$ 20,884

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017 As Adjusted [1]	2018	2017 As Adjusted (1)
Revenue				
Subscription	93 %	92 %	92 %	92 %
Professional services and other	7	8	8	8
Total revenue	100	100	100	100
Cost of revenue				
Subscription	20	21	20	21
Professional services and other	10	12	9	12
Total cost of revenue	30	33	29	33
Gross profit	70	67	71	67
Operating expenses				
Research and development	26	28	25	29
Sales and marketing	62	62	62	65
General and administrative	23	20	20	21
Total operating expenses	111	110	107	115
Operating loss	(41)	(43)	(36)	(48)
Other income (expense), net	(2)	—	(2)	—
Loss before provision for (benefit from) income taxes	(43)	(43)	(38)	(48)
Provision for (benefit from) income taxes	(2)	—	(1)	—
Net loss	(41)%	(43)%	(37)%	(48)%

[1] See Note 2 to our condensed consolidated financial statements for a summary of adjustments.

Comparison of the Three Months Ended July 31, 2018 and 2017

Revenue

	Three Months Ended July 31,			
	2018	2017	$ Change	% Change
	(dollars in thousands)			
Revenue:				
Subscription	$ 87,854	$ 55,317	$ 32,537	59%
Professional services and other	6,732	4,942	1,790	36
Total revenue	$ 94,586	$ 60,259	$ 34,327	57
Percentage of revenue:				
Subscription	93%	92%		
Professional services and other	7	8		
Total	100%	100%		

Subscription revenue increased by $32.5 million, or 59%, for the three months ended July 31, 2018 compared to the three months ended July 31, 2017. The increase was primarily due to the addition of new customers as well as an increase in users and sales of additional products to existing customers.

Professional services and other revenue increased by $1.8 million, or 36%, for the three months ended July 31, 2018 compared to the three months ended July 31, 2017. 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,			
	2018	2017	$ Change	% Change
	(dollars in thousands)			
Cost of revenue:				
Subscription	$ 19,211	$ 12,691	$ 6,520	51%
Professional services and other	9,017	6,991	2,026	29
Total cost of revenue	$ 28,228	$ 19,682	$ 8,546	43
Gross profit	$ 66,358	$ 40,577	$ 25,781	64
Gross margin:				
Subscription	78 %	77 %		
Professional services and other	(34)	(41)		
Total gross margin	70	67		

Cost of subscription revenue increased by $6.5 million, or 51%, for the three months ended July 31, 2018 compared to the three months ended July 31, 2017, primarily due to an increase of $2.9 million in employee compensation costs related to higher headcount to support the growth in our subscription services, an increase of $1.4 million in data center costs as we increased capacity to support our growth and an increase of $0.6 million related to the amortization of capitalized internal-use software costs due to the continued development of our software.

Our gross margin for subscription revenue increased from 77% during the three months ended July 31, 2017 to 78% during the three months ended July 31, 2018, 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 $2.0 million, or 29%, for the three months ended July 31, 2018, compared to the three months ended July 31, 2017, primarily due to an increase of $1.0 million in employee compensation costs related to higher headcount and an increase of $0.5 million in consulting fees.

Our gross margin for professional services and other revenue improved to (34)% during the three months ended July 31, 2018 from (41)% primarily due to more efficient utilization from our professional services team.

Operating Expenses

Research and Development Expenses

	Three Months Ended July 31,			
	2018	**2017**	**$ Change**	**% Change**
	(dollars in thousands)			
Research and development	$ 24,829	$ 16,923	$ 7,906	47%
Percentage of revenue	26%	28%		

Research and development expenses increased $7.9 million, or 47%, for the three months ended July 31, 2018 compared to the three months ended July 31, 2017. The increase was primarily due to an increase of $4.9 million in employee compensation costs due to higher headcount, an increase of $1.4 million in allocated overhead costs and an increase of $0.9 million due to a reduction in capitalized internal-use software costs.

Sales and Marketing Expenses

	Three Months Ended July 31,			
	2018	**2017**	**$ Change**	**% Change**
	(dollars in thousands)			
Sales and marketing	$ 59,004	$ 37,891	$ 21,113	56%
Percentage of revenue	62%	62%		

Sales and marketing expenses increased $21.1 million, or 56%, for the three months ended July 31, 2018 compared to the three months ended July 31, 2017. The increase was primarily due to an increase of $9.1 million in employee compensation costs related to headcount growth, an increase of $7.7 million related to marketing and event costs primarily driven by increases in demand generation programs, advertising, customer sponsorships, and brand awareness efforts aimed at acquiring new customers, and the timing of our annual customer conference which was moved from the third quarter of fiscal 2018 to the second quarter of fiscal 2019, an increase of $2.9 million in allocated overhead costs and an increase of $0.7 million in travel and employee related expenses.

General and Administrative Expenses

	Three Months Ended July 31,			
	2018	**2017**	**$ Change**	**% Change**
	(dollars in thousands)			
General and administrative	$ 20,955	$ 11,948	$ 9,007	75%
Percentage of revenue	23%	20%		

General and administrative expenses increased $9.0 million, or 75%, for the three months ended July 31, 2018 compared to the three months ended July 31, 2017. The increase was primarily due to an increase of $4.8 million in employee compensation costs primarily related to higher headcount to support our continued growth, an increase of $2.4 million in costs from professional and other costs consisting primarily of IT, accounting, and consulting fees, an increase of $1.1 million in acquisition costs related to our acquisition of ScaleFT, an increase of $1.0 million in non-cash charitable contributions and an increase of $0.9 million in allocated overhead costs.

Other Income (Expense), Net

	Three Months Ended July 31,			
	2018	2017	$ Change	% Change
	(dollars in thousands)			
Other income (expense), net	$ (1,762)	$ 382	$ (2,144)	N/A

Other expense, net increased $2.1 million for the three months ended July 31, 2018 compared to the three months ended July 31, 2017. The increase was primarily due to $4.4 million in interest expense incurred related to the 2023 Notes, offset by an increase of $2.2 million in interest income earned on higher cash and short-term investment balances.

Comparison of the Six Months Ended July 31, 2018 and 2017

Revenue

	Six Months Ended July 31,			
	2018	2017	$ Change	% Change
	(dollars in thousands)			
Revenue:				
Subscription	$ 164,695	$ 103,596	$ 61,099	59%
Professional services and other	13,512	8,988	4,524	50
Total revenue	$ 178,207	$ 112,584	$ 65,623	58
Percentage of revenue:				
Subscription	92%	92%		
Professional services and other	8	8		
Total	100%	100%		

Subscription revenue increased by $61.1 million, or 59%, for the six months ended July 31, 2018 compared to the six months ended July 31, 2017. The increase was primarily due to the addition of new customers as well as an increase in users and sales of additional products to existing customers.

Professional services and other revenue increased by $4.5 million, or 50%, for the six months ended July 31, 2018 compared to the six months ended July 31, 2017. 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,			
	2018	2017	$ Change	% Change
	(dollars in thousands)			
Cost of revenue:				
Subscription	$ 35,543	$ 23,848	$ 11,695	49%
Professional services and other	16,792	13,297	3,495	26
Total cost of revenue	$ 52,335	$ 37,145	$ 15,190	41
Gross profit	$ 125,872	$ 75,439	$ 50,433	67
Gross margin:				
Subscription	78 %	77 %		
Professional services and other	(24)	(48)		
Total gross margin	71	67		

Cost of subscription revenue increased by $11.7 million, or 49%, for the six months ended July 31, 2018 compared to the six months ended July 31, 2017, primarily due to an increase of $5.6 million in employee compensation costs related to higher headcount to support the growth in our subscription services, an increase of $2.1 million in data center costs as we increased capacity to support our growth, an increase of $1.1 million related to the amortization of capitalized internal-use software costs, an increase of $1.1 million in allocated overhead costs, an increase of $0.7 million in software license costs and an increase of $0.6 million in consulting fees.

Our gross margin for subscription revenue increased to 78% during the six months ended July 31, 2018, up from 77% during the six 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 $3.5 million, or 26%, for the six months ended July 31, 2018, compared to the six months ended July 31, 2017, primarily due to an increase of $2.2 million in employee compensation costs related to higher headcount and an increase of $0.7 million in consulting fees.

Our gross margin for professional services and other revenue improved to (24)% during the six months ended July 31, 2018 from (48)% during the six months ended July 31, 2017 primarily due to more efficient utilization from our professional services team.

Operating Expenses

Research and Development Expenses

	Six Months Ended July 31,			
	2018	2017	$ Change	% Change
	(dollars in thousands)			
Research and development	$ 44,758	$ 32,282	$ 12,476	39%
Percentage of revenue	25%	29%		

Research and development expenses increased $12.5 million, or 39%, for the six months ended July 31, 2018 compared to the six months ended July 31, 2017. The increase was primarily due to an increase of $8.4 million in employee compensation costs due to higher headcount, an increase of $1.9 million in allocated overhead costs and an increase of $1.1 million due to a reduction in capitalized internal-use software costs.

Sales and Marketing Expenses

	Six Months Ended July 31,			
	2018	2017	$ Change	% Change
	(dollars in thousands)			
Sales and marketing	$ 108,497	$ 73,194	$ 35,303	48%
Percentage of revenue	62%	65%		

Sales and marketing expenses increased $35.3 million, or 48%, for the six months ended July 31, 2018, compared to the six months ended July 31, 2017. The increase was primarily due to an increase of $17.5 million in employee compensation costs related to headcount growth, an increase of $10.7 million related to marketing and event costs primarily driven by increases in demand generation programs, advertising, customer sponsorships, and brand awareness efforts aimed at acquiring new customers, and the timing of our annual customer conference which was moved from the third quarter of fiscal 2018 to the second quarter of fiscal 2019, an increase of $4.2 million in allocated overhead costs and an increase of $1.7 million related to employee time and expense to support our expanding customer base.

General and Administrative Expenses

	Six Months Ended July 31,			
	2018	2017	$ Change	% Change
	(dollars in thousands)			
General and administrative	$ 36,025	$ 23,587	$ 12,438	53%
Percentage of revenue	20%	21%		

General and administrative expenses increased $12.4 million, or 53%, for the six months ended July 31, 2018 compared to the six months ended July 31, 2017. The increase was primarily due to an increase of $8.1 million in employee compensation costs related to higher headcount to support our continued growth, an increase of $3.0 million in costs from professional services comprised primarily of legal, accounting, and consulting fees, an increase of $1.4 million in allocated overhead costs, an increase of $1.1 million in acquisition costs related to our acquisition of ScaleFT and an increase of $1.0 million in non-cash charitable contributions.

Other (Income) Expense, Net

	Six Months Ended July 31,			
	2018	2017	$ Change	% Change
	(dollars in thousands)			
Other income (expense), net	$ (2,977)	$ 363	$ (3,340)	N/A

Other expense, net increased $3.3 million for the six months ended July 31, 2018 compared to the six months ended July 31, 2017. The increase was primarily due to $7.1 million in interest expense incurred related to the 2023 Notes, offset by an increase of $3.8 million in interest income earned on higher cash and short-term investment balances.

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,	
	2018	2017
Customers with Annual Contract Value (ACV) above $100,000	837	539
Dollar-Based Retention Rate for the trailing 12 months ended	121%	123%

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
	(in thousands)			
Calculated Billings	$ 109,391	$ 71,677	$ 205,317	$ 131,605

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

As of July 31, 2018, we had over 5,150 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 837 and 539 as of July 31, 2018 and 2017, 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 120%, 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 total deferred revenue and the change in total unbilled receivables in the period. While we had in previous SEC filings defined calculated billings as total revenue plus the change in total deferred revenue in the period, our current definition better aligns with ASC 606, which became effective for our interim and annual periods beginning February 1, 2018. Refer to Note 2 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information regarding ASC 606. 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, as

well as our rights to consideration for performance obligations satisfied but unbilled as of the reporting date. We typically invoice customers in advance in annual installments for subscriptions to our platform.

Calculated Billings increased 53% in the three months ended July 31, 2018 over the three months ended July 31, 2017 and increased 56% in the six months ended July 31, 2018 over the six months ended July 31, 2017. 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. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in our financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by our management about which expenses and income are excluded or included in determining these non-GAAP financial measures. 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, and not to rely on any single financial measure to evaluate our business.

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,	
	2018	2017 As Adjusted [1]	2018	2017 As Adjusted [1]
	(dollars in thousands)			
Gross profit	$ 66,358	$ 40,577	$ 125,872	$ 75,439
Add:				
Stock-based compensation expense included in cost of revenue	2,984	1,794	5,402	2,949
Amortization of acquired intangibles	—	—	—	4
Non-GAAP gross profit	$ 69,342	$ 42,371	$ 131,274	$ 78,392
Gross margin	70%	67%	71%	67%
Non-GAAP gross margin	73%	70%	74%	70%

[1] See Note 2 to our condensed consolidated financial statements for a summary of adjustments.

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, charitable contributions and amortization of acquired intangibles.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017 As Adjusted [1]	2018	2017 As Adjusted [1]
	(dollars in thousands)			
Operating loss	$ (38,430)	$ (26,185)	$ (63,408)	$ (53,624)
Add:				
Stock-based compensation expense	18,222	11,978	32,357	20,884
Charitable contributions	1,008	—	1,008	—
Amortization of acquired intangibles	—	—	—	4
Non-GAAP operating loss	$ (19,200)	$ (14,207)	$ (30,043)	$ (32,736)
Operating margin	(41)%	(43)%	(36)%	(48)%
Non-GAAP operating margin	(20)%	(24)%	(17)%	(29)%

[1] See Note 2 to our condensed consolidated financial statements for a summary of adjustments.

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,	
	2018	2017	2018	2017
	(in thousands)			
Net cash used in operating activities	$ (5,343)	$ (6,238)	$ (1,371)	$ (15,924)
Less:				
Purchases of property and equipment	(5,313)	(2,708)	(9,790)	(5,156)
Capitalization of internal-use software costs	(674)	(1,535)	(1,725)	(2,743)
Free Cash Flow	$ (11,330)	$ (10,481)	$ (12,886)	$ (23,823)
Net cash used in investing activities	$ (28,729)	$ (88,519)	$ (267,671)	$ (80,302)
Net cash provided by (used in) financing activities	$ 15,438	$ (555)	$ 334,883	$ 199,553

Calculated Billings

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017 As Adjusted [1]	2018	2017 As Adjusted [1]
	(in thousands)			
Total revenue	$ 94,586	$ 60,259	$ 178,207	$ 112,584
Add:				
Deferred revenue (end of period)	191,898	125,102	191,898	125,102
Unbilled receivables (beginning of period)	1,619	2,151	809	1,537
Less:				
Unbilled receivables (end of period)	(818)	(498)	(818)	(498)
Deferred revenue (beginning of period)	(177,894)	(115,337)	(164,779)	(107,120)
Calculated billings	$ 109,391	$ 71,677	$ 205,317	$ 131,605

[1] See Note 2 to our condensed consolidated financial statements for a summary of adjustments.

Liquidity and Capital Resources

As of July 31, 2018, our principal sources of liquidity were cash, cash equivalents and short-term investments totaling $536.3 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 February 2018, we completed our private offering of the 2023 Notes and received aggregate proceeds of $345.0 million, before deducting costs of issuance of $10.0 million. In connection with the issuance of the 2023 Notes, we entered into convertible note hedge transactions with respect to our Class A common stock (Note Hedges). We paid an aggregate amount of $80.0 million of the net proceeds from the sale of the 2023 Notes to purchase the Note Hedges. The cost of the Note Hedges was partially offset by the proceeds of $52.4 million from the sale of warrants to purchase shares of our Class A common stock in connection with the issuance of the 2023 Notes.

In April 2017, upon completion of our IPO, we 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.

We have a line of credit (Revolving Line) with Silicon Valley Bank (SVB) in the amount of $40.0 million, with a maturity date of 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 $4.2 million as of July 31, 2018 established in connection with facility lease agreements. As of July 31, 2018, $35.8 million was available under the Revolving Line, of which no amounts had been drawn.

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, 2018, we had deferred revenue of $191.9 million, of which $186.4 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,	
	2018	2017
	(in thousands)	
Net cash used in operating activities	$ (1,371)	$ (15,924)
Net cash used in investing activities	(267,671)	(80,302)
Net cash provided by financing activities	334,883	199,553
Effects of changes in foreign currency exchange rates on cash and cash equivalents	(632)	134
Net increase in cash, cash equivalents and restricted cash	$ 65,209	$ 103,461

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 more recently from the net proceeds from the sale of the 2023 Notes and from our IPO.

During the six months ended July 31, 2018, cash used in operating activities was $1.4 million primarily due to our net loss of $65.2 million, adjusted for non-cash charges of $51.5 million and net cash inflows of $12.3 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of stock-based compensation, amortization of debt discount and issuance costs, amortization of deferred commissions, depreciation and amortization of property and equipment and intangible assets, deferred income taxes and non-cash charitable contributions. The primary drivers of the changes in operating assets and liabilities related to a $26.8 million increase in deferred revenue, a $4.7 million increase in accrued expenses and other liabilities and a $3.1 million increase in accounts payable and accrued compensation, partially offset by a $14.2 million increase in deferred commissions, a $7.2 million increase in accounts receivable and a $0.8 million increase in prepaid expenses and other assets.

During the six months ended July 31, 2017, cash used in operating activities was $15.9 million primarily due to our net loss of $53.7 million, adjusted for non-cash charges of $31.9 million and net cash inflows of $5.9 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 $18.0 million increase in deferred revenue, a $1.3 million decrease in accounts receivable, and an increase of $3.7 million in accounts payable, accrued compensation and other accrued expenses, partially offset by an increase of $4.9 million in prepaid expenses and other assets and a $9.5 million increase in deferred commissions.

Investing Activities

Net cash used in investing activities during the six months ended July 31, 2018 of $267.7 million was primarily attributable to the purchases of investments of $320.0 million, payment of $15.6 million, net of cash acquired, in connection with ScaleFT acquisition, purchases of property and equipment of $9.8 million to support additional office space and headcount, and the capitalization of internal-use software costs of $1.7 million associated with the development of additional significant features and functionality to our platform. These activities were offset by proceeds from the sales and maturities of investments of $79.5 million.

Net cash provided by investing activities during the six months ended July 31, 2017 of $80.3 million was primarily attributable to proceeds from the sales and maturities of investments of $14.4 million, which was partially offset by 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 features and functionality of our platform.

Financing Activities

Cash provided by financing activities during the six months ended July 31, 2018 of $334.9 million was primarily attributable to proceeds from the issuance of the 2023 Notes of $335.0 million, net of costs of issuance, proceeds from the issuance of warrants of $52.4 million, proceeds from the exercise of stock options of $21.1 million, net of repurchases and proceeds from our employee stock purchase plan of $6.7 million, offset by cash used to purchase the Note Hedges of $80.0 million.

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 and proceeds from the exercise of stock options of $3.9 million, net of repurchases, partially offset by $4.0 million in payments related to deferred offering costs.

Obligations and Other Commitments

The following table represents our future non-cancelable contractual obligations as of July 31, 2018, aggregated by type:

	Payments Due by Period				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
	(in thousands)				
Convertible senior notes [1]	$ —	$ —	$ 345,000	$ —	$ 345,000
Operating lease obligations [2]	10,707	50,653	55,353	131,172	247,885
Other obligations [3]	13,560	11,891	1,691	—	27,142
Total contractual obligations	$ 24,267	$ 62,544	$ 402,044	$ 131,172	$ 620,027

[1] Represents the principal amount of the 2023 Notes. See Note 8 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further details.

[2] Consists of future non-cancelable minimum rental payments under operating leases for our offices. These payments have not been adjusted to reflect minimum sublease rental income of $17.1 million payable to us through 2024 pursuant to a non-cancellable sublease.

[3] Consists of future minimum payments under non-cancelable purchase commitments primarily related to data center, IT operations, sales and marketing activities, and interest obligations for the 2023 Notes that are payable in cash.

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 financial statements.

Off-Balance Sheet Arrangements

As of July 31, 2018, 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.

Our significant accounting policies are discussed in “Notes to Consolidated Financial Statements - Note 2. Summary of Significant Accounting Policies” in our Form 10-K. There have been no significant changes to these policies for the six months ended July 31, 2018, except as described in Note 2 to our condensed consolidated financial statements “Accounting Standards and Significant Accounting Policies”.

Recent Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements “Accounting Standards and Significant Accounting Policies” 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, 2018 and 2017, 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 $536.3 million as of July 31, 2018, of which $511.0 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, 2018, 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.

Convertible Senior Notes

In February 2018, we issued the 2023 Notes due February 15, 2023 with a principal amount of $345.0 million. Concurrently with the issuance of the 2023 Notes, we entered into separate Note Hedges and warrant transactions. The Note Hedges were completed to reduce the potential dilution from the conversion of the 2023 Notes.

The 2023 Notes have a fixed annual interest rate of 0.25%; accordingly, we do not have economic interest rate exposure on the 2023 Notes. However, the fair value of the 2023 Notes is exposed to interest rate risk. Generally, the fair market value of the fixed interest rate 2023 Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the 2023 Notes fluctuates when the market price of our common stock fluctuates. The fair value was determined based on the quoted bid price of the 2023 Notes in an over-the-counter market on the last trading day of the reporting period. See Note 5 to our condensed consolidated financial statements for more information.

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 were no changes 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 have materially affected, or are 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, does 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, 2018.

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 2016 to fiscal 2017, our revenue grew from $85.9 million to $160.3 million, an increase of 87% and from fiscal 2017 to fiscal 2018, our revenue grew from $160.3 million to $260.0 million, an increase of 62%. 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, up-sell or otherwise increase our existing customers' use of our platform, obtain customer renewals and provide our customers with excellent customer support;
- increase our number of ISVs and channel partners;
- adequately expand our sales force, and maintain or increase our sales force's productivity;
- successfully introduce new products, enhance existing products and address new use cases;
- 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 $76.3 million, $83.5 million and $114.4 million in fiscal 2016, 2017 and 2018, 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. As we continue to develop as a public company, we may incur additional legal, accounting and other expenses that we did not incur historically. 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 ISVs, channel partners and system integrators, 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. For products that organizations can use to manage identities for their extended enterprise, which we previously referred to as the internal use case, our competitors include authentication, provisioning and adaptive multi-factor authentication providers, many of which are large companies such as Computer Associates, Citrix, IBM, Microsoft, Oracle, RSA (a division of Dell Technologies) and Symantec, infrastructure-as-a-service providers such as Google Cloud Platform and Amazon Web Services, or AWS, and companies that have acquired identity management solution providers in recent years. For products that organizations can use to manage and secure their customers' identities, which we previously referred to as the external use case,

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 (since 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. If a service provider fails to provide sufficient capacity to support our platform or otherwise experiences service outages, such failure could interrupt our customers' access to our services, which could adversely affect their perception of our platform's reliability and our revenues. 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, result in the expenditure of significant financial, technical and engineering resources, 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 threats from traditional computer "hackers," malicious code (such as malware, viruses, worms and ransomware), employee theft or misuse, password spraying, phishing and denial-of-service attacks, we now also face threats from sophisticated nation-state and nation-state supported actors who engage in attacks (including advanced persistent threat intrusions) that add to the risks to our internal networks, our customers' systems and the information that they store and process. Despite significant efforts to create security barriers to such threats, it is virtually impossible for us to entirely mitigate these risks. As a well-known provider of identity and security solutions, we pose an attractive target for such attacks. 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 personal data. If a breach of customer data security or unauthorized access to customer systems through our platform 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 or systems 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 and our customers 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, trigger indemnification and other contractual obligations, cause us to incur mitigation and remediation expenses, and have a negative impact on our ability to attract and retain new customers. Furthermore, as a well-known provider of identity and security solutions, any such breach, including a breach of our customers' systems, 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' systems 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, increased insurance expense, and costly litigation. In addition, a breach of the security measures of one of our key ISVs or channel partners 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;
- our ability to attract new customers and increase our existing customers' use of 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;
- the mix of revenue attributable to larger transactions as opposed to smaller transactions and the associated volatility and timing of our transactions;
- 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 of litigation and other disputes or other litigation-related or dispute-related costs;
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our platform;
- the impact of new accounting pronouncements and associated system implementations;
- changes in the legislative or regulatory environment;
- fluctuations in foreign currency exchange rates;
- expenses related to real estate, including our office leases, and other fixed expenses;
- 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 data. The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to the

operations 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 data. 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 authorization 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 data 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. For example, in June 2018 California enacted the California Consumer Privacy Act which takes effect on January 1, 2020 and will broadly define personal information, give California residents expanded privacy rights and protections and provide for civil penalties for violations and a private right of action for data breaches. 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 data stored or maintained by such companies, inform individuals of security breaches that affect their personal data, and, in some cases, obtain individuals' consent to use personal data for certain purposes. If we, or the third parties on which we rely, 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 our services' features involve the processing of personal data from our customers and their employees, contractors, customers, partners and others, any inability to adequately address privacy concerns, even if such concerns are 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 data. 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 data 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 personal data 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 data may create negative public reactions to technologies, products and services such as ours. Public concerns regarding personal data 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 products that our customers can use to manage and secure the identities of their customers;
- 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 commitments, under which we guarantee specified availability of our platform. 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 (since 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 commitments 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 ISVs and 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 such partners by our competitors could result in a decrease in the number of our current and potential customers, as these partners may no longer facilitate the adoption of our applications by potential customers. Further, some of our partners are or may become competitive with certain of our products and may elect to no longer integrate with our platform. 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 ratably 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 and our ability to successfully complete acquisitions. If we do not adequately fund our research and development efforts or complete acquisitions successfully, 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 elect not to or 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, we may choose 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 AWS data centers, a provider of cloud infrastructure services. All of our products utilize resources 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, or other third-party service providers whose services are integrated with our platform, 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 less 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 an 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/or the payment of substantial damages or other amounts to settle such disputes;
- require significant management time;
- cause us to enter into unfavorable royalty or license agreements, if such arrangements are available at all;
- require us to discontinue the sale of some or all of our products, or to remove or reduce features or functionality 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. As we continue to grow, the possibility of infringement claims 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, settlement fees, 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 infringing or allegedly infringing 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 invalidation of the Safe Harbor Program and the 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.

After the invalidation of the Safe Harbor Framework, negotiators from the European Union and United States worked to arrive at a new solution to legitimize transfers of Personal Data from the EEA to the United States and eventually reached political agreement on a successor to the Safe Harbor Framework. The Privacy Shield was formally adopted and as of August 1, 2016, interested companies have been permitted to register for the program. There continue to be concerns about the future of Privacy Shield as a legitimate data transfer mechanism as it continues to be subject to legal 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. On April 27, 2016 the European Union adopted the General Data Protection Regulation 2016/679, or GDPR, that took effect on May 25, 2018, replacing the current data protection laws of each EU member state. The GDPR applies to any company established in the EU as well as to those outside the EU if they collect and use personal data in connection with the offering of goods or services to individuals in the EU or the monitoring of their behavior. The GDPR enhances data protection obligations for processors and controllers of personal data, including, for example, expanded disclosures about how personal data is to be used, limitations on retention of information, mandatory data breach notification requirements and onerous new obligations on services providers. Non-compliance with the GDPR can trigger fines of up to €20 million, or 4% of total worldwide annual revenue, whichever is higher. Given the breadth and depth of changes in data protection obligations, complying with its requirements has caused us to expend significant resources and such expenditures are likely to continue into the near future as we respond to new interpretations and enforcement actions following the effective date of the regulation and as we continue to negotiate data processing agreements with our customers and business partners. Separate EU laws and regulations (and member states' implementations thereof) govern the protection of consumers and of electronic communications and these are also evolving. A draft of the new ePrivacy Regulation extends the strict opt-in marketing rules with limited exceptions to business-to-business communications, alters rules on third-party cookies, web beacons and similar technology and significantly increases penalties. We cannot yet determine the impact that such future laws, regulations, and standards may have on our business. Such laws and regulations are often subject to differing interpretations and may be inconsistent among jurisdictions. We may incur substantial expense in complying with the new obligations to be imposed by the GDPR and we may be required to make significant changes in our business operations and product and services development, all of which may adversely affect our revenues and our business overall.

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 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 EU 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.

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 successfully integrate and retain the acquired personnel, integrate the acquired 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, or in adverse tax consequences or unfavorable accounting treatment, which could harm our results of operations. We may also experience delays or reductions in customer purchases for both us and the acquired business, disruption of partner relationships, claims and disputes with stockholders or third parties, unforeseen integration or other expenses, and future impairment of goodwill or other acquired intangible assets. 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 2017 and 2018, our international revenue was 13% and 15%, 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;
- laws and business practices favoring local competitors or commercial parties;
- costs and liabilities related to compliance with the GDPR and disparate data privacy standards and enforcement;
- 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 certain favorable pricing options;
- 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 performance obligations, 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.

Our international operations may give rise to potentially adverse tax consequences.

We are expanding our international operations and staff to better support our growth into the international markets. Our corporate structure and associated transfer pricing policies anticipate future growth into the international markets. The amount of taxes we pay in different jurisdictions may depend on the application of the tax laws of the various jurisdictions, including the United States, to our international business activities, changes in tax rates, new or revised tax laws or interpretations of existing tax laws and policies and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions, which are generally required to be computed on an arm's-length basis pursuant to intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

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.

Comprehensive tax reform legislation could adversely affect our business and financial condition.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (the Tax Act) that significantly reforms the Internal Revenue Code of 1986, as amended (the Code). The Tax Act, among other things, includes changes to U.S. federal tax rates, imposes significant additional limitations on the deductibility of interest and net operating loss carryforwards, allows for the expensing of capital expenditures, and puts into effect the migration from a "worldwide" system of taxation to a territorial system. We continue to examine the impact this tax reform legislation may have on our business. The impact of this tax reform is uncertain and could be adverse.

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 functions. 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. 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 us as 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 additional 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 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 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 be required to include in our periodic reports that are filed with the SEC after we are no longer an “emerging growth company,” as defined in the JOBS Act. 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. We expect to cease being an “emerging growth company” as of January 31, 2019. 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 Accounting Standards Update 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. Under this new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized

in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. We adopted this new standard on February 1, 2018, and the adoption did not have a material impact on revenue. The primary impact of the adoption relates to the amount and timing of the costs incurred to acquire contracts. Refer to Note 2 to our consolidated financial statements included elsewhere in this Form 10-Q for additional information on the new standard and a summary of adjustments to amounts previously reported. Adoption of such new standards and any difficulties in implementation of changes in accounting principles, including the ability to modify our accounting systems, could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

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 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 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, including those caused by cybersecurity incidents, 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 expect to be an "emerging growth company," as defined in the JOBS Act, until January 31, 2019. As an "emerging growth company," 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;
- significant security breaches, technical difficulties or interruptions of our services;
- 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; and
- sales of additional shares of our Class A common stock by us, our directors, our officers 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 57.8% of the voting power of our capital stock as of July 31, 2018. 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, 2018, our directors, executive officers, and their affiliates, held in the aggregate 57.8% 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 have retained their shares.

Sales of substantial amounts of our Class A common stock in the public markets, 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.

In addition, as of July 31, 2018, we had 20,133,894 options outstanding that, if fully exercised, would result in the issuance of shares of Class B common stock and 764,596 options outstanding that, if fully exercised, would result in the issuance of shares of Class A common stock. As of July 31, 2018, we also had 4,890,786 restricted stock units, or RSUs, outstanding that, if vested and settled, would result in the issuance of shares of Class A common stock. All of the shares of Class A and Class B common stock issuable upon the exercise of stock options and vesting of RSUs 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 applicable vesting requirements.

Furthermore, a substantial number of shares of our Class A common stock is reserved for issuance upon the exercise of the 2023 Notes (as defined below) and the warrants issued at the time of the issuance of the 2023 Notes. If we elect to satisfy our conversion obligation on the 2023 Notes solely in shares of our Class A common stock upon conversion of the notes, we will be required to deliver the shares of our Class A common stock, together with cash for any fractional share, on the second business day following the relevant conversion date.

As of July 31, 2018, the holders of approximately 2.1 million 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.

Risks Related to our Outstanding Convertible Notes

Servicing our debt may require a significant amount of cash. We may not have sufficient cash flow from our business to pay our indebtedness, and we may not have the ability to raise the funds necessary to settle for cash conversions of the 2023 Notes or to repurchase the 2023 Notes for cash upon a fundamental change, which could adversely affect our business and results of operations.

In February 2018, we issued $345 million aggregate principal amount of the 2023 Notes in a private offering. The interest rate is fixed at 0.25% per annum and is payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2018. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the 2023 Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance any future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our debt.

In addition, holders of the 2023 Notes have the right to require us to repurchase their 2023 Notes upon the occurrence of a fundamental change (as defined in the indenture governing the 2023 Notes) at a repurchase price equal to 100% of the principal amount of the 2023 Notes to be repurchased, plus accrued and unpaid interest, if any. Upon conversion of the 2023 Notes, unless we elect to deliver solely shares of our Class A common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the 2023 Notes being converted. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of 2023 Notes surrendered therefor or 2023 Notes being converted. In addition, our ability to repurchase the 2023 Notes or to pay cash upon conversions of the 2023 Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase 2023 Notes at a time when the repurchase is required by the indenture governing the notes or to pay any cash payable on future conversions of the 2023 Notes as required by such indenture would constitute a default under such indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated

after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the 2023 Notes or make cash payments upon conversions thereof.

In addition, our indebtedness, combined with our other financial obligations and contractual commitments, could have other important consequences. For example, it could:

- make us more vulnerable to adverse changes in general U.S. and worldwide economic, industry and competitive conditions and adverse changes in government regulation;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a disadvantage compared to our competitors who have less debt;
- limit our ability to borrow additional amounts to fund acquisitions, for working capital and for other general corporate purposes; and
- make an acquisition of our company less attractive or more difficult.

Any of these factors could harm our business, results of operations and financial condition. In addition, if we incur additional indebtedness, the risks related to our business and our ability to service or repay our indebtedness would increase.

The conditional conversion feature of the 2023 Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the 2023 Notes is triggered, holders of 2023 Notes will be entitled to convert the 2023 Notes at any time during specified periods at their option. If one or more holders elect to convert their 2023 Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their 2023 Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Transactions relating to our 2023 Notes may affect the value of our Class A common stock.

The conversion of some or all of the 2023 Notes would dilute the ownership interests of existing stockholders to the extent we satisfy our conversion obligation by delivering shares of our Class A common stock upon any conversion of such 2023 Notes. Our 2023 Notes may become in the future convertible at the option of their holders under certain circumstances. If holders of our 2023 Notes elect to convert their notes, we may settle our conversion obligation by delivering to them a significant number of shares of our Class A common stock, which would cause dilution to our existing stockholders.

In addition, in connection with the issuance of the 2023 Notes, we entered into convertible note hedge transactions with certain financial institutions (the Option Counterparties). We also entered into warrant transactions with the Option Counterparties pursuant to which we sold warrants for the purchase of our Class A common stock. The convertible note hedge transactions are expected generally to reduce the potential dilution to our Class A common stock upon any conversion or settlement of the 2023 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted 2023 Notes, as the case may be. The warrant transactions could separately have a dilutive effect to the extent that the market price per share of our Class A common stock exceeds the strike price of any warrants unless, subject to the terms of the warrant transactions, we elect to cash settle the warrants.

From time to time, the Option Counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions prior to the maturity of the 2023 Notes. This activity could cause a decrease in the market price of our Class A common stock.

The accounting method for convertible debt securities that may be settled in cash, such as the 2023 Notes, could have a material effect on our reported financial results.

Under Financial Accounting Standards Board Accounting Standards Codification 470-20, *Debt with Conversion and Other Options*, which we refer to as ASC 470-20, an entity must separately account for the liability and equity components of convertible debt instruments (such as the 2023 Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. ASC 470-20 requires the value of the conversion option of the 2023 Notes, representing the equity component, to be recorded as additional paid-in capital within stockholders' equity in our consolidated balance sheet and as a discount to the 2023 Notes, which reduces their initial carrying value. The carrying value of the 2023 Notes, net of the discount recorded, will be accreted up to the principal amount of the 2023 Notes from the issuance date until maturity, which will result in non-cash charges to interest expense in our consolidated statement of operations. Accordingly, we will report lower net income or higher net loss in our financial results because ASC 470-20 requires interest to include both the current period's accretion of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our Class A common stock and the trading price of the 2023 Notes.

In addition, under certain circumstances, convertible debt instruments (such as the 2023 Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the 2023 Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the 2023 Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of Class A common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the 2023 Notes, then our diluted earnings per share would be harmed.

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	Agreement of Lease between the Registrant and Six Thirty-Four Second Street dated December 11, 2014, as amended	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, 2018

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

Exhibit 10.1

AGREEMENT OF LEASE

By and Between

Six Thirty-Four Second Street, **LLC**

a Delaware limited liability company

("**Landlord**")

and

OKTA, **Inc.**,

a Delaware corporation

("**Tenant**")

SUMMARY OF BASIC LEASE INFORMATION

The undersigned hereby agree to the following terms of this Summary of Basic Lease Information (the "**Summary**"). This Summary is hereby incorporated into and made a part of the attached Office Lease (this Summary and the Office Lease to be known collectively as the "**Lease**") which pertains to the office building (the "**Building**") which is located at 634 Second Street, San Francisco, California. Each reference in the Office Lease to any term of this Summary shall have the meaning as set forth in this Summary for such term. In the event of a conflict between the terms of this Summary and the Office Lease, the terms of the Office Lease shall prevail. Any capitalized terms used herein and not otherwise defined herein shall have the meaning as "set forth in the Office Lease.

TERMS OF LEASE		**DESCRIPTION**
a)	Effective Date:	December 11, 2014
b)	Landlord:	Six Thirty-Four Second Street, LLC, a Delaware limited liability company
c)	Address of Landlord:	c/o Manchester Capital Management 3657 Main Street Manchester Village, Vermont 05254
d)	Tenant:	OKTA, Inc., a Delaware corporation
e)	Address of Tenant (Paragraph 9):	
Subsequent to occupancy		634 Second Street, San Francisco, California 94107 Attn: Bill Losch
Prior to occupancy		301 Brannan Street, Third Floor San Francisco, CA 94107 Attn: Bill Losch with, at all times, a copy to: Shartsis Friese LLP One Maritime Plaza, 18th Floor San Francisco, CA94111 Attn: Jonathan Kennedy/Kathleen Bryski
f)	Premises (Paragraph 1):	45,032 rentable square feet of space comprising all rentable space on all of the floors (ground, mezzanine, second and third floors) of the Building, excepting only 1,720 rentable square feet of retail space located on the ground and mezzanine floors ("**Retail Space**"), all as more particulary set forth in the attached Exhibit A.
g)	Building (Paragraph 1):	634 Second Street, San Francisco, California. Total square footage of rentable space of the Building: approximately 46,752 rentable square feet.
h)	Term (Paragraph 2):	
	(i) Early Access Date:	Prior to the Lease Commencement Date Landlord shall make the Premises available to Tenant so as to allow Tenant to commence construction of the Tenant Improvements pursuant to the Work Letter. The date upon which Landlord provide such access is referred to herein as the "Early Access Date". It is anticipated that the **Early Access Date** shall occur on or about June 1, 2015.
	(ii) Lease Commencement Date:	The date ninety (90) days following the Early Access Date.
	(ii) Lease Expiration Date:	The day immediately preceding the ninth (9th) anniversary of the Lease Commencement Date.
i)	Extension Option (Paragraph 2.2):	One additional five (5) year term.
j)	Monthly Basic Rent (NNN; Paragraph 4):	

Period	Monthly Basic Rent	Annual Rate Per RSF
Months 1 through 12	$210,149.33*	$56.00
Months 13 through 24	$216,453.81	$57.68
Months 25 through 36	$222,947.43	$59.41
Months 37 through 48	$229,635.85	$61.93
Months 49 through 60	$236,524.93	$63.03
Months 61 through 72	$243,620.67	$64.92
Months 73 through 84	$250,929.29	$66.87
Months 85 through 96	$258,457.17	$68.87
Months 96 through 108	$266,210.89	$70.94

Subject to adjustment to Fair Market Rental Value at the commencement of the Extended Term.

* Subject to abatement of Monthly Basic Rent in months 1-4.

TERMS OF LEASE		DESCRIPTION
k)	Security Deposit (Paragraph 7):	$2,773,287
1)	Direct Operating Expenses (Paragraph 5):	All Direct Operating Expenses of the Premises consisting in part of utility charges and certain maintenance repair costs shall be Tenant's responsibility.
m)	Common Operating Expenses (Paragraph 6.2)	Tenant's Share of all Common Operating Expenses of the Building, consisting in part of property taxes, insurance premiums and deductibles, and maintenance and repair costs, shall be Tenant's responsibility
n)	Tenant's Share:	96.32% (i.e., 45,032/46,752)
o)	Brokers/Paragraph 10):	Tenant's Broker: CBRE, Inc. Landlord's Broker: Cornish & Carey Newmark Knight Frank
p)	Work Letter:	Attached as Exhibit B.

The foregoing terms of this Summary are agreed to by Landlord and Tenant.

LANDLORD:

Six Thirty-Four Second Street LLC,
a Delaware limited liability company

By: /s/ Bayard R. Kraft III
Name: Bayard R. Kraft III
Its: Authorized Agent

TENANT:

OKTA, Inc.
a Delaware corporation

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

Table of Contents **Page**

OFFICE LEASE

THIS LEASE, dated December 11, 2014 for purposes of reference only (the "**Effective Date**"), is made and entered into by and between SIX THIRTY-FOUR SECOND STREET, LLC, a Delaware limited liability company ("**Landlord**") and OKTA INC., a Delaware corporation ("**Tenant**").

1. The Premises.

1.1 Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, the Premises designated in the Summary of Basic Lease Information ("**Summary**") attached hereto, and which is more particularly described and outlined on the floor plan attached hereto and marked Exhibit A, all of which is incorporated herein by this reference. The Premises is located in the building at the address designated in the Summary (the "**Building**"), and located on the parcel of real property (the "**Site**") under the Building. Tenant acknowledges that Landlord has made no representation or warranty regarding the condition of the Premises, Building, or Site except as specifically stated in this Lease. The parties hereto agree that said letting and hiring is upon and subject to the terms, covenants and conditions herein set forth and Tenant and Landlord covenant as a material part of the consideration for this Lease to keep and perform each and all of said terms, covenants and conditions by it to be kept and performed, and this Lease is made upon the condition of such performance.

1.2 Tenant shall have the nonexclusive right to use in common with other tenants in the Building, subject to the reasonable discretion of Landlord to determine the manner in which the public and common areas are maintained and operated, the loading and unloading areas, roadways, sidewalks, walkways, parkways, and driveways appurtenant to the Building Premises ("**Common Areas**")**.**

1.3 Landlord reserves the rights from time to time as set forth below provided that Landlord shall use commercially reasonable efforts with respect to the exercise of any and all such rights so as not to interfere with Tenant's use of or access to the Premises:

(a) To remove, install, reinstall, use, maintain, repair and replace pipes, ducts, conduits, wires and appurtenant meters and equipment for service to other parts of the Building above the ceiling surfaces, below the floor surfaces, within the walls and in the central core areas, and to relocate any pipes, ducts, conduits, wires and appurtenant meters and equipment included in the Premises which 'are located in the Premises or located elsewhere outside the Premises, and to expand the Building;

(b) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, loading and unloading areas, ingress, egress, direction of traffic and walkways;

(c) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(d) To use the Common Areas at any time, including, but not limited to, while engaged in making additional improvements, repairs or alterations to the Building, or any portion thereof; and/or

(e) To do and perform such other acts and make such other changes in, to or with respect to the Site, Common Areas and Building including, without limitation, the roof and windows of the Building as Landlord may, in the exercise of Landlord's reasonable business judgment, deem to be appropriate.

Except in the case of emergency, Landlord will use reasonable efforts to perform any work described in this Paragraph 1.3 which might be disruptive only on weekends or during periods after business hours to the extent reasonably practicable (the cost of any and all such work including, without limitation, overtime costs incurred by Landlord in connection therewith may be included in Common Operating Expenses, subject to the limitations set forth in Article 6 below). 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 will not reduce Tenant's usable space, except to a de minimus extent, if the same are not installed behind existing walls or ceilings; and (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.

1.4 Tenant acknowledges that certain furniture, fixtures and equipment owned by Landlord may be located within the Premises, and that the Premises currently contains certain data communication cabling within the wall and ceiling. All of such personal property and cabling owned by Landlord shall remain at the Premises and Tenant shall have the right to use all of the same during the, Term. Tenant shall have access to available space in the riser closet and shall be responsible for taking service to the floors occupied by Tenant. Tenant may install additional cabling and conduits at its sole cost and expense subject to Landlord's reasonable prior approval as provided herein. Upon expiration or earlier termination of the Term, Tenant shall return all of the original personal property to Landlord in good condition and repair, subject to normal wear and tear and casualty. On or about the Early Access Date, Landlord and Tenant shall jointly conduct an inspection of the existing personal property

located within the Premises, so as to create an inventory of such personal property and the condition of such personal property, in order to establish "baseline" for determining the appropriate condition of such property upon return to Landlord.

1.5 The rights and obligations of the parties regarding the tenant improvements, alterations or construction of the Premises to be performed at the commencement of the Term are described in the Tenant Work Letter ("**Work Letter**") attached to this Lease as Exhibit B. Any inconsistency between the provisions of the Work Letter and the provisions of the balance of this Lease shall be governed by the provisions of the Work Letter.

1.6 References in this Lease to "rentable square feet", "rentable square footage" and "rentable area" shall have the same meanings, and Tenant hereby acknowledges and agrees that the rentable square footage of the Premises shall be deemed, and is, 45,032 rentable square feet, and the rentable square footage of the Building shall be deemed, and is, 46,752 rentable square feet. Landlord represents that the foregoing square footage determinations were the result of a measurement made of the Building and the Premises in accordance with BOMA Standard (i.e., the American National Standard method of measuring floor area in office buildings of the Building Owners and Managers Association (ANSI Z65.1 -2010)). The parties agree that the 45,032 rentable square foot measurement of the Premises and the 46,752 rentable square foot measurement of the Building shall not be changed, and no adjustment in the Monthly Basic Rent, any monetary or other obligation of Tenant, or any other term of this Lease shall be made by reason of a change in the rentable square footage of the Premises or the Building except in connection with a physical change in the size of the Premises (and, in the event of any such physical change in the size of the Premises, any remeasurement necessitated thereby shall be carried in accordance with the BOMA Standard).

2. Term.

2.1 The term of this Lease ("**Term**") shall be for the period designated in the Summary. The Term shall commence on the Lease Commencement Date and end on the Lease Expiration Date, unless the Term shall be sooner terminated or extended as hereinafter provided.

2.2 Tenant shall have one option (the "**Extension Option**") to extend the Term, for an additional five (5) year period (the "**Extended Term**") on all the terms and conditions contained in this Lease with the exception of the Monthly Basic Rent which shall be adjusted pursuant to the provisions of Paragraphs 4.2 and with the further exception that upon exercise of the Extension Option by Tenant, Tenant shall thereafter have no further right to extend the Term. In order to exercise the Extension Option, Tenant shall deliver written notice of its exercise of the option ("**Option Notice**") to Landlord no earlier than eighteen (18) months and no later than twelve (12) months prior to the expiration of the initial Term. The Extension Option shall be subject to the following terms and conditions:

(a) The Extension Option may be exercised only by delivery of the Option Notice as provided in this Paragraph and only if, as of the date of delivery of the Option Notice and the commencement date of the Extended Term, Tenant is not in default under this Lease beyond applicable notice and cure periods (hereinafter "**Default**").

(b) The rights contained in this Paragraph shall be personal to the originally named Tenant and may be exercised only by the originally named Tenant (or an entity which controls, is controlled by or is under common control with Tenant, or to any entity resulting from the merger or consolidation with Tenant or to any person or entity which acquires substantially all of the assets of Tenant as a going concern) and only if the originally named Tenant (or an entity which controls, is controlled by or is under common control with Tenant, or to any entity resulting from the merger or consolidation with Tenant or to any person or entity which acquires substantially all of the assets of Tenant as a going concern) occupies at least the entire area on two adjacent floors of the Premises as of the date it exercises the Extension Option in accordance with the terms of this Paragraph.

(c) If Tenant properly exercises the Extension Option and is not in Default, at the end of the initial Term, the Term shall be extended for the applicable Extended Term, References in this Lease to the "**Term**" shall include the initial Term of nine (9) years, and shall, in addition, include the Extended Term, if applicable.

3. Early Access and Possession. Landlord shall give Tenant written notice of the date on which the Premises shall be available for the purposes as described in this Paragraph 3 ("**Early Access Date**")**.** It is anticipated that the Early Access Date shall occur on or about June 1, 2015. Landlord shall allow Tenant, and Tenant's contractors, vendors and service providers, access to the Premises and the Building at any time on or after the Early Access Date for the purpose of constructing the Tenant Improvements pursuant to the Work Letter and installing Tenant's furniture, fixtures, equipment and other personal property, and to prepare the Premises for Tenant's occupancy. Tenant shall provide Landlord with reasonable written evidence of liability insurance pursuant to Paragraph 21.1(a) prior to Tenant's entry onto the Premises pursuant to the provisions of this Paragraph 3. Landlord shall have no liability or responsibility for any damage to Tenant's property stored or kept on the Premises, whether prior or subsequent to the Lease Commencement Date except to the extent attributable to the negligence or willful misconduct of Landlord, Landlord's employees, agents, representatives or contractors (and, in any event, subject to the provisions of Paragraph 21.6 below).

4. Monthly Basic Rent/Rent Increases.

4.1 Tenant agrees to pay to Landlord, on a monthly basis, the Monthly Basic Rent designated in the Summary commencing on the Lease Commencement Date (subject to abatement as set forth in Paragraph 4.4 below). Commencing on the first anniversary of the Lease Commencement Date and continuing on each anniversary of the Lease Commencement Date thereafter, the Monthly Basic Rent shall increase by an amount equal to three percent (3%) of the Monthly Basic Rent payable for the month immediately preceding the applicable anniversary date as more particularly provided in the Summary. Tenant shall pay the Monthly Basic Rent in advance on the first day of each and every calendar month during said Term, except that the Monthly Basic Rent due for the first month of the Term shall be paid upon the execution hereof. In the event that the Lease Commencement Date occurs other than on the first day of a calendar month, (i) Monthly Basic Rent for the initial partial calendar month of the Lease Term shall be prorated in the proportion that the number of days this Lease is in effect during such calendar month bears to the actual number of days in the first month of the Term, and the prepaid first month's Monthly Basic Rent shall be applied to such prorated amount with the balance of the prepaid first month's Monthly Basic Rent being applied to reduce the payment of Monthly Basic Rent to be paid on the first day of the first full calendar month of the Term of this Lease, and (ii) the Monthly Basic Rent payable for any calendar month in which the amount of Monthly Basic Rent is to increase as provided in the Summary shall be determined by prorating the applicable lesser and greater Monthly Basic Rent based on the portion of the calendar month for which each is applicable with the sum of such prorated amounts being the Monthly Basic Rent for such calendar Month. Upon the determination of the Lease Commencement Date, the parties shall promptly enter into a Lease Commencement Agreement in the form of Exhibit C attached hereto, setting forth the Lease Commencement Date and a schedule of the Monthly Basic Rent payable hereunder in accordance with the provisions of this Paragraph 4.1. The Monthly Basic Rent and all additional rent including, without limitation, Operating Rent, shall be paid to Landlord without any prior demand therefor and without any deduction or offset whatsoever, except as expressly provided herein, in lawful money of the United States of America, which shall be legal tender at the time of payment, at the address of Landlord designated in the Summary or to such other person or at such other place as Landlord may from time to time designate in writing delivered at least thirty (30) days prior to the date upon which such alternative address is to become effective. For purposes of this Lease, any amount due to Landlord from Tenant, including without limitation Monthly Basic Rent, Direct Operating Expenses and Common Operating Expenses shall be considered additional rent for purposes of this Lease and the word "**rent**" in this Lease shall include such additional rent as well as Monthly Basic Rent, Direct Operating Expenses and Common Operating Expenses unless the context specifically or clearly implies that only the Monthly Basic Rent, Direct Operating Expenses or Common Operating Expenses is referenced.

4.2 In the event Tenant exercises its Extension Option pursuant to the provisions of Paragraph 2.2, the Monthly Basic Rent shall be adjusted at the commencement of the Extended Term to reflect 100% of the "then-Fair Market Rental Value of the Premises" pursuant to the terms of this Paragraph. Landlord shall notify Tenant of Landlord's good faith estimation of the Fair Market Rental Value in writing within thirty (30) days of receipt of the Option Notice ("**Landlord's Estimate**"), setting forth in Landlord's Estimate any Comparable Transactions (defined below) upon which Landlord's Estimate is based. If Tenant does not agree with Landlord's Estimate, Tenant shall deliver written notice of Tenant's objection to Landlord within thirty (30) days of receipt of Landlord's Estimate, failing which Landlord's Estimate shall be deemed to be final. If Tenant timely objects to Landlord's Estimate, Landlord and Tenant shall diligently attempt in good faith to agree on the Fair Market Rental Value of the Premises on or before the thirtieth (30th) day following delivery of Tenant's written objection to Landlord's Estimate (the "**Outside Agreement Date**")**.** If Landlord and Tenant are unable to agree on the new Monthly Basic Rent by the Outside Agreement Date, the Fair Market Rental Value of the Premises shall be determined by real estate brokers pursuant to this Paragraph. The parties shall each select a broker within thirty (30) days of the Outside Agreement Date, who together shall attempt to determine the Fair Market Rental Value of the Premises. If either party fails to appoint a broker within such time period, the broker timely appointed by the other party shall be the sole broker, whose determination shall be binding on both parties. If two brokers are timely appointed, but they are unable to agree on the Fair Market Rental Value of the Premises within sixty (60) days of the Outside Agreement Date, they shall mutually select a third broker. In the event that the two brokers are unable to mutually select a third broker, within sixty (60) days of the Outside Agreement Date, either Landlord or Tenant shall be entitled to apply to the Superior Court in and for the County of San Francisco for appointment of a third broker in accordance with the procedures as established by such court. Upon the selection of the third broker, each of Landlord's broker and Tenant's broker shall place their final good faith determination of the Fair Market Rental Value of the Premises in an envelope and deliver same to the third broker as well as the other broker (each, a "**Final Determination**")**.** The third broker shall, within twenty (20) days of his/her selection following the delivery of the Final Determinations, choose one of the first two brokers' Final Determination as the applicable Fair Market Rental Value based on which of the two (2) it believes to be closest to its own determination. The third broker shall have no option but to select one or the other of the first two brokers' Final Determinations, and shall not have the power to propose a different Fair Market Rental Value. If either broker fails to deliver a Final Determination, then the Final Determination delivered by the other broker shall be deemed to be the Fair Market Rental Value. Each party shall bear the cost of their respective brokers; if a third broker is necessary, the parties shall share equally the cost of the third broker.

All brokers shall be licensed as such by the State of California, and shall have a minimum of ten (10) years' experience in the leasing of similar properties in the San Francisco South of Market District ("**Comparable Buildings**")**.** Comparable Buildings shall include, without limitation, 123 Townsend Street and 139 Townsend Street, San Francisco, California. As used herein, the "**South of Market District**" shall mean the area bordered by the following streets: King, Folsom, 4th Street and the Embarcadero. The Fair Market Rental Value shall mean the economic terms at which tenants, as of the first day of the applicable Extended Term, are leasing for a comparable term, **space** comparable to the Premises, from a willing landlord, at arm's length, which comparable space is located in Comparable Buildings with similar amenities ("**Comparable Transactions**"), or, if such Comparable Buildings, or comparable space within Comparable Buildings, is not available, adjustments shall be made in the determination of Fair Market Rental Value to reflect the age and quality of the Building and Premises as contrasted to other buildings used for comparison purposes, taking into consideration location, views, quality and nature of improvements, proposed term of the lease, extent of services to be provided, the time that the particular rate under consideration became or is to become effective, as well as all tenant concessions and inducements, the standard of measurement by which the rentable area of each space is measured and parking availability, which shall (i) not be subleased, and (ii) shall be leased for a term comparable to the subject Extended Term, upon terms comparable to those contained in this Lease other than Monthly Basic Rent. The intent of the parties is that Tenant will obtain the same rent and other economic benefits that landlords would otherwise give in Comparable Transactions and that Landlord will make and receive the same economic payments and concessions that landlords would otherwise make and receive in Comparable Transactions. The Monthly Basic Rent shall be adjusted to reflect the Fair Market Rental Value, as so determined. The brokers shall expressly consider in their determination of Fair Market Rental Value of the Premises the date on which the Extended Term is to commence, acknowledging that the date on which the determination is made may be several months prior to the date on which the Extended Term commences, The determination of Fair Market Rental Value shall also include the determination of annual increases in the Monthly Basic Rent throughout the Extended Term, to the extent that such increases are typically being applied in the leases of comparable properties used in determining the Fair Market Rental Value.

4.3 All payments received by Landlord from Tenant shall be applied to the oldest payment obligation owed by Tenant to Landlord. No designation by Tenant either in a separate writing or in a check or money order, shall modify this clause or have any force or effect.

4.4 Provided that Tenant is not in Default, then during the first four (4) months of the Term (the "**Rent Abatement Period**"), Tenant shall not be obligated to pay the Monthly Basic Rent otherwise attributable to the Premises during such Rent Abatement Period (the "**Rent Abatement**"). The Rent Abatement Period shall commence as of the Lease Commencement Date. Landlord and Tenant acknowledge that the aggregate amount of the Rent Abatement equals Eight Hundred Forty Thousand Five Hundred Ninety-Seven Dollars and Thirty-Two Cents ($840,597.32). 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 rent and performing the terms and conditions otherwise required under this Lease. If at any time Tenant shall be in Default under this Lease, and if this Lease is terminated by Landlord as a consequence of such Default, then Landlord may include in its claim for termination damages, the unamortized (as of the date of the Default) amount of the Rent Abatement (assuming amortization of the Rent Abatement on a straight-line basis over the Term). Notwithstanding the above provisions of this Paragraph 4.4, Tenant shall be obligated to pay to Landlord the initial installment of Monthly Basic Rent prior to the Early Access Date, which initial installment of Monthly Basic Rent shall be applied after expiration of the Rent Abatement Period consistent with the provisions of Paragraph 4.1 above.

5. Payment of Direct Operating Expenses. Commencing as the Lease Commencement Date Tenant shall pay directly or reimburse Landlord for the costs and expenses ("**Direct Operating Expenses**") set forth below in this Paragraph 5. Costs to be reimbursed to Landlord as more particularly provided in Paragraphs 5.2 and 5.3 below shall be reimbursed in accordance with the provisions of Paragraphs 6.2 and 6.3 below in a manner consistent with the reimbursement to Landlord of Tenant's Share of Common Operating Expenses.

5.1 Tenant shall pay prior to delinquency all taxes assessed against and levied upon Tenant owned leasehold improvements, trade fixtures, furnishings, equipment and all personal property of Tenant contained in the Premises or elsewhere. When possible, Tenant shall cause its leasehold improvements other than the Tenant Improvements, trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord.

5.2 Tenant shall reimburse Landlord for the cost of all Base Building Services and services as otherwise provided by Landlord pursuant to provisions of Paragraph 18 as more particularly provided in such Paragraph,

5.3 Tenant shall reimburse Landlord for Landlord's costs in connection with matters benefitting the Premises but not-the Retail Space including, without limitation, maintenance and repair of the elevator and the HVAC systems serving the Premises. The exclusions set forth below in Paragraph 6.2 shall also be deemed exclusions to the expenses payable by Tenant pursuant to the provisions of this Paragraph 5.3, and the limitation on the inclusion of capital expenses set forth below in Paragraph 6 shall similarly apply to Tenant's obligations to reimburse Landlord for capital items pursuant to the provisions of this Paragraph 5.3.

6. Payment of Taxes, Common Operating Expenses and Other Charges.

6.1 Landlord shall pay prior to delinquency all Real Property Taxes (as defined below) which accrue in connection with the Building beginning on the Commencement Date and continuing thereafter throughout the Term of this Lease, and Tenant shall reimburse Landlord for Tenant's Share of all Real Property Taxes paid by Landlord relating to the Premises within thirty (30) days of receipt of Landlord's invoice therefor and evidence of payment. If any installment of Real Property Taxes paid by Landlord covers any period of time prior to the Lease Commencement Date or after expiration of the Term, Tenant's Share of the Real Property Taxes shall be equitably prorated to cover only the period of time on and after the Lease Commencement Date that this Lease is in effect, and Landlord shall reimburse Tenant for any overpayment by reason of such proration. If Landlord receives a refund of Real Property Taxes, attributable to any period during the Term, Landlord shall, either pay to Tenant, or credit against subsequent payments of Common Operating Expenses due hereunder, an amount equal to Tenant's Share of the refund, net of any reasonable expenses incurred by Landlord in achieving such refund; provided, however, if this Lease shall have expired or is otherwise terminated, Landlord shall refund in cash any such refund or credit due to Tenant within thirty (30) days after Landlord's receipt of such refund. Landlord's obligation to so refund to Tenant any such refund of Real Property Taxes shall survive such expiration or termination.

As used herein, the term "**Real Property Taxes**" shall include any form of real estate tax, any tax levied on the collection of rent payable under this Lease (whether in the form of a business tax or rental income tax), any general, special, ordinary or extraordinary assessment, any improvement bond, levy or similar tax (or any other fee, charge, or excise which may be imposed as a substitute for any of the foregoing) imposed upon the Building by any authority having the direct or indirect power to tax, including any city, county, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district, levied against any legal or equitable interest of Landlord in the Premises. Real Property Taxes shall not include (i) any estate, inheritance, transfer, gift, state or federal income or franchise taxes, or (ii) any penalties or interest accrued in connection with the Real Property Taxes (unless the result of Tenant's failure to comply with its obligations under this Lease) or (iii) any taxes directly payable by any occupant of the Building (including Tenant) pursuant to the provisions of such occupant's lease or other occupancy agreement. Tenant acknowledges that Tenant shall be responsible for the payment of any increase in Real Property Taxes during the Term resulting from construction of the Tenant Improvements or any subsequent improvements constructed by Tenant during the Term. To the extent any Real Property Taxes may permit the payment in installments (such as a special assessment), Landlord shall elect to cause the same to be paid in the maximum allowable number of installments, and Tenant shall only be responsible for paying those installments to the extent accruing during the Term of the Lease.

Tenant shall be entitled to contest any Real Property Taxes for which Tenant is responsible provided that Tenant shall obtain Landlord's consent (which consent shall not be unreasonably withheld, conditioned or delayed) prior to contesting any Real Property Taxes, and in the event of such tax contest by Tenant, Tenant shall (i) fully indemnify Landlord pursuant to the provisions of this Lease, for any loss or liability incurred by Landlord as a consequence of Tenant's contest of Real Property Taxes (provided, however, that such indemnity obligation shall not include the obligation to compensate Landlord on the basis of any claim that Tenant's challenge or appeal of Real Property Taxes should have resulted in a reduction in Real Property Taxes that is greater than the reduction (if any) in Real Property Taxes realized as a consequence of Tenant's challenge of Real Property Taxes and (ii) bear the full cost of any such contest including without limitation the cost of any interest and penalties which may be assessed. If a change in Real Property Taxes is obtained for any year of the Term, then Real Property Taxes for that year shall be retroactively adjusted to reflect any actual reduction realized by Landlord and Landlord shall provide Tenant with a credit, if any, based on the actual adjustment. Landlord shall notify Tenant in writing of any material change in any tax assessment or reassessment of the Building and the Site within sufficient time to allow Tenant to review (and protest or appeal, if appropriate) such assessment or reassessment. Landlord shall cooperate at no more than a nominal cost to Landlord and in good faith with Tenant in connection with any protest or contest of taxes or assessments made by Tenant.

6.2 Tenant shall pay to Landlord Tenant's Share (as defined in the Summary) of all expenses incurred by Landlord in the operation of the Building, excluding any expenses paid directly by any tenant of the Building including, without limitation, the Direct Operating Expenses payable by Tenant (the "**Common Operating Expenses**"), pursuant to this Paragraph, Common Operating Expenses are intended to be inclusive of all costs of operating and maintaining the Building and the real property on which it is situated exclusive only of the Direct Operating Expenses, subject to the exclusions and limitations set forth herein. Landlord agrees to make reasonable efforts to minimize costs insofar as such efforts are not inconsistent with Landlord's intent to operate and maintain the Building in a first class manner. At Tenant's request, Landlord and Tenant shall meet and confer on an annual basis to review Landlord's anticipated Common Operating Expenses (and any projects or programs included therein) over the ensuing calendar year. Common Operating Expenses may include, but shall not be limited to, the following: all costs and expenses of repairing, operating and maintaining the heating, ventilating and air conditioning ("**HVAC**") system for the Building, the elevators, and all other major systems and components of the Building other than costs constituting Direct Operating Expenses, including maintenance contracts therefore; costs and expenses incurred by Landlord in providing water and sewer service to the Building, and other utilities and services not directly paid for by Tenant as a portion of the Direct

Operating Expenses or otherwise or payable by any other Building occupant; costs incurred by Landlord for accountants and other professionals reasonably necessary in making the computations required hereunder; all costs and expenses incurred by Landlord in operating, managing, maintaining and repairing the Building including without limitation, all sums expended in connection with the general maintenance and repair of the Building, window washing, maintenance and repair of stairways, Building signs, the Building Systems (defined below), planting and landscaping (if any), costs of supplies and personnel to implement such services, rental and/or depreciation of machinery and equipment used in providing maintenance and other services, fire protection services, and trash removal services and a reasonable management fee payable to Landlord (such property management fee shall not exceed four percent (4.0%) of all Gross Revenues; "**Gross Revenues**" shall mean the aggregate of the annual rentals and other revenue of any kind whatsoever derived from the use or occupancy of the Building, accrued or collected with respect to the Building, excluding only any management fee chargeable to Tenant in the calculation of the Common Operating Expenses (so as to prevent Landlord, Landlord's affiliate, or the Building's management company from earning a management fee on the management fee). Landlord may cause any or all of said services to be provided by an independent contractor or contractors, or the Building management company, provided that any salary, wage or other similar charges or expenses payable by Landlord shall not be included in the Common Operating Expenses other than (i) direct labor costs incurred by Landlord to perform maintenance and repairs and other services at the Building, and (ii) a portion of the salary of a building manager/superintendent to the extent the same is dedicated to the Building and the cost thereof is passed through to Landlord by Landlord's building management company. Common Operating Expenses may also include all costs of (i) capital improvements, repairs, alterations or replacements made to the Building or any Building System carried out in order to conform to changes subsequent to the Effective Date in any applicable laws, ordinances, rules, regulations or orders of any governmental or quasi-governmental authority having jurisdiction over the Building or (ii) any capital improvements or replacement carried out for the purpose of improving the performance or efficiency of any Building System (referred to herein as "**Permitted Capital Expenditures**")**.** Permitted Capital Expenditures shall be amortized (including interest at a rate of eight percent (8%) per annum) over the useful life of such capital improvement, repair, alteration or replacement, as reasonably determined in accordance with generally accepted accounting principles consistently applied ("**GAAP**")**.** Costs and expenses incurred by Landlord in operating, managing and maintaining the Building which are incurred exclusively for the benefit of a specific tenant of the Building will not be included in the Common Operating Expenses.

Notwithstanding anything to the contrary contained in this Lease, the following shall not be included within Common Operating Expenses: (i) leasing commissions, attorneys' fees, costs, disbursements, and other expenses incurred in connection with negotiations or disputes with tenants, or in connection with leasing, renovating, or improving space for tenants or other occupants or prospective tenants or other occupants of the Building; (ii) the cost of any service sold to any tenant (including Tenant) or other occupant for which Landlord is entitled to be reimbursed as an additional charge or rental over and above the basic rent and escalations payable under the lease with that tenant including, without limitation, the Direct Operating Expenses payable by Tenant pursuant to this Lease; (iii) depreciation other than depreciation on exterior window coverings provided by Landlord and carpeting in public corridors and common areas and the personal property referred to above; (iv) expenses in connection with services or other benefits of a type that are not provided to Tenant but which are provided another tenant or occupant of the Building; (v) overhead profit increments paid to Landlord's subsidiaries or affiliates for management or other services on or to the Building or for supplies or other materials to the extent that the cost of the services, supplies, or materials exceeds the cost that would have been paid had the services, supplies, or materials been provided by unaffiliated parties on a competitive basis; (vi) all interest, loan fees, and other carrying costs related to any mortgage or deed of trust or related to any capital item, and all rental and other payable due under any ground or underlying lease, or any lease for any equipment ordinarily considered to be of a capital nature (except janitorial equipment which is not affixed to the Building); (vii) any compensation paid to clerks, attendants, or other persons in commercial concessions operated by Landlord; (viii) advertising and promotional expenditures; (ix) costs of repairs and other work occasioned by fire, windstorm, or other casualty of an insurable nature; (x) any costs, fines, or penalties incurred due to violations by Landlord of any governmental rule or authority, this Lease or any other lease in the Building, or due to Landlord's negligence or willful misconduct; (xi) the cost of correcting any building code or other violations which were violations prior to the Lease Commencement Date; (xii) the cost of containing, removing, or otherwise remediating any contamination of the Building (including the underlying land and ground water) by any toxic or Hazardous Materials (defined in Paragraph 8.2(b)) where such contamination was not caused by Tenant; (xiii) costs for sculpture, paintings, or other objects of art (and insurance thereon or extraordinary security in connection therewith); and (xiv) wages, salaries, or other compensation paid to any executive employees above the grade of building manager; any other expense that under generally prevailing property management practices within the South of Market District would not be considered a normal maintenance or operating expense which is properly passed through to tenants. Additionally, any deductible payment under any Landlord's policy of earthquake insurance shall be included in Common Operating Expenses and, for the purpose of such inclusion shall be treated as a Permitted Capital Expenditure with a useful life of ten (10) years

On or before the first day of each partial or full calendar year during the Term, or as soon as practicable thereafter, Landlord shall give to Tenant written notice of Landlord's estimate of the Direct Operating Expenses and Tenant's Share of Common Operating Expenses payable by Tenant pursuant to Paragraphs 5 and this Paragraph 6.2, respectively for such calendar year or

partial calendar year, as the case may be, which estimate shall be in form comparable to a Landlord's Statement (defined below) and include a line-item breakdown of component costs. On or before the first day of each month during each calendar year or partial calendar year, as the case may be, Tenant shall pay to Landlord one-twelfth (l/12th) (or the applicable pro rata portion for any partial calendar year based on the number of months constituting such partial calendar year) of the estimated Direct Operating Expenses and Tenant's Share of Common Operating Expenses; provided, however, that if Landlord's notice is not given prior to the first day of any calendar year, Tenant shall continue to pay the Direct Operating Expenses and Common Operating Expenses on the basis of the prior year's estimate until the month after Landlord's notice is given. At any time and from time to time during the Term, Landlord may furnish Tenant with written notice of a re-estimation of the annual Direct Operating Expenses and/or Tenant's Share of Common Operating Expenses to reflect more accurately, in Landlord's reasonable opinion, the then-current Direct Operating Expenses and/or Common Operating Expenses. Commencing on the first day of the calendar month which commences at least thirty (30) days following the date of Landlord's delivery of such notice to Tenant, and continuing on the first day of each subsequent calendar month during the applicable calendar year (until subsequently re-estimated), Tenant shall pay to Landlord one-twelfth of the Tenant's Share of the estimated annual Common Operating Expenses, as re-estimated as well as one-twelfth (l/12th) of the estimated annual Direct Operating Expenses as re-estimated.

6.3 After the expiration of each calendar year during the Term hereof Landlord shall furnish to Tenant an itemized statement, certified as correct by Landlord, setting forth the total Direct Operating Expenses and Common Operating Expenses for the preceding calendar year, the amount of Tenant's Share of Common Operating Expenses and the payments made by Tenant with respect to such calendar year ("**Landlord's Statement**"). Such annual statement shall be set forth in reasonable detail both the Direct Operating Expenses and Tenant's Share of Common Operating Expenses.

(a) a line-item breakdown showing at least the following major categories and subcategories of costs:

(i) maintenance and repairs (cleaning; security; elevators; supplies; waste removal; heating, ventilation and air conditioning);

(ii) landscaping;

(iii) utilities (electricity; gas; and water and sewer);

(iv) insurance;

(v) salaries (engineering; and administrative); and

(vi) general and administrative (management fees; professional services; office supplies; and other).

If Tenant's Share of the actual Common Operating Expenses and/or the actual Direct Operating Expenses for such year as set forth in Landlord's Statement exceeds the payment so made by Tenant, Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of such statement. If the payments so made by Tenant exceed Tenant's Share of the actual Common Operating Expenses and/or the actual Direct Operating Expenses, Tenant shall be entitled to offset the excess against the next payment(s) due to Landlord because of Direct Operating Expenses and/or Common Operating Expenses, or to receive from Landlord cash in such amount, within thirty (30) days if this Lease has terminated. Until Tenant receives Landlord's Statement pursuant to this Paragraph setting forth a new amount of Tenant's estimated Tenant's Share of Common Operating Expenses and the Direct Operating Expenses for the new calendar year, Tenant shall continue to pay such Tenant's Share of the Common Operating Expenses and the Direct Operating Expenses at the rate being paid for the year just completed. Landlord shall maintain at all times during the Term, at the office of Landlord's property manager in San Francisco, California, full, complete and accurate books of account and records prepared in accordance with generally accepted accounting principles with respect to Common Operating Expenses, Real Property Taxes and Direct Operating Expenses, and shall retain such books and records, as well as contracts, bills, vouchers, and checks, and such other documents as are reasonably necessary to properly audit Common Operating Expenses, Real Property Taxes and Direct Operating Expenses. Within one hundred twenty (120) days after receipt of Landlord's Statement, Tenant shall have the right to audit at the offices of Landlord's property manager located in San Francisco, at Tenant's expense, Landlord's accounts and records relating to Common Operating Expenses, Real Property Taxes and Direct Operating Expenses. Such audit shall be conducted by an employee of Tenant or by a certified public accountant approved by Landlord, which approval shall not be unreasonably withheld. In no event shall Tenant use an auditing service that performs operating expense audits on a "contingency" or "percentage savings" basis. If the final determination reveals that Landlord has overcharged Tenant, the amount overcharged shall be credited against Tenant's next Common Operating Expenses and Direct Operating Expense payment obligations, or paid in cash within thirty days, if the Lease has terminated. In the event the audit reveals Tenant has underpaid its portion of Common Operating Expenses and/or Direct Operating Expenses, Tenant shall remit the shortfall to Landlord within thirty (30) days. Additionally, if Landlord is determined to have overcharged Tenant for Operating Expenses, Real Property Taxes and Direct Operating Expenses by five percent (5%) or more, Landlord shall reimburse Tenant within thirty (30) days following such determination for the reasonable cost of Tenant's review of Landlord's books and records (which cost may not be included as a Common Operating Expense). Notwithstanding the foregoing, Tenant shall not be responsible for any Common Operating Expenses attributable to any year which is first billed to Tenant more than two (2) calendar years after the date of expiration of the year to which such Common Operating Expense applies, provided that Tenant shall nonetheless be responsible for any such sums for any year if the same

are first levied by any governmental authority or by any public utility companies following the date that is two (2) calendar years following the expiration of such year.

6.4 Tenant acknowledges that Landlord intends to obtain a LEED-EB certification for the Building (Leadership in Energy and Environmental Design - Existing Building), and that the cost of obtaining such certification will be amortized over the useful life of such systems calculated in accordance with GAAP, and the monthly amortized cost thereof (including an annual interest rate factor of eight percent (8%)) shall be included as a part of Common Operating Expenses payable by Tenant. Tenant also agrees to reasonably cooperate with Landlord to obtain and maintain the LEED-EB certification, including without limitation complying with Landlord's rules and regulations regarding recycling, use of "green" cleaning products and the like, as the same may be required in connection with the LEED-EB program. For purposes of this Paragraph 6.4 and the cost of obtaining LEED-EB certification, such costs included in Common Operating Expenses shall not include (i) the cost of replacement of the air handler and chiller on the roof of the Building, (ii) the cost of replacing the roof of the Building, (iii) the cost of replacing the elevator for the Building, or (iv) the cost for which Landlord is responsible pursuant to the Work Letter relating to compliance with Title 24 of the California Code of Regulations, all of which costs are anticipated to be incurred by Landlord prior to the Lease Commencement Date. Notwithstanding any provision to the countrary of this Paragraph 6.4 in no event shall the aggregate amount payable by Tenant pursuant to the provisions of this Paragraph 6.4 during the initial term of nine (9) years exceed Two Hundred Thousand Dollars ($200,000).

7. Security Deposit. As and for security for Tenant's full and faithful performance of all the terms, covenants and conditions of this Lease to be kept and performed by Tenant, Tenant, upon execution of this Lease, shall deposit with Landlord a security deposit of Two Million Seven Hundred Seventy-Three Thousand Two Hundred Eighty Seven Dollars ($2,773,287) in cash or, at Tenant's option, in the form of an unconditional, irrevocable letter of credit ("**LOC**") in such amount in favor of Landlord in a form and from a financial institution located in San Francisco, California (or alternatively accepting presentations for draw purposes by facsimile and/or overnight courier), reasonably acceptable to Landlord. Landlord hereby approves Silicon Valley Bank as the bank issuing the LOC. At any time during the Term upon at least ten (10) business days' prior notice to Landlord, Tenant may elect to convert the form of the Security Deposit from cash to a LOC or from a LOC to cash, so long as the provisions of this Paragraph 7 are complied with. If at any time during the Term, any item constituting rent as provided herein, or any other sum payable by Tenant to Landlord hereunder, shall be overdue and unpaid beyond any applicable notice and cure periods, then Landlord may, at the sole option of Landlord, but without any requirement to do so, and without prejudice to any other remedy which Landlord may have, access the cash deposit, or draw down or make a claim or demand for draw against the LOC, in the amount of the sum equal to the overdue and unpaid amount, together with Landlord's actual and reasonable expenses incurred in connection with the Default, and apply such sum to payment of such overdue rent or other sum. The LOC shall provide for partial draws and further provide that any draw thereunder shall be accompanied by a certificate of an officer or manager of Landlord stating that Tenant is in Default and that Landlord or its authorized agent is entitled to draw down on the LOC the amount requested pursuant to the terms of this Lease. Further in the event of the failure of Tenant to keep and perform any nonmonetary term, covenant or condition of this Lease to be kept or performed by Tenant beyond any applicable cure periods and the receipt of any required notice, at the sole option of Landlord, and without prejudice to any other remedy which Landlord may have, Landlord may access the cash deposit or draw down the entire LOC, or so much thereof as may be necessary to compensate Landlord for any loss or damage sustained or suffered by Landlord, or which Landlord may sustain or suffer, due to such breach on the part of Tenant. In the event that all or any portion of the cash deposit is accessed or the LOC is drawn down by Landlord to pay overdue rent or other sums due and payable to Landlord by Tenant hereunder as described in this Paragraph 7, then Tenant shall, within ten (10) business days after receipt of written demand of Landlord, deliver to Landlord a sufficient amount in an additional LOC (or cash, as the case may be) to restore Landlord's security to the original, total amount of the security deposit as provided in this Paragraph. Any failure on the part of Tenant to do so within ten (10) business days following the date on which written demand for restoration is deemed given hereunder, shall constitute a Default of this Lease pursuant to Paragraph 25.1(d) below without further written notice to Tenant. The LOC shall be maintained by Tenant during the entire Term of this Lease and for a period of thirty (30) days thereafter (the last day of such thirty (30) day period shall be referred to as the "**Return Date**")**.** If the LOC is to expire before the Return Date, Tenant shall replace the LOC by providing Landlord with a substitute LOC at least thirty (30) days prior to the expiration date of the then effective LOC being held by Landlord in the applicable amount required hereunder and the failure to do so shall constitute a Default entitling Landlord to draw the full amount of the LOC and hold the proceeds thereof as a cash security deposit hereunder. The LOC shall provide, in part, that the LOC shall be automatically renewed through and including at least the Return Date unless the issuer gives written notice to Landlord at least thirty (30) days prior to the expiration of the LOC that such issuer does not intend to renew the LOC. In such event, Landlord shall be entitled to draw the full amount of the LOC and hold the proceeds thereof as a cash security deposit hereunder unless a substitute LOC is delivered by Tenant to Landlord at least twenty (20) days prior to the expiration of the then existing LOC. Any cash deposit held by Landlord as security shall be non-interest bearing and may be commingled by Landlord with other funds of Landlord. In the event Landlord transfers the security deposit to any successor in interest of Landlord to title of the Site and Building, then, in such event, Landlord shall be discharged from any further obligation or liability with respect to the security deposit. Any LOC issued in favor of Landlord

may, if required by any lender holding a mortgage or deed of trust secured by the Site and Building, be transferred to such lender provided that such lender, Landlord and Tenant enter into an agreement reasonably acceptable to all parties governing such lender's right to draw down money on, or further transfer, the LOC. Tenant waives the provisions of California Civil Code Section 1950.7 and all other provisions of law now in force or that become in force after the date of execution of this Lease that provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damages caused by Tenant, or to clean the Premises. Landlord and Tenant agree that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any loss or damage caused by the act or omission by Tenant or Tenant's officers, agents, employees, independent contractors or invitees as elsewhere provided herein. Upon the expiration or earlier termination of this Lease, Landlord shall return to Tenant within thirty (30) days of Tenant vacating the Premises so much of the security deposit as has not been applied or entitled to be held by Landlord to be applied to cure any and all defaults by Tenant and/or to compensate Landlord for any and all damages or loss suffered or which may be suffered by Landlord resulting from the default or breach by Tenant.

8. Use.

8.1 Tenant shall use the Premises for general office purposes, including administrative functions, and all purposes reasonably incident thereto and reasonably commensurate with the operation and occupancy of a technology company headquarters in the South of Market District, and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord, which consent may be granted or withheld in Landlord's sole discretion. Subject to Landlord's prior written approval of plans therefore, Tenant shall have the right to use a portion of the Premises for the operation of, and include in the Tenant Improvements (or subsequent Changes) the construction of, a kitchen/cooking facility (including a gas line of adequate capacity with gas lines stubbed to the Premises) for Tenant's employees and guests only (in no event shall such kitchen/cooking facility be open to or serve the general public), on and subject to the following terms and conditions: Tenant shall be responsible, at its sole cost and expense (subject to the application of the Tenant Improvement Allowance), for obtaining all applicable permits, licenses and governmental approvals necessary for the use of the Premises for such kitchen/cooking facility uses (including, without limitation, any necessary approvals from the applicable health and/or fire departments, permits required in connection with any venting or other air-removal/circulation system, and any required fire-suppression systems), copies of which shall be delivered to Landlord prior to Tenant's installation of any alterations in the Premises in connection with such kitchen/cooking facility uses. Tenant shall have access to the Premises 24 hours per day/ 365 days per year. Tenant shall not use or occupy the Premises in violation of any recorded covenants, conditions and restrictions affecting the Site or of any law, code, regulation, rule, order, or injunction or of the Certificate of Occupancy issued for the Building. Upon five (5) business days written notice from Landlord, Tenant shall discontinue any specific use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of any recorded covenants, conditions and restrictions affecting the Site or of any law, code, regulation, rule, order, or injunction or of the Certificate of Occupancy. However, Tenant, at Tenant's expense, may contest by appropriate proceedings in good faith the legality or applicability of any law affecting the Premises, provided that (i) the Building or any part thereof (including the Premises) shall not be subject to being condemned or vacated by reason of noncompliance or otherwise by reason of such contest, (ii) no unsafe or hazardous condition remains unremedied as a result of such contest, (iii) such non-compliance or contest is not prohibited under any then-applicable mortgage, (iv) such non-compliance or contest shall not prevent Landlord from obtaining any and all permits and licenses then required by applicable laws in connection with the operation of the Building, and (v) the Certificate of Occupancy for the Building (or any portion) is neither subject to being suspended by reason such of non-compliance or contest (any such proceedings instituted by Tenant being referred to herein as a "**Compliance Challenge**")**.** In the event that Tenant commences a Compliance Challenge, Tenant's obligation to cease any use specified in Landlord's notice and/or obligation to comply with the applicable law in question shall, unless otherwise mandated by applicable law, be suspended pending the resolution of the Compliance Challenge. Tenant shall not install any radio or television antenna, loudspeaker or other device on the roof or exterior walls of the Building without Landlord's prior written consent. Landlord shall not unreasonably withhold, delay or condition Landlord's consent to Tenant's installation of antennae on the roof of the Building. Subject to Tenant's right to commence a Compliance Challenge, Tenant shall comply with any direction of any governmental authority having jurisdiction which shall, by reason of the nature of Tenant's specific use or alteration of the Premises, impose any duty upon Tenant or Landlord with respect to the Premises or with respect to the use or occupation thereof. Tenant shall not do or permit to be done anything which will invalidate or increase the cost of any fire, extended coverage or any other insurance policy covering the Site, the Building, the Premises, and/or property located therein and shall comply with all rules, orders, regulations and requirements of the Pacific Fire Rating Bureau or any other organization performing a similar function. Upon demand, Tenant shall promptly reimburse Landlord as additional rent for any additional premium charged for such policy by reason of Tenant's failure to comply with the provisions of this Paragraph 8. Tenant shall not do or permit anything to be done in or about the Site, the Building, and/or the Premises which will unreasonably obstruct or interfere with the rights of other tenants or occupants of the Building, or injure them, or use or allow the Premises to be used for any unlawful purpose. Tenant shall not cause, maintain or permit any nuisance in, on or about the Site, the Building and/or the Premises, or allow any noxious odors to exist at or emanate from the Site, the Building and/or the Premises. Tenant shall not commit or suffer to be committed any waste in or

upon the Site, the Building and/or the Premises and shall keep the Premises in good repair and appearance. Tenant shall not place a load upon the Premises which exceeds the average pounds of live load per square foot of floor area specified for the Building by Landlord's architect Huntsman Architectural Group, with the partitions to be considered a part of the live load. Landlord reserves the right to reasonably prescribe the weight and position of all safes, files and heavy equipment which Tenant desires to place in the Premises so as to distribute properly the weight thereof, based upon Landlord's architect's written recommendation, which Landlord will provide to Tenant. Tenant's business machines and mechanical equipment which cause vibration or noise that may be transmitted to the Building structure or to any other space in the Building shall be so installed, maintained and used by Tenant as to eliminate such vibration or noise. Tenant shall be responsible for all structural engineering required to determine structural load. Tenant shall fasten all files, bookcases and like furnishings to walls in a manner to prevent tipping over in the event of earth movements. Landlord shall not be responsible for any damage or liability for such events.

8.2 Except for the normal and proper use and storage of typical cleaning fluids and solutions, and office equipment supplies (such as copier toner), in amounts commensurate with Tenant's permitted use and occupancy of the Premises, Tenant shall not use, introduce to the Site, the Building and/or the Premises, generate, manufacture, produce, store, release, discharge or dispose of, on, under or about the Site, the Building and/or the Premises or transport to or from the Site, the Building and/or the Premises any Hazardous Material (as defined below in this Paragraph 8.2) or allow its employees, agents, contractors, invitees or any other person or entity to do so. Tenant warrants that it shall not make any use of the Site, the Building and/or the Premises which may cause contamination of the soil, the subsoil or ground water. Tenant shall not permit the Premises to be in violation of any laws regarding Hazardous Materials brought onto the Premises by Tenant, its employees, agents or contractors; provided however that nothing in this Lease shall be construed to impose responsibility on Tenant for the remediation of Hazardous Materials that (i) were present in, on or under the Building on the Lease Commencement Date, (ii) are introduced into the Premises by Landlord' its employees, agents or contractors, or (iii) which may migrate to the Premises through the air, water or soil through no fault of Tenant, its employees, agents or contractors. Tenant shall give immediate written notice to Landlord of (i) any action, proceeding or inquiry by any governmental authority or any third party with respect to the presence of any Hazardous Material on the Site, the Building and/or the Premises or the migration thereof from or to other property or (ii) any spill, release or discharge of Hazardous Materials that occurs with respect to the Site, the Building and/or the Premises or Tenant's operations, of which Tenant has notice. Landlord shall give immediate written notice to Tenant of (i) any action, proceeding or inquiry by any governmental authority or any third party with respect to the presence of any Hazardous Material on the Site, the Building and/or the Premises or the migration thereof from or to other property or (ii) any spill, release or discharge of Hazardous Materials that occurs with respect to the Site, the Building and/or the Premises or Landlord's operations, of which Landlord has notice.

(a) Tenant shall indemnify and hold harmless Landlord, its directors, officers, members, employees, managers, agents, successors and assigns (collectively "**Landlord Parties**", individually a "**Landlord Party**") from and against any and all claims arising from Tenant's use, generation, manufacture, production, storage, release, discharge or disposal of Hazardous Materials on the Site, the Building and/or the Premises in violation of the terms, covenants and conditions of this Paragraph 8. The indemnity shall include all costs, fines, penalties, judgments, losses, attorney's fees, expenses and liabilities incurred by any of the Landlord Parties for any such claim or any action or proceeding brought thereon including, without limitation,' (a) all actual damages; and (b) the costs of any cleanup, detoxification or other ameliorative work of any kind or nature required by any governmental agency having jurisdiction thereof, including without limitation all costs of monitoring and all fees and expenses of consultants and experts retained by and of the Landlord Parties. This indemnity shall survive the expiration or termination of this Lease. In any action or proceeding brought against any of the Landlord Parties by reason of any such claim, upon notice from such Landlord Party if such Landlord Party does not elect to retain separate counsel, Tenant shall defend the same at Tenant's expense by counsel reasonably satisfactory to such Landlord Party. Landlord shall indemnify and hold harmless Tenant, its directors, officers, members, employees, agents, successors and assigns (collectively "**Tenant Parties**", individually a "**Tenant Party**") from and against any and all claims arising from the use, generation, manufacture, production, storage, release, discharge or disposal of Hazardous Materials on the Site, the Building and/or the Premises occurring prior to the Lease Commencement Date or during the Lease Term as a result of Landlord's or Landlord Parties' use, generation, manufacture, production, storage, release, discharge or disposal of Hazardous Materials on the Site, the Building and/or the Premises.

(b) As used herein, the term "**Hazardous Material**" shall mean any substance or material which has been determined by any state, federal or local governmental authority to be capable of posing a risk of injury to health, safety or property, including all of those materials and substances designated as hazardous or toxic by the city or state in which the Premises are located, the U.S. Environmental Protection Agency, the Consumer Product Safety Commission, the Food and Drug Administration, the California Water Resources Control Board, the Regional Water Quality Control Board, San Francisco Bay Region, the California Air Resources Board, CAL/OSHA Standards Board, Division of Occupational Safety and Health, the California Department of Food and Agriculture, the California Department of Health Services, and any federal agencies that have overlapping jurisdiction with such California agencies, or any other governmental agency now or hereafter authorized to regulate materials and substances in the environment. Without limiting the generality of the foregoing, the term "Hazardous

Material" shall include all of those materials and substances defined as "hazardous materials" or "hazardous waste" in Sections 66680 through 66685 of Title 22 of the California Administrative Code, Division 4, Chapter 30, as the same shall be amended from time to time, petroleum, petroleum-related substances and the by-products, fractions, constituents and sub-constituents of petroleum or petroleum-related substances, asbestos, and any other materials requiring remediation now or in the future under federal, state or local statutes, ordinances, regulations or policies.

9. Payments and Notices. All rents and other sums payable by Tenant to Landlord hereunder shall be paid to Landlord by check, cashier's check, ACH bank account transfer or wire transfer at the address designated by Landlord in the Summary or at such other places as Landlord may hereafter designate in writing at least thirty (30) days prior to the effective date upon which payments are to be made to such alternate address. Any notice required or permitted to be given hereunder must be in writing and may be given by personal delivery, certified mail, return receipt requested, or by recognized overnight courier. If notice is given by personal delivery, such notice shall be deemed to be given upon delivery (unless the date of delivery is a weekend or holiday, in which event such notice shall be deemed given upon the next succeeding business day). If notice is given by certified mail addressed to Tenant or to Landlord at the address designated in the Summary, then such notice shall be deemed given three (3) business days following deposit in the U.S. Mail, postage prepaid, addressed to Tenant or to Landlord at the addresses designated in the Summary. If notice is given by overnight courier, notice shall be deemed given the next business day following delivery to the courier for next business day delivery, charges prepaid, addressed as stated above. Either party may by written notice to the other specify a different address for notice purposes except that Landlord may in any event use the Premises as Tenant's address for notice purposes. If more than one person or entity constitutes the "Tenant" under this Lease, the giving of any notice upon any one of said persons or entities shall be deemed as giving notice to all of said persons or entities.

10. Brokers. The parties recognize that the brokers who negotiated this Lease are the brokers whose names are stated in the Summary, and agree that Landlord shall be solely responsible for the payment of brokerage commissions to said brokers. Tenant shall have no responsibility therefor. As part of the consideration for the granting of this Lease, Tenant represents and warrants to Landlord that no other broker, agent or finder was hired by Tenant, negotiated with Tenant or, to Tenant's knowledge, was instrumental in negotiating or consummating this Lease and to Tenant's knowledge there is no other real estate broker, agent or finder who is, or might be, entitled to a commission or compensation in connection with this Lease. Any broker, agent or finder of Tenant whom Tenant has failed to disclose herein shall be paid by Tenant. Tenant shall hold Landlord (and/or each of the Landlord Parties) harmless from all damages and indemnify Landlord (and/or each of the Landlord Parties) for all said damages paid or incurred by Landlord (and/or each of the Landlord Parties) resulting from any claims that may be asserted against Landlord (and/or each of the Landlord Parties) by any broker, agent or finder who has, or has claimed to have, rendered services to Tenant undisclosed by Tenant herein. Landlord shall hold Tenant harmless from all damages and indemnify Tenant for all said damages paid or incurred by Tenant resulting from any claims that may be asserted against Tenant by any broker, agent or finder who has, or has claimed to have, rendered services to Landlord undisclosed by Landlord herein.

11. Holding Over. If Tenant remains in possession of the Premises after expiration or earlier termination of this Lease with Landlord's express consent, Tenant's occupancy shall be a month to month tenancy at a rent agreed upon by Landlord and Tenant but, in no event less than the Monthly Basic Rent payable under this Lease during the last full month before the date of expiration or earlier termination. The month to month tenancy shall be on the terms and conditions of this Lease except as provided in the preceding sentence and the Lease clauses concerning extension rights. If Tenant holds over after the expiration or earlier termination of the Term hereof without the express written consent of Landlord, Tenant shall become a tenant at sufferance only, at a rental rate equal to one hundred fifty percent (150%) of the Monthly Basic Rent which would be applicable to the Premises upon the date of expiration of the Term (prorated on a daily basis), and otherwise subject to the terms, covenants and conditions herein specified, so far as applicable including, without limitation, the obligation to pay Direct Operating Expenses and Common Operating Expenses as provided in Paragraphs 5 and 6.2. Acceptance by Landlord of rent after such expiration or earlier termination shall not constitute a consent to a holdover hereunder or result in a renewal. The foregoing provisions of this Paragraph 11 are in addition to and do not affect Landlord's right of re-entry or any rights of Landlord hereunder or as otherwise provided by law. If Tenant fails to surrender the Premises, Tenant shall indemnify and hold Landlord harmless from all loss or liability arising out of such failure, including without limitation, any claim made by any succeeding tenant founded on or resulting from such failure to surrender. No provision of this Paragraph 11 shall be construed as implied consent by Landlord to any holding over by Tenant. Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon expiration or other termination of this Lease. The provisions of this Paragraph 11 shall not be considered to limit or constitute a waiver of any other rights or remedies of Landlord provided in this Lease or at law; provided, however, that Landlord shall not be entitled to consequential damages except as expressly provided in this Paragraph 11.

12. Taxes on Tenant's Property. Tenant shall be liable for and shall pay before delinquency, taxes levied against any personal property or trade fixtures placed by Tenant in or about the Premises. If any such taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property, or if the assessed value of the Site, the Building, and/or the Premises is increased by the inclusion therein of a value placed upon such personal property or trade fixtures of Tenant, and if Landlord, after ten (10) business days' prior written notice to Tenant, pays the taxes based upon such increased assessments, which Landlord shall have the right to do regardless of the validity thereof, but only under proper protest if requested by Tenant, then, upon demand Tenant shall repay to Landlord the taxes levied against Landlord, or the proportion of such taxes resulting from such increase in the assessment. Notwithstanding the foregoing, at Tenant's sole cost and expense and at no expense or cost to Landlord, Tenant shall have the right, in the name of Landlord and with Landlord's full cooperation, to bring a good faith suit in any court of competent jurisdiction to recover the amount of any such taxes so paid under protest, any amount so recovered to belong to Tenant. For avoidance of doubt, Real Property Taxes will not include any taxes payable by Tenant pursuant to the provisions of this Paragraph 12, or any taxes payable by any other building occupant pursuant to provisions similar to this Paragraph 12.

13. Condition of Premises.

13.1 Other than as expressly stated in this Lease, Tenant acknowledges that neither Landlord nor any of the Landlord Parties have made any representation or warranty of any kind whatsoever with respect to the Site, the Premises and/or the Building or with respect to the suitability of either for the conduct of Tenant's business. Tenant acknowledges and agrees that Tenant is relying solely upon Tenant's own inspection of the Site, the Building and the Premises, and Tenant is not relying on any representation or warranty from the Landlord regarding the Site, the Premises or the Building, except as specifically set forth in this Lease, including, without limitation, any representation or warranty as to the physical condition, design or layout of the Site, the Building and the Premises. Notwithstanding the foregoing, Landlord expressly represents and warrants that all Building Systems serving the Premises are, or will be as of the Lease Commencement Date, in good working condition and the Premises and Building as delivered by Landlord to Tenant (and after completion by Tenant of the Compliance Work as defined in the Work Letter) shall comply with all applicable laws and regulations, including, without limitation the Americans With Disabilities Act (42 U.S.C. Section 12101 et seq.) ("**ADA**"), and all applicable codes relating to restroom facilities and Landlord at Landlord's sole cost and expense, will be responsible for all work and costs incurred (whether in connection with Tenant's construction of the Tenant Improvements pursuant to the Work Letter or otherwise) to bring the Premises, into compliance with the ADA or Title 24 as enacted and in effect as of the Lease Commencement Date. Subject to the provisions of the Work Letter, the costs incurred by Tenant to bring any portion of the Premises into compliance with any such laws in connection with Tenant's construction of Tenant Improvements, shall be the responsibility of Landlord and Landlord shall reimburse Tenant for any such costs within thirty (30) days following Tenant's delivery to Landlord of a reasonably detailed invoice therefor provided that the obligation of Landlord to reimburse Tenant shall be as more particularly governed by the provisions of the Work Letter. Common Area Operating Expenses will not include any costs incurred by Landlord to bring the Building, or any portion thereof, into compliance with any of the laws or regulations described in the immediately preceding sentence applicable to the Building.

13.2 Landlord hereby discloses to Tenant pursuant to California Civil Code Sections 55.53 and 1938 that as of the date of this Lease, the Premises and the Building have not been inspected by a Certified Access Specialist.

14. Alterations.

14.1 Other than changes to the roof, the structural portions of the Building and/or structural portions of the Premises, and to the foundation, Tenant may, at any time and from time to time during the Term of this Lease, at its sole cost and expense, make alterations, additions, installations, substitutions, improvements and decorations (hereinafter collectively called "**Changes**" and individually, a "**Change**") in and to the Premises, on the following conditions, provided that such Changes will not result in a violation of applicable laws, codes, regulations, orders or injunctions or require a change in the Certificate of Occupancy applicable to the Premises:

(a) The outside appearance, character or use of the Building shall not be affected, and no Changes shall weaken or impair the structural strength or, in the reasonable opinion of Landlord, materially lessen the value of the Building, the Site, and/or the Premises or create the potential for unusual expenses to be incurred upon the removal of Changes and the restoration of the Premises upon the termination of this Lease.

(b) No part of the Building outside of the Premises shall be physically affected (other than tie-ins to Building Systems pursuant to approved plans),

(c) The proper functioning of any of the mechanical, electrical, sanitary and other service systems or installations of the Building ("**Service Facilities**") shall not be adversely affected, and there shall be no construction which might interfere

with Landlord's free access to the Service Facilities or interfere with the moving of Landlord's equipment to or from the enclosures containing the Service Facilities.

(d) In performing the work involved in making such Changes, Tenant shall be bound by and observe all of the conditions and covenants contained in this Paragraph 14, and Tenant shall not unreasonably interfere with or unreasonably disturb any other tenants (of such tenants, invitees, employees, or agents) use and enjoyment of the Site and the Building.

(e) All work shall be done at such times and in such manner as Landlord from time to time may reasonably designate.

(f) Tenant shall not be permitted to install and make part of the Premises any materials, fixtures or articles which are subject to liens, conditional sales contracts or chattel mortgages.

(g) Landlord shall have the right, to be exercised by written notice delivered to Tenant concurrently with Landlord's approval of any Change, to notify Tenant that the Change in question (or a component thereof) shall be required to be removed by Tenant upon date of expiration or sooner termination of this Lease. In such event, Tenant will restore the Premises to their condition prior to the making of the applicable Changes, reasonable wear and tear, and damage for which Tenant is not liable, excepted. If Tenant fails to complete the restoration before expiration of the Term, Landlord may complete the restoration and charge the cost of the restoration to Tenant. Notwithstanding the foregoing, Tenant shall have no obligation to restore the Premises to its condition prior to the construction of the Tenant Improvements contemplated by Paragraph 1.5.

14.2 Before proceeding with any Change (exclusive only of changes to items constituting Tenant's personal property), Tenant shall submit to Landlord plans and specifications for the work to be done, which shall in all cases require Landlord's prior written approval, which approval shall not be unreasonably withheld or delayed. At Tenant's sole cost and expense Landlord may confer with consultants in connection with the review of such plans and specifications. If Landlord or such consultant(s) shall disapprove of any of the Tenant's plans, Tenant shall be advised of the reasons of such disapproval. In any event, Tenant agrees to pay to Landlord, as additional rent, the reasonable out of pocket cost of such consultation and review immediately upon receipt of invoices either from Landlord or such consultant(s). Any Change for which approval has been received shall be performed in accordance with the approved plans and specifications, and no material amendments or additions to such plans and specifications shall be made without the prior written consent of Landlord.

Landlord agrees to endeavor to respond to any request by Tenant for approval of Changes which approval is required hereunder within fifteen (15) business days after delivery of Tenant's written request; Landlord's response shall be in writing and, if Landlord withholds its consent, Landlord shall specify in reasonable detail in Landlord's notice of disapproval, the basis for such disapproval. If Landlord delivers to Tenant notice of Landlord's disapproval of any plans, Tenant may revise Tenant's plans to incorporate the changes suggested by Landlord in Landlord's notice of disapproval, and resubmit its plans to Landlord. Landlord shall not have the right to charge any construction administration or supervision fee in connection with Tenant's performance of Changes provided that Landlord shall be entitled reimbursement from Tenant for Landlord's third party out of pocket costs incurred in connection with the review by Landlord of any Changes proposed by Tenant.

14.3 Notwithstanding anything to the contrary contained in this Lease, Tenant, without Landlord's prior written consent, shall be permitted to make Cosmetic Alterations, provided that: (a) Tenant shall notify Landlord in writing within thirty (30) days of completion of the Cosmetic Alteration, and (b) Tenant shall upon Landlord's request, remove the Cosmetic Alteration at the termination of the Lease and restore the Leased Premises to their condition prior to such Cosmetic Alteration. As used herein, the term "**Cosmetic Alterations**" shall mean any modification to the Premises not involving any material penetration of any walls of the Premises or any material modifications of the floor (other than carpeting) or ceiling of the Premises and shall include, without limitation, the hanging of paintings or decorative accessories on any interior walls of the Premises, any painting of the interior walls of the Premises as well as the installation or replacement of any carpet or other floor covering in all or any portion of the Premises, and on an aggregate basis in any one year do not cost in excess of Two Hundred Thousand Dollars ($200,000) provided that any installation or replacement of carpeting by Tenant shall not be subject to the Two Hundred Thousand Dollar ($200,000) limitation.

14.4 If the proposed Change requires approval by or notice to the lessor of a superior lease or the holder of a mortgage, Landlord will promptly give Tenant notice of such requirement, and no Change shall be commenced until such approval has been received, or such notice has been given, as the case may be, and all applicable conditions and provisions of said superior lease or mortgage with respect to the proposed Change or alteration have been met or complied with, at Tenant's expense; and Landlord, if it approves the Change, will request such approval or give such notice, as the case may be.

14.5 Tenant shall submit to Landlord the name and address of each contractor intended to be used by Tenant in connection with construction of Changes; Landlord's approval of any contractor shall not be unreasonably withheld, conditioned or delayed. If Landlord does not object to a contractor within ten (10) business days of receipt of Tenant's written notification of the identity of the contractor, Landlord shall be deemed to have approved the contractor. No contractor which is unacceptable to Landlord shall be engaged by Tenant. All costs and expenses incurred in Changes shall be paid by Tenant prior to delinquency. If Landlord approves the construction of specific interior improvements in the Premises by contractors or mechanics selected by Tenant and approved by Landlord, then Tenant's contractors shall obtain on behalf of Tenant and at Tenant's sole cost and expense, (i) all necessary governmental permits and certificates for the commencement and prosecution of Tenant's Changes

and for final approval thereof upon completion and (ii) at Landlord's reasonable request with respect to any Change or Changes which exceed $150,000.00 in cost, evidence, as may be reasonably satisfactory to Landlord, that Tenant has sufficient financial capacity to bear the cost of the anticipated Change. In the event Tenant shall request any Changes in the work to be performed after the submission of the plans referred to in this Paragraph 14 (other than de minimis changes which would qualify as "change directives" as opposed to "change orders" in accordance with applicable ALA. standards), such additional Changes shall be subject to the same approvals and notices as the Changes initially submitted by Tenant.

14.6 All Changes and the performance thereof shall at all times comply with (i) all laws, rules, orders, ordinances, directions, regulations and requirements of all governmental authorities, agencies, offices, departments, bureaus and boards having jurisdiction thereof, (ii) all rules, orders, directions, regulations and requirements of the Pacific Fire Rating Bureau, or of any similar insurance body or bodies, and (iii) all commercially reasonable rules and regulations of Landlord of which Landlord has notified Tenant in writing, and Tenant shall cause Changes to be performed in compliance therewith and in good and first class workmanlike manner, using materials and equipment at least equal in quality and class to the installations of the Building. Changes shall be performed in such manner as not to unreasonably interfere with the occupancy of any other tenant in the Building nor delay or impose any additional expense upon Landlord in construction, maintenance or operation of the Building, and shall be performed by Contractors or mechanics approved by Landlord and submitted to Tenant pursuant to this Paragraph, who shall coordinate their work in cooperation with any other work being performed with respect to the Site and/or the Building. Throughout the performance of Changes, Tenant, at its expense, shall carry, or cause to be carried, workers' compensation insurance in statutory limits, and general liability insurance for any occurrence in or about the Building, of which Landlord and its managing agent, whose identity Landlord shall provide to Tenant in writing, shall be named as parties insured, in such limits as Landlord may reasonably prescribe, with insurers reasonably satisfactory to Landlord all in compliance with Paragraph 21.2. Notwithstanding any provision of this Lease to the contrary, in no event shall Landlord be required to undertake any alteration or any improvements of any kind whatsoever in connection with the Premises or the Building as a result of or in connection with any Changes being made by Tenant (unless and to the extent that such alteration is necessary as a result of the warranty by Landlord contained in Paragraph 13 above being incorrect in any fashion). Without limitation to the foregoing, except as expressly set forth in the immediately preceding sentence, Landlord shall not be required to make any improvements or alteration of any kind whatsoever in order to comply with any applicable laws, orders, ordinances, regulations or building codes which may be required in connection with Changes being made by Tenant.

14.7 Tenant further covenants and agrees that any mechanic's lien filed against the Premises or against the Building for work claimed to have been done for, or materials claimed to have been furnished to Tenant, will be discharged by Tenant, by bond (pursuant to California Civil Code Section 8424) or otherwise, within thirty (30) days after notice to Tenant of the filing thereof, at the cost and expense of Tenant. All alterations, decorations, additions or improvements upon the Premises, made by either party, including (without limiting the generality of the foregoing) all wall covering, built-in cabinet work, paneling and the like, shall, unless Landlord elects otherwise as described above in Paragraph 14.1(g), become the property of Landlord, and shall remain upon, and be surrendered with the Premises, as a part thereof, at the end of the Term hereof. Notwithstanding the immediately preceding sentence, Landlord may, by written notice given to Tenant at least thirty (30) days prior to the end of the Term, require Tenant to remove all partitions, counters, railings and like installed by Tenant and Tenant shall repair any damage to the Premises arising from such removal. Notwithstanding the immediately preceding sentence, Tenant shall not be required to remove or restore any Changes which Landlord did not require to be removed in accordance with the provisions of Paragraph 14.1(g).

14.8 All articles of personal property and all business and trade fixtures, machinery and equipment, furniture and movable partitions owned by Tenant or installed by Tenant at its expense in the Premises shall be and remain the property of Tenant. Tenant may remove such items at Tenant's sole cost and expense at any time during the Term, and Tenant shall repair any damage caused by such removal. Tenant shall restore and repair all damage to the Premises caused by such removal, and shall otherwise perform such removal in accordance with Landlord's reasonably imposed scheduling and other requirements. If Tenant shall fail to remove all of its effects from said Premises upon termination of this Lease for any cause whatsoever, Landlord may, at its option, remove the same in any manner that Landlord shall choose, and store said effects without liability to Tenant for loss thereof. Tenant agrees to pay Landlord upon demand any and all expenses incurred in such removal, including court costs and attorneys' fees and storage charges on such effects for any length of time that the same shall be in Landlord's possession, or Landlord may, at its option, without notice, sell said effects, or any of the same, at private sale and without legal process, for such price as Landlord may obtain. Landlord shall apply such proceeds of such sale upon any amounts due under this Lease from Tenant to Landlord and upon the expense incident to the removal and sale of said effects.

14.9 Subject to the other provisions of this Lease (including Paragraphs 1.3 and 17), Landlord reserves the right at any time and from time to time without the same constituting an actual or constructive eviction and without incurring any liability to Tenant therefor or otherwise affecting Tenant's obligations under this Lease, to make such changes, alterations, additions, improvements, repairs or replacements in or to the Site or the Building (including the Premises if required so to do by any law or regulation) and to the fixtures and equipment thereof, as well as in or to the street entrances, halls, passages and stairways thereof; provided that Landlord shall use commercially reasonable efforts to avoid unreasonable interference with Tenant's access to and use of the Premises. Without limiting the foregoing, Landlord may change the name by which the Building is

commonly known, as Landlord may deem necessary or desirable. Nothing contained in this Paragraph 14, shall be deemed to relieve Tenant of any duty, obligation or liability of Tenant with respect to the terms, covenants and conditions of this Lease, to making any repair, replacement or improvement required hereby, or to complying with any law, order or requirement of any government or other authority. Nothing contained in this Paragraph 14 shall be deemed or construed to impose upon Landlord any obligation, responsibility or liability whatsoever, for the care, supervision of repair of the Site, the Building and/or the Premises or any part thereof other than as provided in this Lease.

14.10 The construction of the Tenant Improvements pursuant to the provisions of the Work Letter attached to this-Lease as Exhibit B shall be governed by the terms of such Work Letter to the extent inconsistent with the provisions of this Paragraph 14.

14.11 Within thirty (30) days of completion of any Changes (other than for mere decorative Changes), Tenant shall provide Landlord with a set of final "as-built" plans.

14.12 Tenant may, at its own expense, install its own security system (**"Tenant's Security System"**) in the Premises, subject to Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed; provided, however, that (A) if Tenant's Security System ties into the Building security system, Tenant shall coordinate the installation and operation of Tenant's Security System with Landlord to assure that Tenant's Security System is compatible with the Building security system and the Building Systems, and (B) to the extent that Tenant's Security System is not compatible with the Building security system or the Building Systems, Tenant shall not be entitled to install or operate it. Tenant shall be solely responsible, at Tenant's sole cost and expense, for the monitoring, operation and removal of Tenant's Security System, provided that, notwithstanding the foregoing, Tenant may install any security system it desires that does not require linkage with the Building security system and which does not affect the Building security system and which does not (i) create (a) an adverse effect on the structural integrity of the Building, (b) a non-compliance with any applicable laws, (c) an adverse effect on the Building Systems, (d) an effect on the exterior appearance of the Building, or (e) unreasonable interference with the normal and customary office operations of any other tenant in the Building, or (ii) adversely affect Landlord's ability to operate the Building. Tenant shall provide Landlord with any information reasonably required regarding Tenant's Security System in the event access to the Premises is necessary in an emergency. Upon the expiration or earlier termination of the Term, at Landlord's option, the Tenant's Security System shall become the property of Landlord and be surrendered to Landlord with the Premises. In furtherance of the same, Landlord shall have the right to require Tenant to convey the Tenant's Security System to Landlord free of all liens at the end of the Term, at no cost to Landlord, pursuant to a commercially reasonable form of bill of sale or other conveyance agreement to be executed by Tenant. Further, at the expiration or early termination of this Lease, Landlord shall be entitled to require that Tenant remove Tenant's Security System from the Building at its cost and repair any and all damage resulting from any such removal.

15. Repairs and Maintenance.

15.1 Tenant acknowledges that Landlord shall be responsible for repairing and maintaining, in first-class condition and repair, the Building and all components and systems which are a part of or serve the Building, and the corresponding costs of maintenance and repairs shall be included as part of the Direct Operating Expenses or Common Operating Expenses, as the case may be, paid by Tenant: pursuant to, and subject to the limitations contained in, Paragraph 5 or Paragraph 6 as the case maybe. Tenant shall upon the expiration or sooner termination of the Term surrender the Premises to Landlord in good condition, reasonable wear and tear and items for which Landlord bears sole responsibility for the cost of repair and maintenance excepted. Landlord shall have no obligation to alter, remodel, improve, decorate or paint the Premises or any part thereof in anticipation of Tenant's occupancy of the Premises (except as may be necessary in order for Landlord to be in compliance with the warranty set forth in Paragraph 13 above and as otherwise provided in the Work Letter and this Lease), and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Premises except as specifically set forth in this Lease. "**Building Systems**" shall mean any plant, machinery, transformers, duct work, cable, wires, and other equipment, facilities, and systems designed to supply heat, ventilation, air conditioning and humidity, life-safety or any other services or utilities, or comprising or serving as any component or portion of the electrical, gas, steam, plumbing, sprinkler, communications, alarm, security, or fire/life safety systems or equipment, or any other mechanical, electrical, electronic, computer or other systems or equipment which serve the Building in whole or in part.

15.2 Landlord shall repair and maintain in first-class condition and repair and in compliance with all laws the structural components of the Building and Premises (consisting of the exterior and other load bearing walls, footings, columns, structural floors and foundations). The cost of any and all such repairs shall be included as part of the Direct Operating Expenses or Common Operating Expenses, as the case may be, and paid by Tenant pursuant to and subject to the limitations contained in, Paragraph 5 or Paragraph 6 as the case may be. Landlord shall not be liable for any failure to make any repairs, or to perform any maintenance, required of Landlord unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. There shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Premises or in or to fixtures, appurtenances and equipment therein. Tenant hereby

waives the provisions of California Civil Code Sections 1932(1), 1941 and 1942 and of any similar law, statute or ordinance now or hereafter in effect. Landlord expressly reserves the right to access the Premises and all parts of the Building as required to perform its maintenance obligations hereunder. Notwithstanding any of the provisions of this Lease to the contrary, if Tenant provides notice (or which maybe telephonic to the Building's property management office in the event of an Emergency, defined below) to Landlord of an event or circumstance which requires the action of Landlord with respect to repair and/or maintenance of the Building, including the Building structure and/or Building Systems, which event or circumstance with respect to the Building structure or Building Systems materially and adversely affects the conduct of Tenant's business from the Premises (or any material portion), and Landlord fails to commence corrective action not later than five (5) business days after receipt of such notice, then Tenant may proceed to take the required action upon delivery of an additional one (1) business day's notice to Landlord specifying that Tenant is taking such required action (provided, however, that the initial five (5) business day notice and the subsequent one (1) business day notice shall not be required in the event of an Emergency), and if such action is not commenced by Landlord within such one(l) business day period and thereafter diligently pursued to completion, then Tenant shall be entitled to take such action in the manner described below and shall be further entitled to prompt reimbursement by Landlord of Tenant's reasonable costs and expenses in taking such action plus interest thereon at the Interest Rate (hereinafter defined). If Tenant takes any such action, Tenant shall use only those contractors used by Landlord in the Building for work unless such contractors are unwilling or unable to perform, or timely perform such work, in which event Tenant may utilize the services of any other qualified contractor which normally and regularly performs similar work in Comparable Buildings. Promptly following completion of any work taken by Tenant pursuant to this Paragraph 15.2, Tenant shall deliver a detailed invoice of the work completed, the materials used and the costs relating thereto. If Landlord delivers to Tenant, within thirty (30) days after receipt of Tenant's invoice, a written objection to the payment of such invoice, setting forth with reasonable particularity Landlord's reasons for its claim that such action did not have to be taken by Landlord pursuant to this Lease or that the charges are excessive (in which case Landlord shall pay the amount it contends would not have been excessive), then Landlord and Tenant shall thereafter attempt to resolve the dispute regarding such charges and in the event of a failure to achieve resolution Tenant may proceed to file a claim against Landlord. If Tenant prevails in such claim, the amount of the award shall include interest at the Interest Rate from the time of each expenditure by Tenant until the date Tenant receives such amount by payment or offset and reasonable attorneys' fees and related costs. For purposes of this Paragraph 15.2, an **"Emergency"** shall mean an event threatening immediate and material danger to people located in the Building or immediate, material damage to the Building, Building Systems, Building structure, Premises, or creates a realistic possibility of an immediate and material interference with, or immediate and material interruption of a material aspect of Tenant's business operations.

16. Liens. Tenant shall not permit any mechanic's, material men's or other liens to be filed against the real property of which the Site, the Building, and/or the Premises form a part, nor against the Tenant's leasehold interest in the Premises. Landlord shall have the right at all reasonable times to post and keep posted on the Premises any notices which it deems necessary for protection from such liens. Notwithstanding any other provision in this Lease to the contrary, if any such liens are filed, and the same are not removed by Tenant within thirty (30) days after notice to Tenant of such filing, Landlord may, without waiving its rights and remedies based on such breach of Tenant and without releasing Tenant from any of its obligations, upon notice to Tenant, cause such liens to be released by any means it shall deem proper, including payment in satisfaction of the claim giving rise to such lien. Thereafter Tenant shall promptly pay to Landlord, upon notice by Landlord, any sum paid by Landlord to remove such liens, together with interest at the lesser of 10% or the maximum rate per annum permitted by law from the date of such payment by Landlord.

17. Entry by Landlord. Subject to limitations described in the last paragraph of Paragraph 1.3 and this Paragraph 17 below, Landlord reserves and shall at any and all reasonable times and upon reasonable prior notice to Tenant of not less than twenty four (24) hours (except in the case of emergency) have the right to enter the Premises to inspect the same, to supply any service to be provided by Landlord to Tenant hereunder, to submit said Premises to prospective purchasers or mortgagors/lenders or, to post notices of non-responsibility, to alter, improve or repair the Premises or any other portion of the Building, to show the Premises during the last twelve (12) months of the Term of this Lease to prospective tenants, all without being deemed guilty of any eviction of Tenant and without abatement of rent except as expressly set forth below in this Paragraph 17. In order to carry out such purposes, Landlord may erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, provided that the business of Tenant shall be interfered with as little as is reasonably practicable. Notwithstanding anything to the contrary set forth in this Paragraph 17, 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 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. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby except as expressly set forth herein. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises (excluding Tenant's vaults and safes), and Landlord shall have the means which Landlord may deem proper to open said doors in an emergency in order to obtain entry to the Premises. Any entry to the Premises obtained by Landlord by any of said means shall not, under any circumstances, be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof. It is understood and agreed that no provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations except as otherwise expressly agreed herein to be performed by Landlord. In the event that Tenant is prevented from using, and does not use, the Premises or any material portion thereof, as a result of (i) any repair, maintenance or alteration performed by Landlord, or which Landlord failed to perform or commence to perform after at least three (3) business days' prior written notice by Tenant to Landlord identifying such failure, which substantially interferes with Tenant's use of or ingress to or egress from the Building or Premises and is not necessitated by Tenant's breach or Default hereunder or performed in such manner at the Tenant's express request; (ii) any failure to provide services, utilities or ingress to and egress from the Building or Premises if such failure is attributable solely to the act or omission of Landlord (or Landlord's agents, employees or contractors) or to Landlord's failure to perform its maintenance obligations set forth herein as specifically identified in a written notice given by Tenant to Landlord; or (iii) the presence of Hazardous Materials due to the acts or omissions of Landlord or Landlord's agents, employees or contractors (any such set of circumstances as set forth in items (i) through (iii), above, to be known as an **"Abatement Event"**), then if such Abatement Event continues for five (5) consecutive business days (the **"Eligibility Period"**), then the rent payable hereunder 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, the Premises, or any material 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. If Tenant's right to abatement occurs during a free rent period, Tenant's free rent period shall be extended for the number of days that the abatement period overlapped the free rent period (**"Overlap Period"**).

18. Utilities and Services. Landlord agrees during the period from and after the Early Access Date and thereafter during the Lease Term to furnish to the Premises Monday through Friday from 7:00 a.m. through 7:00 p.m., holidays excepted, (unless otherwise stated below),

(a) electric current for normal lighting and fractional horsepower office machines, electricity in an amount not less than 1.0 watts per rentable square foot for lighting and 5.0 watts per rentable square foot for convenience power,

(b) hot and cold water for lavatory, kitchen/pantry and drinking purposes,

(c) elevator service by non-attended automatic elevators,

(d) regular refuse removal,

(e) HVAC service sufficient to maintain comfortable temperatures throughout the Premises (i.e., no higher than 75° Fahrenheit with 50% relative humidity in the summer, and no lower than 72° Fahrenheit in the winter with 45% relative humidity) and

(f) washing of all exterior windows at least three (3) times per calendar year (collectively, "**Base Building Services**").

Landlord shall have no responsibility to provide cabling or equipment to allow Tenant to obtain telecommunications and network connectivity and Landlord agrees that Tenant may select its own vendors and providers of telecommunications and network connectivity service. Landlord shall allow such providers to install their own cabling, conduits and equipment in the Building and Premises subject to Landlord's prior approval of the specific plans and specifications therefor in accordance with Exhibit B or if after the completion of the Tenant Improvements Paragraph 14 above. Subject to Landlord's rules, regulations, and restrictions and the terms of this Lease and applicable laws, Landlord shall permit Tenant, at no additional charge to Tenant, to utilize Tenant's Share of the existing Building risers, raceways, and shafts available for use by the tenants and occupants of the Building to the extent (i) there is available space in the Building risers, raceways, and/or shafts for Tenant's use, which availability shall be determined by Landlord in Landlord's reasonable discretion, and (ii) Tenant's requirements are consistent with the requirements of a typical general office user. The electrical services, and water (and sewer) provided to the Premises shall be separately metered to measure the consumption of electricity and water within the Premises, with Landlord to install all such meters at its expense as soon as reasonably practicable following the Early Access Date to the extent such meters are not in place as of such date. Tenant shall pay Landlord directly as part of the Direct Operating Expenses for all utilities consumed within the Premises, as measured by such separate meters. Landlord shall provide janitorial services to Tenant with respect to the Premises in accordance with the Specifications attached hereto as Exhibit D and the charge for such services shall be included as a portion of the Direct Operating Expenses or in the alternative, Tenant shall be entitled to engage a third party vendor to provide janitorial services for the Premises and in such event Tenant shall timely pay any and all

costs of such third party vendor, Tenant shall directly contract for any and all security services with respect to the Premises and the cost of such services shall be paid directly by Tenant. Except as expressly set forth hereby, Landlord shall not be liable for, and Tenant shall not be entitled to any abatement or reduction of rent by reason of Landlord's failure to furnish any of the Base Building Services when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character/or for other causes beyond Landlord's reasonable control. Landlord's cost of providing such utility services shall be part of Direct Operating Expenses, Tenant hereby waives the provisions of California Civil Code Section 1932(1) or any other applicable existing or future law, ordinance or governmental regulation permitting the termination of this Lease due to the interruption or failure of or inability to provide any services required to be provided by Landlord hereunder. In the event Tenant requires heat and/or air conditioning outside of the business hours specified above, Tenant shall pay to Landlord as additional rent the sum of Eighty-Five Dollars ($85.00) per hour per zone, for each hour of occupancy outside of the business hours specified above. Landlord represents and warrants that the Premises includes thermostats and Building management system automated controls for the HVAC service within the Premises, and that Tenant may control the temperatures maintained within the Premises during normal business hours. All charges levied against Tenant for utility and janitorial (if applicable) services together with charges for any and all Base Building Services shall be paid by Tenant to Landlord as reimbursement for any and all such costs and in accordance with the provisions of Paragraph 6.2and 6.3 above in a manner consistent with reimbursement to Landlord of Tenant's Share of Common Operating Expenses. Any incandescent light bulbs used in the Premises shall be paid for by the Tenant. Upon Tenant's request, Landlord's personnel shall install incandescent light bulbs or other Building nonstandard bulbs in the Premises. Tenant agrees to pay Landlord upon demand Landlord's cost for the maintenance and/or replacement, as applicable, of all such incandescent light bulbs installed or other Building nonstandard improvements; provided, that Landlord shall not be responsible in any manner for said maintenance, cleaning and repair. Landlord shall provide Tenant access to the Premises on a twenty-four (24) hour per day, seven (7) days per week basis, subject to events beyond Landlord's reasonable control.

19. Indemnification.

19.1 To the fullest extent permitted bylaw, but subject to Paragraph 21.6 and except to the extent caused by the negligence or misconduct of Landlord or its agents, contractors, employees or invitees, or by Landlord's breach of this Lease, Tenant hereby agrees to defend, indemnify, protect and hold Landlord and Landlord Parties harmless against and from any and all loss, cost, damage or liability arising in whole or in part from (i) Tenant's use of the Site, the Building, and/or the Premises, (ii) the conduct of its business or from any activity, work, or thing done, permitted or suffered by Tenant, its agents, contractors, employees or invitees in or about the Site, the Building, and/or the Premises arising from any act, neglect, fault or omission of Tenant, or of its agents, employees or invitees, and (iii) from and against all costs, attorneys' fees, expenses and liabilities incurred for such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against Landlord and/or any of the Landlord Parties by reason of any such claim, Tenant upon notice from Landlord hereby agrees to defend Landlord and the Landlord Parties at Tenant's expense by counsel approved in writing by Landlord. Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons in, upon or about the Site, the Building, and/or the Premises from any cause whatsoever except that which is caused by Landlord's or its agents, contractors, employees or invitees, negligence or intentional misconduct or breach of this Lease, and Tenant hereby waives all its claims in respect thereof against Landlord.

19.2 To the fullest extent permitted by law, but subject to Paragraph 21.6, Landlord hereby agrees to defend, indemnify, protect and hold Tenant harmless against and from any and all loss, cost, damage or liability suffered by Tenant arising in whole or in part from the negligence (to the extent not covered by liability insurance carried by Tenant pursuant to this Lease) or misconduct of Landlord or its agents, contractors, employees or invitees in or about the Site, the Building, and/or the Premises, including without limitation any liability or injury to the person or property of Tenant, its officers, directors, partners, employees, agents, invitees or guests. In case any action or proceeding is brought against Tenant by reason of any such claim, Landlord upon notice from Tenant hereby agrees to defend Tenant at Landlord's expense by counsel approved in writing by Tenant (provided, that any counsel appointed by an insurance carrier shall be deemed acceptable to Tenant). Nothing herein shall relieve Tenant of liability for its own willful acts or negligence.

20. Damage to Tenant's Property. Notwithstanding the provisions of Paragraph 19 to the contrary, except to the extent caused by the negligence (to the extent not covered by liability insurance carried by Tenant pursuant to this Lease) or misconduct of Landlord or its agents, contractors, employees or invitees, or Landlord's breach of this Lease, Landlord and each of the Landlord Parties shall not be liable for any damage to property entrusted to employees of the Building, or for loss of or damage to any property by theft or otherwise, or for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak from any part of the Building (including, but not limited to, the Premises) or from the pipes, appliances or plumbing works therein or from the roof, street or sub-surface or from any other place or resulting from dampness or any other patent or latent cause whatsoever. Landlord and each of the Landlord Parties shall not be liable for interference with the light, air, view or intangible characteristics or qualities of the Premises; provided,

however, that Landlord agrees not to voluntarily construct any improvements or other structures which would materially interfere with the light, air, the view available at the Premises, unless such construction is required by applicable law. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building or of defects known to Tenant therein or in the fixtures or equipment located therein. Notwithstanding any provision of Paragraph 19 to the contrary, (i) neither Landlord nor any partner, director, officer, member, agent, servant or employee of Landlord shall be liable: for any such damage caused by other tenants or persons in, upon or about the Building, or caused by operations in the construction of any private, public or quasi-public work (the limitations of liability set forth in this clause (i) shall not apply to any damage or liability caused by the negligence (to the extent not covered by liability insurance carried by Tenant pursuant to this Lease) or intentional misconduct of Landlord Parties); and (ii) neither party hereto shall be liable to the other for consequential damages, including lost profits, of the other party or any person claiming through or under the other party (except, in the case of Tenant's liability, as described in Paragraph 11 above).

21. Insurance.

21.1 During the Term hereof, Tenant, at its sole expense, shall obtain and keep in force the following insurance:

(a) Commercial general liability ("**CGL**") insurance designating Landlord as an additional insured against claims for bodily injury and property damage occurring in, or about the Premises (including without limitation damage or injury to vehicles or persons in the parking lot located on the Site) arising out of Tenant's use and occupancy of the Premises. Such insurance shall have a combined single limit of not less than Three Million Dollars ($3,000,000) per occurrence with a Five Million Dollar ($5,000,000) aggregate limit (such limits maybe achieved by a combination of primary and umbrella coverages). Such liability insurance shall be primary and not contributing to any insurance available to Landlord and any insurance maintained by Landlord shall be excess thereto. In no event shall the limits of such insurance be considered as limiting the liability of Tenant under this Lease.

(b) Personal property insurance insuring all equipment, trade fixtures, inventory, fixtures and personal property located on or in the Premises for perils covered by the causes of loss - special form (all risk) and in addition, boiler and machinery (if applicable). Such insurance shall be written on a replacement cost basis in an amount equal to the full replacement value of the aggregate of the foregoing less any applicable deductible.

(c) Workers' compensation insurance in accordance with statutory law.

(d) Loss of income and extra expense insurance in such amounts as will reimburse Tenant for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises as result of such perils.

21.2 The policies required to be maintained by Tenant hereunder shall be with companies rated A-VIII or better in the most current issue of Best's Insurance Reports. Insurers shall be authorized to do business in the State of California and domiciled in the USA. Any deductible amount under any insurance policies required hereunder shall not exceed Fifty Thousand Dollars ($50,000) without Landlord's prior written consent, which consent will not be unreasonably withheld. Certificates of insurance shall be delivered to Landlord prior to the Tenant's entry onto the Premises to fixturize the Premises and annually thereafter at least ten (10) days prior to the expiration date of the old policy. Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms hereof in either or both a blanket or umbrella policy, provided such blanket or umbrella policy expressly affords coverage to the Premises and to Landlord as required by this Lease. Each policy of insurance, to the extent consistent with insurance industry practices for the type of insurance, shall provide that Landlord (and any mortgagee) are additional insureds and shall provide notification to Landlord at least thirty (30) days prior to any cancellation or modification to reduce the insurance coverage; Landlord expressly acknowledges that, as of the Effective Date, a majority of insurers are not willing to provide notice to third parties (including landlords) of cancellation or modification or insurance coverage as described in this sentence, and agrees that for so long as Tenant's insurer(s) is unwilling to provide such notice, Tenant shall be obligated to promptly provide such notice to Landlord upon receipt of any such notice by Tenant from Tenant's insurer(s),

21.3 Landlord shall maintain:

(a) fire and casualty insurance, with loss payable to Landlord and to any Mortgagee, insuring against loss or damage to the Building. The amount of such insurance shall be equal to the estimated replacement cost of the Building (as the same may increase during the Term), exclusive of foundations, as the same shall exist from time to time, but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. Landlord's policy shall contain at least twelve (12) months of "rental income loss" coverage payable in instances in which Tenant is entitled to rent abatement hereunder, and shall include (i) an "extended coverage" endorsement, (ii) a "building laws" and/or "law and ordinance" coverage endorsement that covers "costs of demolition," "increased costs of construction" due to changes unbuilding codes and "contingent liability" with respect to undamaged portions of the Building, and (iii) an "earthquake sprinkler leakage" endorsement, with each such endorsement to

be of a kind required by Landlord to assist Landlord in funding its obligations under this Lease to repair and restore the Building;

(b) CGL insurance against claims for bodily injury and property damage occurring in or about the Building in amounts as shall from time to time be carried by owners and operators of Comparable Buildings, but in no event less than Five Million Dollars ($5,000,000) with respect to bodily injury, personal injury or death to any one person and no less than Five Million Dollars ($5,000,000) for each accident with respect to property damage (including both primary and excess coverage), with a commercially reasonable deductible.

Tenant shall reimburse Landlord for Tenant's Share of the premiums for fire and casualty, and liability insurance (subject to proration to the extent the premium covers a period prior or subsequent to the Term) as part of the Common Operating Expenses to be paid by Tenant. The insurance required by this Paragraph shall, in addition, include coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Premises required to be demolished, and shall also contain an agreed valuation provision in lieu of any coinsurance clause and waiver of subrogation. If such insurance coverage has a deductible clause, then Common Operating Expenses shall include the full deductible amount; provided, however, that such deductible amount is reasonably commensurate with the levels of deductibles then being maintained by owners of Comparable Buildings and further provided that the deductible amount included in Common Operating Expenses shall be prorated as provided Paragraph 6.2. Landlord shall not be required to insure against any damage caused by flood, terrorism, mold or environmental contamination.

21.4 Tenant will not knowingly keep, use, sell, or offer for sale in, or upon, the Premises any article which may be prohibited by any insurance policy periodically in force covering the Premises. If Tenant's occupancy or business in, or on, the Premises, whether or not Landlord has consented to the same, results in any increase in premiums for the insurance required or actually carried by Tenant and/or Landlord with respect to the Premises, Tenant shall pay any such increase in premiums as additional rent. In determining whether increased premiums are a result of Tenant's use of the Premises, a schedule issued by the organization computing the insurance rate on the Premises showing the various components of such rate, shall be conclusive evidence of the several items and charges which make up such rate. Tenant shall promptly comply with all reasonable requirements of the insurance authority or any present or future insurer relating to the Premises.

21.5 If any insurance policy required to be maintained by Tenant shall be canceled or cancellation shall be threatened or the coverage thereunder reduced or threatened to be reduced in any way because of the specific use of the Premises or any part thereof by Tenant or any assignee or sub-tenant of Tenant or by anyone Tenant permits on the Premises and, if Tenant fails to remedy the condition giving rise to such cancellation, threatened cancellation, reduction of coverage, threatened reduction of coverage, increase in premiums, or threatened increase in premiums, within five (5) business days after written notice thereof, Landlord may, at its option, enter upon the Premises and attempt to remedy such condition, and Tenant shall promptly pay all costs thereof to Landlord as additional rent. Landlord shall not be liable for any damage or injury caused to any property of Tenant or of others located on the Premises resulting from such entry. If Landlord is unable, or elects not, to remedy such condition, then Landlord shall have all of the remedies provided for in this Lease in the event of a Default by Tenant.

21.6 Notwithstanding anything in this Lease to the contrary, Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss of, or damage to, either parties' property, to the extent that such loss or damage is insured by an insurance policy required to be in effect at the time of such loss or damage or is otherwise actually insured by an insurance policy maintained by the waiving party. Each party shall obtain any special endorsements, if required by its insurer whereby the insurer waives its rights of subrogation against the other party.

21.7 In the event Tenant does not purchase the insurance required by this Lease or keep the same in full force and effect, Landlord may, but shall not be obligated to, upon notice to Tenant, purchase the necessary insurance and pay the premium. The Tenant shall repay to Landlord, as additional rent, the amount so paid promptly upon demand. In addition, Landlord may recover from Tenant and Tenant agrees to pay, as additional rent, any and all reasonable expense (including attorneys' fees) and damages which Landlord may sustain by reason of the failure to Tenant to obtain and maintain such insurance.

22. Damage or Destruction.

22.1 In the event of any casualty damage which affects the Premises or the Building outside the boundaries of the Premises, Landlord will, within sixty (60) days 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 as a first-class office building; such notice will be based upon the review and opinions of Landlord's architect and contractor ("**Landlord's Repair Notice**")**.** If the damage is covered under insurance pursuant to the provisions of the foregoing Paragraph 21 (or any other insurance Landlord may then be carrying), Landlord shall restore such damage provided that: (i) the insurance proceeds, plus the amount of any deductible (the payment of which shall be Tenant's responsibility), are sufficient to pay all of the cost of restoration without the necessity of Landlord paying any additional cost of such repairs; and (ii) in the reasonable judgment of Landlord, the restoration can be completed within two hundred seventy

(270) days after the date of the damage or casualty under the laws and regulations of the state, federal, county and municipal authorities having jurisdiction. If such conditions apply so as to require Landlord to restore such damage pursuant to this Paragraph, this Lease shall continue in full force and effect, subject to Tenant's rights as described below, unless otherwise agreed to in writing by Landlord and Tenant. Tenant shall be entitled to a proportionate reduction of Monthly Basic Rent at all times during which Tenant's use of the Premises is interrupted, such proportionate reduction to be based on the extent to which the damage and restoration efforts actually interfere with Tenant's access to or use of business in the Premises (which Landlord expressly acknowledges may be a circumstance in which the Premises are not damaged but the Building Systems are substantially damaged so as to render the Premises unusable or inaccessible to Tenant). Tenant's right to a reduction of rent hereunder shall be Tenant's sole and exclusive remedy in connection with any such damage.

22.2 In the event that the Building is damaged by a casualty, and Landlord is not required to restore such damage in accordance with the provisions of the immediately preceding Paragraph, Landlord shall have the option to either (i) repair or restore such damage, with the Lease continuing in full force and effect (subject to Tenant's rights as described below), but Monthly Basic Rent to be proportionately abated as provided above; or (ii) give notice to Tenant at any time within forty-five (45) days after the occurrence of such damage terminating this Lease as of a date to be specified in such notice which date shall not be less than thirty (30) nor more than sixty (60) days after the date on which such notice of termination is given. In the event of the giving of such notice of termination, this Lease shall expire and all interest of Tenant in the Premises shall terminate on the date so specified in such notice and the Monthly Basic Rent, reduced by any proportionate reduction in Monthly Basic Rent as provided for above, shall be paid to the date of such termination. Notwithstanding the foregoing, if Landlord elects to terminate this Lease pursuant to this Paragraph, if within thirty (30) days after receipt of Landlord's notice Tenant elects to provide the funds necessary to make up the shortage (or absence) of insurance proceeds and provides Landlord with reasonable assurance thereof, Landlord shall restore the Building as provided in this Paragraph provided that the Building is reasonably subject to restoration within one hundred eighty (180) days following the date on which the casualty occurs.

22.3 If the Premises are damaged by fire or other casualty and are rendered not reasonably usable for Tenant's business purposes thereby, or if the Building shall be so damaged that Tenant shall be deprived of reasonable access to the Premises, and if, pursuant to Landlord's Repair Notice, the restoration shall not be substantially completed on or before the date which is nine (9) months following the date of such damage or destruction, Tenant shall have the right to terminate this Lease by giving written notice (the "**Termination Notice**") to Landlord not later than thirty (30) days following receipt of Landlord's Repair Notice. If Tenant gives a Termination Notice, this Lease shall be deemed cancelled and terminated as of the date of the damage, and Rent shall be apportioned and shall be paid or refunded, as the case may be up to and including the date of such damage or destruction. Notwithstanding the foregoing, if Tenant was entitled to but elected not to exercise its right to terminate this Lease and Landlord does not substantially complete the repair and restoration of the Premises within two (2) months after the expiration of the estimated period of time set forth in Landlord's Repair Notice, which period shall be extended to the extent of any delays caused by Tenant, then Tenant may terminate this Lease by written notice to Landlord within thirty (30) days after the expiration of such period, as the same may be so extended.

22.4 Notwithstanding the foregoing, either Landlord or Tenant may terminate this Lease if the Building is damaged by fire or other casualty (and the reasonably estimated cost of restoration of the Building exceeds twenty percent (20%) of the then replacement value of the Building) and such damage or casualty occurs during the last twelve (12) months of the Term of this Lease (or the Term of the Extended Term, if applicable) by giving the other written notice thereof at any time within thirty (30) days following the occurrence of such damage or casualty. Such notice shall specify the date of such termination, which date shall not be less than thirty (30) nor more than sixty (60) days following the date on which such notice of termination is given. In the event of the giving of such notice of termination, this Lease shall expire and all interest of Tenant in the Premises shall terminate on the date so specified in such notice and the Rent shall be paid to the date of such termination. Notwithstanding the foregoing to the contrary, Landlord shall not have the right to terminate this Lease if damage or casualty occurs during the last twelve (12) months of the Term if Tenant timely exercises the Extension Option within twenty (20) days after the date of such damage or casualty.

22.5 Upon any termination of this Lease under any of the provisions of this Paragraph, the parties shall be released thereby without further obligation to the other from the date possession of the Premises is surrendered to Landlord, except for (i) items which have already accrued and are then unpaid by either Tenant or Landlord under the Lease, (ii) any prepaid (and unearned) Monthly Basic Rent or unused security deposit amounts, and (iii) any amount owed by either Tenant or Landlord to the other under the Work Letter.

22.6 In connection with Landlord's performance of its obligation to rebuild, Tenant will not unreasonably withhold, delay or defer its consent to modifications to the Tenant Improvements or the Building proposed by Landlord, provided that such modifications do not increase the obligations of Tenant hereunder or adversely affect Tenant's use of the Premises. The repair and restoration of Tenant's personal property and trade fixtures, shall be the obligation of Tenant.

22.7 Tenant hereby waives California Civil Code Sections 1932(2) and 1933(4), providing for termination of hiring upon destruction of the thing hired and Sections 1941 and 1942, providing for repairs to and of premises.

23. Eminent Domain.

23.1 In case the whole of the Premises, or such part thereof as shall substantially interfere with Tenant's use and occupancy thereof, shall be taken for any public or quasi-public purpose by any lawful power or authority by exercise of the right of appropriation, condemnation or eminent domain, or sold to prevent such taking, either party shall have the right to terminate this Lease effective as of the date possession is required to be surrendered to said authority. Tenant shall not assert any claim against Landlord or the taking authority for any compensation because of such taking (provided that Tenant may present a separate claim for Tenant's relocation costs and lost personal property, so long as such claim does not diminish any award otherwise available to Landlord), and Landlord shall be entitled to receive the entire amount of any award without deduction for any estate or interest of Tenant. In the event the amount of property or the type of estate taken shall not substantially interfere with the conduct of Tenant's business, Landlord shall be entitled to the entire amount of the award without deduction for any estate or interest of Tenant. If this Lease is not so terminated, Landlord shall promptly proceed to restore the Premises to substantially their same condition prior to such partial taking, and a proportionate allowance shall be made to Tenant for the rent corresponding to the time during which, and to the part of the Premises of which, Tenant shall be so deprived on account of such taking and restoration. Nothing contained in this Paragraph shall be deemed to give Landlord any interest in any award separately made to Tenant for the taking of personal property and trade fixtures belonging to Tenant or for moving costs incurred by Tenant in relocating Tenant's business. Landlord and Tenant hereby agree that if Landlord is obligated to repair or restore the Premises pursuant to this Paragraph 23.1, Landlord shall be obligated to make such repairs or restoration only of those portions of the Premises which were originally provided at Landlord's expense (including the Tenant Improvements) and only to the extent of any award amount received by Landlord.

23.2 In the event of taking of the Premises or any part thereof for temporary use, (i) this Lease shall be and remain unaffected thereby and rent shall not abate, and (ii) Tenant shall be entitled to receive for itself such portion or portions of any award made for such use with respect to the period of the taking which is within the Term, provided that if such taking shall remain in force at the expiration or earlier termination of this Lease, Tenant shall then pay to Landlord a sum equal to the reasonable cost of performing Tenant's obligations under Paragraph 32 with respect to surrender of the Premises and upon such payment shall be excused from such obligations. For purpose of this Paragraph 23.2, a temporary taking shall be defined as a taking for a period of 270 days or less.

23.3 Landlord and Tenant each hereby waive the provisions of California Code of Civil Procedure Section 1265.130 and any other applicable existing or future law, ordinance or governmental regulation providing for, or allowing either party to petition the courts of the state of California for, a termination of this Lease upon a partial taking of the Premises and/or the Building.

24. Bankruptcy. If Tenant shall file a petition in bankruptcy under any chapter of federal bankruptcy law as then in effect, or if Tenant be adjudicated a bankrupt in involuntary bankruptcy proceedings and such adjudication shall not have been vacated within ninety (90) days from the date thereof, or if a receiver or trustee be appointed of Tenant's property and the order appointing such receiver or trustee not be set aside or vacated within ninety (90) days after the entry thereof, or if Tenant shall assign Tenant's estate or effects for the benefit of creditors, or if this Lease shall otherwise by operation of law pass to any person or persons other than Tenant, then in any such event Landlord may, if Landlord so elects, with or without notice of such election and with or without entry or action by Landlord, forthwith terminate this Lease. Notwithstanding any other provisions of this Lease, Landlord, in addition to any and all rights and remedies allowed by law or equity, shall upon such termination be entitled to recover damages in the amount provided in Paragraph 25.2 below. In the event of such termination, neither Tenant nor any person claiming through or under Tenant or by virtue of any statute or order of any court shall be entitled to possession of the Premises, and Tenant shall forthwith quit and surrender the Premises to Landlord. Nothing herein contained shall limit or prejudice the right of Landlord to prove and obtain as damages by reason of any such termination an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount be greater, equal to, or less than the amount of damages recoverable under the provisions of this Paragraph 24.

25. Defaults and Remedies.

25.1 The occurrence of any one or more of the following events shall constitute a Default hereunder by Tenant:

(a) The abandonment of the Premises by Tenant, as provided by the California Civil Code.

(b) The failure of Tenant to make any payment of Monthly Basic Rent or Common Operating Expenses or Direct Operating Expenses to be made by Tenant hereunder within three (3) business days following notice from Landlord that the same is past due.

(c) The failure by Tenant to make any payment of rent or any other payment required to be made by Tenant hereunder other than Monthly Basic Rent, Common Operating Expenses or Direct Operating Expenses as and when due, where such failure continues for a period of five (5) days after written notice thereof from Landlord to Tenant; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure 1161.

(d) The failure by Tenant to observe or perform any of the express or implied covenants or provisions of this Lease to be observed or performed by Tenant, other than as specified in Paragraph 25.1(b) or 25.1(c) above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure 1161; provided, further, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant shall commence such cure within said thirty (30) day period and thereafter diligently and without interruption prosecute such cure to completion following the written notice from Landlord pursuant to this Paragraph.

(e) (1) The making by Tenant of any general assignment for the benefit of creditors; (2) the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within ninety (90) days); (3) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within ninety (90) days; or (4) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease where such seizure is not discharged within ninety (90) days.

25.2 In the event of any such Default by Tenant, in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder. Upon such termination of Tenant's right to possession of the Premises, this Lease shall terminate and Landlord shall be entitled to recover damages from Tenant as provided in California Civil Code Section 1951.2 or any other applicable existing or future law, ordinance or regulation providing for recovery of damages for such breach (but not consequential damages except as provided in Civil Code Section 1951.2), including but not limited to the following:

(a) the worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(b) 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

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

(d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform his obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

As used in Paragraphs 25.2(a) and 25.2(b) above, the "worth at the time of award" is computed by allowing interest at the maximum rate permitted by law per annum. As used in Paragraph 25.2(c) above, the worth at the time of awards is computed by discounting to present value at the time of the award such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

25.3 If a Default exists under this Lease, Landlord may exercise its rights under California Civil Code Section 1951.4 and may continue this Lease in effect after Tenant has breached this Lease and abandoned the Premises and Landlord may recover rent as it becomes due; provided, however that Tenant has the right to sublet or assign tins Lease, subject to reasonable limitations. Acts of maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession.

25.4 During the continuance of a Default, Landlord may enter the Premises without terminating this Lease and remove all of Tenant's personal property, and any of Tenant's trade fixtures from the Premises and store them at Tenant's risk and expense. If Landlord removes such property from the Premises and stores it at Tenant's risk and expense, and if Tenant fails to pay the cost of such removal and storage after written demand therefor and/or to pay any rent then due, then after the property has been stored for a period of thirty (30) days or more Landlord may sell such property at public or private sale, in the manner and at such times and places as Landlord deems commercially reasonable Landlord shall provide reasonable notice to Tenant of the time and place of such sale. The proceeds of any such sale shall be applied first to the payment of the expenses for removal and storage of the property, the preparation for and the conducting of such sale, and for attorneys' fees and other legal expenses incurred by Landlord in connection therewith; and the balance shall be applied to any past due amount owing hereunder. Tenant hereby waives all claims for damages that may be caused by Landlord's re-entering and taking possession of the Premises or removing and storing Tenant's personal property pursuant to this Paragraph 25, except to the extent the same arise out of the gross negligence or willful misconduct of Landlord or Landlord's employees or contractors and Tenant shall hold Landlord harmless from and against any loss, cost or damages resulting from any such act. No re-entry by Landlord shall constitute or be construed to be a forcible entry by Landlord.

25.5 All rights, options' and remedies of Landlord contained in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this Lease. No waiver of any Default of Tenant hereunder shall be implied from any acceptance by Landlord of any rent or other payments due hereunder or any omission by Landlord to take any action on account of such Default if such Default persists or is repeated, and no express waiver shall affect Defaults other than as specified in said waiver. The consent or approval or Landlord to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent or approval to or of any subsequent similar acts by Tenant.

25.6 Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after notice by Tenant to Landlord specifying the nature of the obligation Landlord has failed to perform; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Tenant shall not have the right based upon a default of Landlord to terminate this Lease or to withhold, offset or abate rent. Tenant's sole recourse for Landlord's default being an action for damages against Landlord arising out of Landlord's default and/or for injunctive relief or declaratory judgment. Tenant shall not have the right to terminate this Lease or to withhold, offset or abate the payment of rent based upon the unreasonable or arbitrary withholding by Landlord of its consent or approval of any matter requiring Landlord's consent or approval, including, but not limited to, any proposed assignment or subletting, Tenant's remedies in such instance being limited to a declaratory relief action, specific performance, injunctive relief or an action for actual damages. Tenant shall not in any case be entitled to any consequential (including lost profits) or punitive damages based upon any Landlord default or withholding of consent or approval. Notwithstanding anything to the contrary contained in this Lease, Tenant agrees and understands that Tenant shall look solely to the estate and property of Landlord in the Building (which shall be deemed to include the rental income at the Building, the proceeds of any sale of all or any portion of the Building by Landlord as well as any insurance or condemnation proceeds), for the enforcement of any judgment (or other judicial decree) requiring the payment of money by Landlord to Tenant by reason of any default or breach by Landlord in the performance of its obligations under this Lease, it being intended hereby that no other assets of Landlord or any of Landlord's affiliates shall be subject to levy, execution, attachment or any other legal process for the enforcement or satisfaction of the remedies pursued by Tenant in the event of such default or breach.

26. Assignment and Subletting. Except in connection with a "**Permitted Transfer**" or a "**Desk License**" (as each term is defined below) Tenant shall not voluntarily assign, hypothecate or encumber its interest in this Lease or in the Premises, or sublease all or any part of the Premises, or allow any other person or entity to occupy or use all or any part of the Premises, (each a "**Transfer**"), without first obtaining Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Any Transfer without Landlord's prior written consent shall be voidable, at Landlord's election, and shall constitute a Default if not rescinded within five (5) business days following notice from Landlord. No consent to any Transfer shall constitute a further waiver of the provisions of this Paragraph. No later than thirty (30) days prior to the effective date of a proposed Transfer other than a Permitted Transfer, Tenant shall notify Landlord in writing of Tenant's intent to Transfer ("**Transfer Notice**"), the name of any proposed assignee or sublessee, information concerning the financial responsibility of the proposed assignee or sublessee and the terms of the proposed Transfer, and Landlord shall, within thirty (30) days of receipt of such written notice as well as any additional information reasonably requested by Landlord concerning any proposed assignee's or sublessee's financial responsibility, elect one of the following:

(a) Consent to such proposed Transfer;

(b) Refuse such consent, which refusal shall be on reasonable grounds, including but not limited to those matters set forth herein below;

(c) 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 PARAGRAPH 26 OF LEASE — FAILURE TO TIMELY RESPOND WITHIN FIVE (5) BUSINESS DAYS SHALL RESULT IN DEEMED APPROVAL OF TRANSFER.**" If Landlord fails to deliver notice of Landlord's consent to, or the withholding of Landlord's consent, to the proposed Transfer within such five (5) business day period, Landlord shall be deemed to have approved the Transfer in question. If Landlord at any time timely delivers notice to Tenant of Landlord's withholding of consent to a proposed Transfer, Landlord shall specify in reasonable detail in such notice, the basis for such withholding of consent.

Notwithstanding anything to the contrary contained in this Paragraph 26, in the event Tenant contemplates an assignment or a sublease of 50% or more of the Premises for all or substantially all of the remaining Lease Term, in each case except in the event of a Permitted Transfer, Tenant shall, in addition to the Transfer Notice, 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 Paragraph 26 in order to allow Landlord to elect to recapture the Contemplated Transfer Space for the entire remaining Term of this Lease. Thereafter, Landlord shall have the option, by giving written notice to Tenant within twenty (20) 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 date stated in the Intention to Transfer Notice as the effective date of the proposed Transfer. Such recapture of the Contemplated Transfer Space by Landlord shall cancel and terminate this Lease with respect to the Contemplated Transfer Space for the remaining Term of this Lease and Tenant shall be relieved of its obligation under this Lease with respect to the Contemplated Transfer Space having been recaptured. 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 Paragraph **26**, then, provided Landlord has consented to the proposed Transfer, and not otherwise, Tenant shall be entitled to proceed to transfer the Contemplated Transfer Space to the proposed transferee.

Without limiting the other instances in which it may be reasonable for Landlord to withhold its consent to an assignment or sublease, Landlord and Tenant acknowledge that it shall be reasonable for Landlord to withhold its consent in the following instances: (i) if at the time consent is requested Tenant is in Default; (ii) in the case of a proposed assignment of Tenant's interest in this Lease, if the proposed assignee's credit, character and business or professional standing does not meet the reasonable standards of Landlord; or (iii) if the proposed assignee is an existing tenant of the Building (unless Landlord is not able to accommodate such existing tenant) or Landlord is currently actively marketing comparable space in the Building to such proposed assignee. Without limiting Other instances in which it may be reasonable for Landlord to withhold its consent to any encumbrance or hypothecation of the interest of Tenant in this Lease, Landlord and Tenant acknowledge that is reasonable for Landlord to withhold its consent in instances where by reason of such encumbrance or hypothecation a tenant other than a tenant as approved by Landlord may acquire rights with respect to the Premises or any portion of the Premises by reason of any default proceedings pursuant to any such encumbrance or hypothecation or otherwise.

In the event that Landlord shall consent to any Transfer under the provisions of this Paragraph, Tenant shall pay Landlord's reasonable processing costs and attorneys' fees incurred in giving such consent (not to exceed $2,500). Landlord's consent to any Transfer, including without limitation in connection with a Permitted Transfer, shall not release or relieve Tenant from its obligations for the full and timely performance of each and every term and condition to be performed by Tenant hereunder. If for any proposed assignment or sublease Tenant receives rent or other consideration, either initially or over the term of the assignment or sublease, in excess of the rent and monthly amortization of Transfer Costs (defined below) called for hereunder, or, in case of the sublease of a portion of the Premises, in excess of the monthly amortization of all Transfer Costs and such rent fairly allocable to such portion, after appropriate adjustments to assure that all other payments called for hereunder are taken into account, Tenant shall, except where such assignee or subtenant is an affiliate of Tenant, pay to Landlord as additional rent hereunder 75% of the excess of each such payment of rent or other consideration received by Tenant promptly after its receipt. As used herein, "**Transfer Costs**" shall mean commercially reasonable brokerage commissions, marketing costs, attorneys' fees, and reasonable tenant improvement costs (or improvement allowances), incurred by Tenant in connection with such assignment or sublease, such Transfer Costs to be amortized for the purposes of Tenant's recovery of same from excess consideration, on a straight-line basis without interest over the then remaining Term of this Lease as of the effective date of such assignment or subletting. Landlord's waiver or consent to any assignment or subletting shall not relieve Tenant from any obligation under this Lease.

(d) Notwithstanding anything to the contrary contained in this Lease, Tenant may assign this Lease or sublet the Premises, or any portion thereof, without Landlord's consent, to any (i) entity which controls, is controlled by, or is under common control with Tenant; (ii) any entity which results from a merger of, reorganization of, or consolidation with Tenant; or (iii) any entity which acquires substantially all of the stock or assets of Tenant, as a going concern, with respect to the business that is being conducted in the Premises provided that, with respect to clauses (ii) and (iii) above, the assignee or sublessor as the case may be has a net worth greater than or equal to that of the Tenant at the commencement of the Term of this Lease (hereinafter each a "**Permitted Transfer**"). In addition, a sale or transfer of the capital stock of Tenant shall be deemed a Permitted Transfer if (1) such sale or transfer occurs in connection with any bona fide financing or capitalization for the benefit of Tenant, or (2) Tenant becomes a publicly traded corporation. Landlord shall have no right to terminate the Lease in connection with, and shall have no right to any sums or other economic consideration resulting from, any Permitted Transfer. Tenant shall give Landlord at least thirty (30) days prior written notice of any proposed Permitted Transfer (unless such prior

notice is precluded by applicable law, in which event Tenant will provide such notice as soon as permitted) and shall provide to Landlord such information as Landlord may reasonably request with respect to the proposed Permitted Transfer.

(e) Landlord acknowledges that Tenant may, from time to time, have vendors, clients or consultants performing work on behalf of Tenant occupy one or more desks or offices within the Premises on a temporary basis (and, for such purpose, Tenant may request that said individuals be issued Building access cards) but that such temporary "desk-sharing" shall not constitute a Transfer hereunder so long as Tenant does not separately demise any space so occupied by such individuals or entities. Any such arrangement is referred to herein as a "**Desk License**", and the licensee under a Desk License, a "**License Holder**". However, Tenant may not devote more than ten percent (10%) of the rentable area of the Premises to Desk Licenses. Tenant shall give written notice to Landlord at least five (5) business days prior to the date on which any individual becomes a License Holder which notice shall identify the individual, provide a brief description of the individual's relationship to Tenant and provide such other information as Landlord may reasonably request. Each individual participating a License Holder shall be subject to the prior written approval of Landlord which approval shall not be unreasonably withheld, conditioned or delayed.

27. Quiet Enjoyment. Landlord covenants and agrees with Tenant that upon Tenant paying the rent required under this Lease and paying all other charges and performing all of the covenants and provisions aforesaid on Tenant's part to be observed and performed under this Lease and subject to the terms and conditions of this Lease, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises in accordance with this Lease.

28. Subordination, Non-disturbance and Attornment. Landlord represents to Tenant that, as of the Effective Date, there is no mortgage or deed of trust encumbering the Premises. Tenant agrees that if any loan is subsequently obtained by Landlord to be secured by the Site, Building and/or Premises, upon request Tenant shall agree to subordinate this Lease to the lien of such mortgage or deed of trust pursuant to, and subject to, the provisions of this Paragraph 28. Tenant agrees that in the event that any future mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, if requested by the mortgagee or beneficiary, as applicable, agree in writing to attorn to and become the Tenant of the successor in interest to Landlord provided that in all events Tenant's rights under this Lease shall not be affected absent any uncured Default by Tenant. Tenant covenants and agrees to execute (or make good faith comments to and thereafter execute) and deliver, upon request by Landlord and in the form reasonably requested by Landlord, any additional documents evidencing the subordination of this Lease with respect to any such future mortgage or deed of trust, provided that such documents shall confirm that Tenant's leasehold interest and any offset rights of Tenant expressly set forth in this Lease, shall not be terminated or otherwise affected as a result of such financing or any exercise by lender of any rights against Landlord or the Premises thereunder.

29. Estoppel Certificate.

29.1 Within ten (10) business days following any written request which Landlord or Tenant ("**Requesting Party**") may make from time to time, Tenant or Landlord, as applicable ("**Responding Party**") shall execute and deliver to Requesting Party a statement, in a form acceptable to Requesting Party, certifying; (i) the Lease Commencement Date; (ii) the fact that this Lease is unmodified and in full force and effect (or, if there have been modifications hereto, that this Lease is in full force and effect, as modified, and stating the date and nature of such modifications); (iii) the date to which the rental and other sums payable under this Lease have been paid; (iv) the fact that to the knowledge of the Responding Party, there are no current defaults under this Lease by either Landlord or Tenant except as specified in such statement; and (v) such other matters reasonably requested by the Requesting Party. Landlord and Tenant intend that any statement delivered pursuant to this Paragraph 29 may be relied upon by any prospective mortgagee, beneficiary, purchaser, assignee or subtenant of the Premises or any interest therein or any auditor of either Landlord or Tenant.

29.2 The Responding Party's failure to deliver such statement within such time shall be conclusive upon Responding Party (i) that this Lease is in full force and effect, without modification except as may be represented by Requesting Party, (ii) that there are no known uncured defaults in the Requesting Party's performance, and (iii) that not more than one (1) month's rent has been paid in advance.

30. Conflict of Laws. This Lease shall be governed by and construed pursuant to the laws of the State of California.

31. Successors and Assigns. Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representative, successors and assigns.

32. Surrender of Premises. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies. Upon the expiration or termination of this Lease, Tenant shall peaceably surrender the Premises and all alterations and additions thereto broom-clean, in good order, repair and condition, reasonable wear and tear and damage for which Tenant is not liable excepted. Further, upon expiration or termination of this Lease, Tenant, at its cost, shall restore the Premises, as required by the provisions of Section 14.1(g) and as otherwise required by the provisions of this Lease including, without limitation, the provisions of Paragraph 14.7. The delivery of keys to any employee of Landlord or to Landlord's agent or any employee thereof shall not be sufficient to constitute a termination of this Lease or a surrender of the Premises.

33. Professional Fees.

33.1 In the event that 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 provisions of this Lease, or for any other relief against Tenant or Landlord hereunder, or should either party bring suit against the other with respect to matters arising from or growing out of this Lease, then all costs and expenses, including without limitation, its reasonable professional fees such as appraisers', accountants' and attorneys' fees, incurred by the prevailing party therein shall be paid by the other party, whether or not the action is prosecuted to judgment.

33.2 Should Landlord and/or any of the Landlord Parties be named as a defendant in any suit brought against Tenant in connection with or arising out of Tenant's occupancy hereunder, Tenant shall pay to Landlord and/or such Landlord Party its costs and expenses incurred in such suit as and when incurred, including without limitation, its reasonable professional fees such as appraiser's, accountants' and attorneys' fees.

34. Performance by Tenant. Except as otherwise provided in this Lease, all covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of rent. Tenant acknowledges that the late payment by Tenant to Landlord of any sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such cost being extremely difficult and impractical to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any encumbrance and note secured by any encumbrance covering the Premises or the Building of which the Premises are a part. Therefore if any amount due Landlord from Tenant hereunder has not been received on or before the date due, Tenant shall pay to Landlord, without notice or demand, as additional rent, four percent (4%) of the overdue amount as a late charge; notwithstanding the foregoing to the contrary, Tenant shall be entitled to notice and a five (5) calendar day cure period prior to the imposition of such late charge on the first (1st) occasion in any calendar year which any amount will by Tenant hereunder is not paid when due. Such overdue amount shall also bear interest, as additional rent, at the maximum rate permissible by law calculated, as appropriate, from that date when due until the date of payment to Landlord (the "**Interest Rate**")**.** Landlord's acceptance of any late charge or interest shall not constitute a waiver of Tenant's default with respect to the overdue amount or prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease or any law now or hereafter in effect.

35. Landlord's Mortgagee and Senior Lessor Protection; Landlord Waiver and Consent Agreements in favor of Tenant's Lenders. No default hereunder on the part of Landlord which would entitle Tenant under the terms of this Lease, or by law, terminate this Lease (if any), shall result in a release of such obligations or a termination of this Lease unless (a) Tenant has given notice to Landlord and to any beneficiary of a deed of trust or mortgage covering the Site and/or the Building (or any portion thereof) and to the lessor under any master or ground lease covering the Building, the Site or any interest therein, in each case, whose identity and address shall have been furnished in writing to Tenant, and (b) Tenant offers such beneficiary, mortgagee or lessor a reasonable opportunity (but in no event less than thirty (30) days) to cure the default, including time to obtain possession of the Premises by power of sale or of judicial foreclosure, if such should prove necessary to effect a cure (but only if the beneficiary, lender or mortgagee responds to Tenant's notice within a reasonable time confirming that such beneficiary, lender or mortgagee intends to cure the subject default). Landlord shall, from time to time, give Tenant written notice of the identity and address of the beneficiary of any deed of trust or mortgage covering the Site and/or the Building (or any portion thereof) and/or the lessor under any master or ground lease.

36. Definition of Landlord. The term "Landlord" as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean, and include only, the owner or owners, at the time in question, of the fee title to, or a lessee's interest in a ground lease of the Site or master lease of the Building. In the event of any transfer, assignment or other conveyance or transfer of any such title or interest, Landlord herein named (and in case of any subsequent transfers or

conveyances, the then grantor) shall be automatically freed and relieved from and after the date of such transfer, assignment or conveyance of all liability accruing thereafter with respect to the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed and, without further agreement, the transferee of such title or interest shall be deemed to have agreed to observe and perform any and all obligations of Landlord hereunder, during its ownership of the Site and Building (including the Premises). Landlord may transfer its interest in the Site and Building (including the Premises) without the consent of Tenant and such transfer or subsequent transfer shall not be deemed a violation on Landlord's part of any of the terms and conditions of this Lease.

37. Waiver. The failure of Landlord or Tenant to seek redress for violation of, or to insist upon strict performance of, any term, covenant or condition of this Lease shall not be deemed a waiver of such violation or prevent a subsequent act which would have originally constituted a violation from having all the force and effect of an original violation, nor shall any custom or practice which may become established between the parties in the administration of the terms hereof be deemed a waiver of, or in any way affect, the right of Landlord or Tenant to insist upon the performance by Tenant or Landlord, as the case may be, in strict accordance with said terms. The subsequent acceptance or payment of rent hereunder by Landlord or Tenant shall not be deemed to be a waiver of any preceding breach by Tenant or Landlord 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.

38. Identification of Tenant. If more than one person executes this Lease as Tenant, (a) each of them is jointly and severally liable for the keeping, observing and performing of all of the terms, covenants, conditions, provisions and agreements of this Lease to be kept, observed and performed by Tenant, and (b) the term "Tenant" as used in this Lease shall mean and include each of them jointly and severally and the act of or notice from, or notice or refund to, or the signature of, any one or more of them, with respect to the tenancy or this Lease, including, but not limited to, any renewal, extension, expiration, termination or modification of this Lease, shall be binding upon each and all of the persons executing this Lease as Tenant with the same force and effect as if each and all of them had so acted or so given or received such notice or refund or so signed.

39. Terms and Headings. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. Words used in any gender include other genders. The Paragraph headings of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof. Terms capitalized but not otherwise defined herein shall have the respective meanings given to such terms in the Summary. Terms defined in the plural shall also include the singular and those defubed in the singular shall also include the plural.

40. Examination of Lease. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for Lease and it is not effective as a Lease or otherwise until execution by and delivery to both Landlord and Tenant.

41. Time. Time is of the essence with respect to the performance of every provision of this Lease in which time or performance is a factor.

42. Prior Agreement; Amendments. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreement or understanding, oral or written, express or implied, pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. The parties acknowledge that all prior agreements, representations and negotiations are deemed superseded by the execution of this Lease to the extent they are not incorporated herein.

43. Severability. Any provision of this Lease which shall prove to be invalid, void or illegal in no way affects, impairs or invalidates any other provision hereof, and such other provisions shall remain in full force and effect.

44. Recording. Tenant shall not record this Lease nor a short memorandum thereof without the consent of Landlord and if such recording occurs, it shall be at the sole cost and expense of Tenant, including any documentary transfer taxes or other expenses related to such recordation.

45. Limitation on Liability. The obligations of Landlord and Tenant under this Lease do not constitute personal obligations of the individual partners, members, directors, officers or shareholders of Landlord or Tenant, and neither Landlord nor Tenant shall seek recourse against the individual partners, members, directors, officers or shareholders of Landlord or Tenant, or any of their personal assets for satisfaction of any liability in respect to this Lease. In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that in the event of any actual or alleged failure, breach or default hereunder by Landlord, the sole and exclusive remedy shall be against Landlord's interest in the Building (which shall be deemed to include the rental income at the Building, the proceeds of any sale of all or any portion of the Building by Landlord as well as any insurance or condemnation proceeds).

46. Signs. Tenant shall have the right to place signage on the exterior of the Building subject to Landlord's reasonable consent as to size, location and style and subject to Tenant's obtaining approval of the City of San Francisco and any applicable governmental agencies. All signs shall be constructed, erected and affixed to the Building at Tenant's sole cost and expense, and Tenant shall be responsible for the removal of such signage, and the repair of any damage to the Premises caused thereby, at the end of the Term. All signs shall be in full compliance with all applicable ordinances, statutes and regulations imposed by all applicable governmental authorities. Landlord agrees to reasonably assist Tenant at no material cost to Landlord in obtaining governmental approval of all Landlord approved signage. Tenant shall also be permitted to install signage in the lobby/ground floor entrance to the Building and in the elevator lobbies on all floors of the Building occupied by Tenant, subject to Landlord's reasonable consent and at Tenant's cost.

47. Roof Space. Landlord shall, at no additional cost to Tenant, make roof space available for Tenant's rooftop equipment on the roof of the Building. All such equipment and its specifications and location shall be subject to Landlord's reasonable prior written approval.Tenant shall be responsible for the installation, maintenance, screening (as necessary) and removal of the rooftop equipment as well as any repairs necessitated by any of the foregoing, at Tenant's sole cost and expense. Tenant shall have, in addition, the exclusive right to use the deck area located on the roof of the Building.

48. Fire Stairs. Tenant shall have the right, subject to Landlord's approval, which shall not be unreasonably withheld, to utilize the fire stairs for travel between floors occupied by Tenant, so long as such use is code complaint. Tenant may securitize the stairwell and make cosmetic alterations to the fire stairs, so long as such alterations are code complaint, and subject to receipt of Landlord's prior written consent.

49. Sky Bridge. The parties acknowledge that there is an existing sky-bridge(s) connected to the Building with the building located at 301 Brannan Street, San Francisco, California ("**Sky Bridge**"). The Sky Bridge is currently closed and is not in use. As of the Effective Date, Tenant currently leases space at 301 Brannan Street. Landlord and Tenant agree to use commercially reasonable good-faith efforts to obtain all required approvals to reopen the Sky Bridge including coordinating the same with the owner of 301 Brannan, Kilroy Realty, and the City of San Francisco. The parties intend that the connection between the third floor of the Building and 301 Brannan be opened first and subsequently the connection between the second floor of the Building and 301 Brannan. Tenant agrees that all costs associated with such reopening efforts including, without limitation, any subsequent construction, if required, shall be at Tenant's sole cost and expense. Landlord makes no representation or warranty regarding the Sky Bridge or its condition. Tenant acknowledges that the reopening of the Sky Bridge or any part thereof is not a condition precedent to the effectiveness of this Lease. Upon surrender of the Premises, at the election of Landlord, Tenant, at its cost, shall restore the Sky Bridge to its condition prior to any improvements made by Tenant pursuant to this Paragraph 49.

50. Modification for Lender. If in connection with obtaining construction, interim or permanent financing for the Site and/or Building (or any interest therein), the lender shall request reasonable modifications in this Lease as a condition to such financing, Tenant will not unreasonably withhold, delay or defer its consent thereto, provided that such modifications do not increase the obligations of Tenant hereunder or adversely affect the leasehold interest hereby created or Tenant's rights hereunder, and provided further that such modifications are essentially ministerial in nature.

51. Accord and Satisfaction. No payment by Tenant or receipt by Landlord of a lesser amount than the rent payment herein stipulated shall be deemed to be other than on account of the rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy provided in

this Lease. Tenant agrees that each of the foregoing covenants and agreements shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by any statute or at common law.

52. Financial Statements. If requested by Landlord in connection with a potential sale or financing of the Site and/or the Building (or any interest therein), Tenant shall, upon fifteen (15) business days prior written notice from Landlord, and provided Landlord executes and delivers to Tenant a nondisclosure agreement in a form reasonably satisfactory to Tenant, provide Landlord with Tenant's last financial statement, year to date financial statements and, to the extent prepared and existing, financial statements of the two (2) years prior to the current financial statement year for Tenant. Such statement shall be prepared in accordance with generally accepted accounting principles and, shall either be audited by an independent certified public accountant or certified by an officer of Tenant. Landlord shall use commercially reasonable efforts to protect the confidentiality of any such statement and to request that any proposed buyer or lender similarly treat the information contained in such statement as being confidential in nature, such that such information shall only be disclosed to the consultants, analysts or counsel as may be reasonably necessary in order to evaluate a potential purchase of, or loan upon, the Site and/or the Building (or any interest thereof).

53. Tenant as Corporation. If Tenant executes this Lease as a legal entity, then Tenant represents and warrants that (a) the individuals executing this Lease on Tenant's behalf are duly authorized to execute and deliver this Lease on the entity's behalf and (b) that this Lease is binding upon Tenant in accordance with its terms.

54. No Partnership or Joint Venture. Nothing in this Lease shall be deemed to constitute Landlord and Tenant as partners or joint venturers. It is the express intent of the parties hereto that their relationship with regard to this Lease be and remain that of landlord and tenant.

55. 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.

56. Definitions.

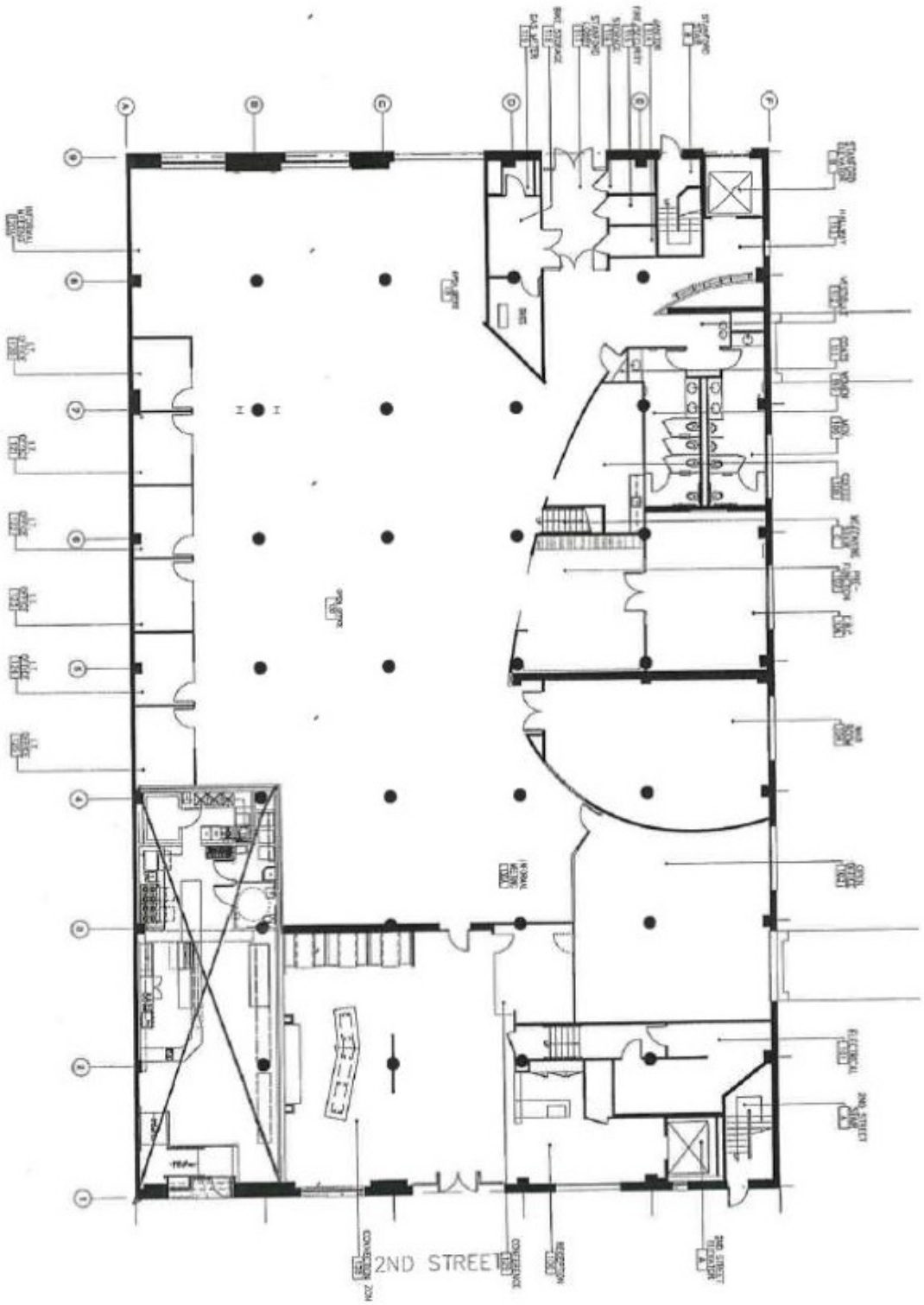
IN WITNESS WHEREOF, the parties have executed and delivered this Lease as of the day and year first above written.

LANDLORD:		**TENANT:**	
Six Thirty-Four Second Street LLC, a Delaware limited liability company		OKTA, Inc. a Delaware corporation	
By:	/s/ Bayard R. Kraft III	By:	/s/ William E. Losch
Name:	Bayard R. Kraft III	Name:	William E. Losch
Its:	Authorized Agent	Its:	CFO

EXHIBIT A

FLOOR PLAN

[Attached]



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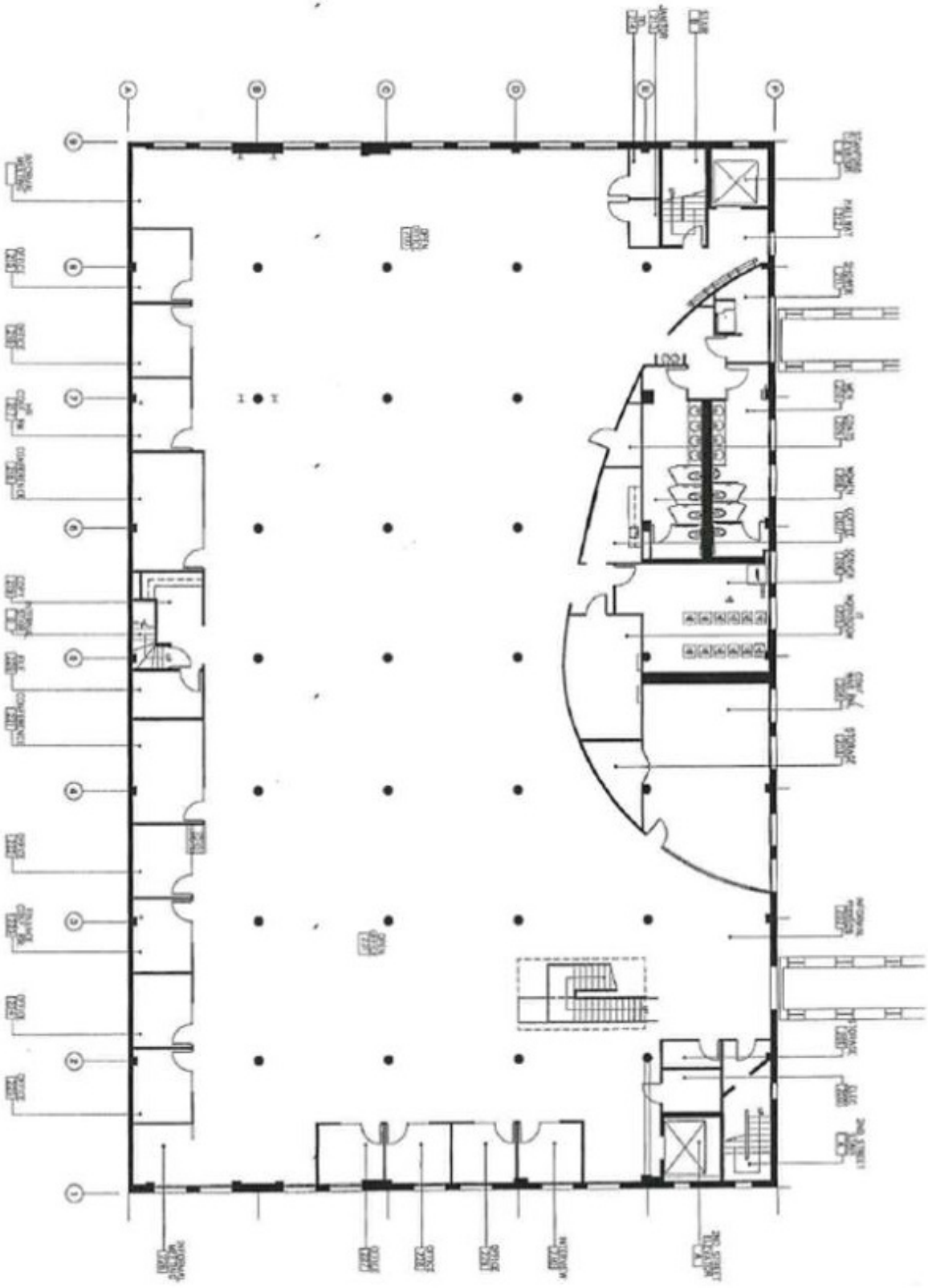

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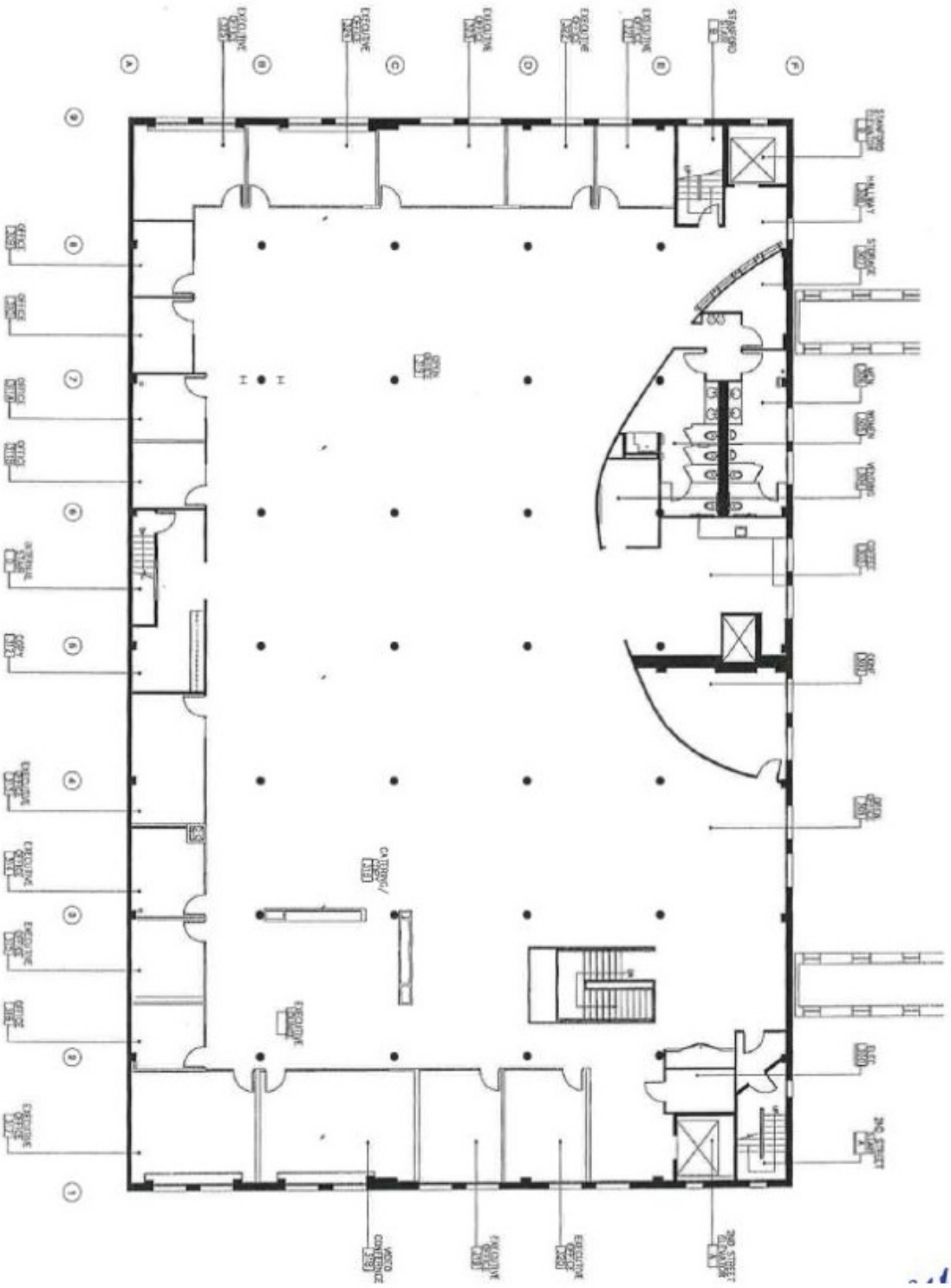

TENANT WORK LETTER

634 Second Street, San Francisco, California

This Tenant Work Letter ("**Work Letter**") is entered into effective December 11, 2014, and shall set forth the terms and conditions controlling the construction of certain Tenant Improvements and Compliance Work (all as defined below) to the Premises. Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in that certain Lease dated December 11, 2014 between OKTA, Inc., a California corporation ("**Tenant**"), and SFI Real Estate Holdings, LLC, a Delaware limited liability company ("**Landlord**") (the "**Lease**")**.**

ARTICLE 1.

DELIVERY OF THE PREMISES

1.1 Delivery of the Premises. On the Access Date, Landlord shall deliver the Premises to Tenant, and Tenant shall accept the Premises from Landlord, in its presently existing, "as-is" condition subject to the terms of the Lease (including, without limitation, Landlord's obligations to deliver the Building Systems in good working order and repair and Landlord's general maintenance obligations set forth in the Lease). Tenant acknowledges and agrees that Landlord shall have no obligation or responsibility except as set forth in this Work Letter and in the Lease to perform any work, repairs, construction or improvements to the Premises in advance of Tenant's occupation and possession of the Premises. Landlord shall have only those obligations of repair and maintenance with respect to the Premises and/or the Building as specifically set forth in the Lease.

1.2 Base Building Plans. Landlord has delivered to Tenant Building plans and specifications prepared by Huntsman Architectural Group in the form of an AutoCAD compatible drawing file ("**Base Building Plans**") and will deliver to Tenant a complete and current copy of all rules, regulations, instructions and procedures promulgated by Landlord with respect to design and/or construction within the Building ("**Building Requirements**") to Architect (defined below).

ARTICLE 2.

TENANT IMPROVEMENTS

2.1 Tenant Improvement Allowance; Landlord's ADA and Title 24 Obligations. Tenant shall be entitled to a one time tenant improvement allowance (the "**Tenant Improvement Allowance**") in the amount of Forty dollars ($40.00) for each of the 45,032 rentable square feet of the Premises, for a total Tenant Improvement Allowance of $1,801,280.00, which shall be applied toward the costs of the initial design, permitting and construction of those certain improvements to the Premises (exclusive of the Compliance Work) contemplated by this Work Letter (the "Tenant Improvements"). In addition, Landlord, at Landlord's sole cost, shall be responsible for the cost of bringing the Premises, Building and Common Areas into compliance the requirements with the ADA and the standards set forth in Title 24 of the California Code of Regulations ("**Title 24**") (the cost of such work being referred to herein collectively as the, "**Compliance Costs**"). The Compliance Costs, in addition to the Tenant Improvement Allowance, shall be made available to Tenant in connection with the construction by Tenant of the Tenant Improvements and Compliance Work (as defined below). In no event shall Landlord be obligated to make disbursements pursuant to this Work Letter in a total amount which exceeds the aggregate amount of the Tenant Improvement Allowance and the Compliance Costs. The approved work included in the Compliance Costs (**"Compliance Work"**) shall be performed by Tenant as detailed herein.

2.2 Disbursement of the Tenant Improvement Allowance.

2.2.1 Tenant Improvement Allowance Items. The Tenant Improvement Allowance shall be disbursed by Landlord pursuant to the terms of this Work Letter and only for such items and costs as are directly related to design costs, permit and application fees, licenses and taxes, and architectural fees, consulting fees, construction management fees, engineering and mechanical services, and hard construction costs related to those improvement components expressly approved by Landlord including without limitation Tenant's signage (collectively the "**Tenant Improvement Allowance Items**"). The Tenant Improvement Allowance Items shall not include IT cabling for the Premises and Tenant shall be responsible for the cost of such IT cabling apart from the Tenant Improvement Allowance.

2.2.2 Disbursement of Tenant Improvement Allowance. Landlord shall make monthly disbursements to Tenant of the Tenant Improvement Allowance as follows:

(a) Monthly Disbursements. On or before the thirtieth (30th) day of each calendar month, Tenant shall deliver to Landlord a request for payment for amounts incurred for any of the Tenant Improvement Allowance Items, together with documentation reasonably necessary for Landlord to confirm such costs. On or before the twentieth (20th) day of the following calendar month, Landlord shall deliver a check to Tenant made payable to Tenant in payment of the lesser of (A) the amounts

so requested by Tenant subject to the provisions of this Work Letter and (B) the balance of any remaining available portion of the Tenant Improvement Allowances.

(b) Other Terms. Landlord shall be obligated to make disbursements from the Tenant Improvement Allowance as and when costs are incurred by Tenant for Tenant Improvement Allowance Items, based upon invoices submitted by Tenant for such costs. Landlord shall only be required to make a progress payment provided that Tenant delivers lien releases for all applicable work which is the subject of the payment request (conditioned on payment only) and unconditional lien releases for all work completed prior to the work included within the scope of the subject progress payment. Landlord shall further have the right to confirm that all payments made through the date of the subject progress payment reasonably correspond to the completion percentage of the Tenant Improvement Allowance Items and Landlord shall be entitled to require that Architect from time to time certify to Landlord the percentage of completion then having been achieved with respect to construction of the Tenant Improvement Allowance Items.

2.2.3 Other Terms. Landlord shall only be obligated to make disbursements from the Tenant Improvement Allowance to the extent of the Tenant Improvement Allowance Items.

2.2.4 HVAC Consultant. Tenant, in connection with performing its construction obligations under this Work Letter, shall be required to retain Landlord's designated HVAC consultants to achieve adequate air balancing of the HVAC distribution system, which cost shall be reimbursed to Tenant as part of the Tenant Improvement Allowance. Said HVAC consultants will charge commercially competitive rates. Prior to commencement of construction of the Tenant Improvements Landlord shall give written notice to Tenant of the identity of Landlord's HVAC consultants.

2.2.5 Unused Allowance. In the event that there remains any unused portion of the Tenant Improvement Allowance following all required disbursements by Landlord in connection with completing the Tenant Improvements, any such amount shall be retained by Landlord. Tenant shall have no entitlement to any excess of the Tenant Improvement Allowance not in good faith consumed in the construction of the Tenant Improvement Allowance Items.

2.3 Disbursement of the Compliance Costs.

2.3.1 Compliance Cost Items. The Compliance Costs shall be disbursed by Landlord pursuant to the terms of this Work Letter and only for items and costs as are directly related to bringing the Premises, Building and Common Areas into compliance with the requirements of the ADA and Title 24 (collectively, the "**Compliance Cost Items**"). The Compliance Cost Items shall include costs directly related to design, permit and application fees, licenses and taxes, and architectural fees, consulting fees, construction management fees, engineering and mechanical services and hard construction costs related to the Compliance Work expressly approved by Landlord.

2.3.2 Compliance Cost Budget. Prior to commencement of construction of the Tenant Improvements and Compliance Work and following the preparation of Final Working Drawings as provided in Article 3 below and receipt of bids from subcontractors with respect to construction of the Compliance Work, Landlord and Tenant shall meet and confer to determine a comprehensive budget for the Compliance Costs including a detailed list of Compliance Work and Compliance Cost Items (the "**Compliance Cost Budget**"). To the extent any component of Compliance Work is combined with or connected closely to elements or components of the Tenant Improvements that are not directly related to Compliance Work, the Architect shall present a proposal detailing Architect's good faith estimate of the percentage of work attributable directly to Compliance Work and the corresponding Compliance Costs; provided however, all such proposals shall be subject to Landlord's approval in its discretion. Upon reaching agreement regarding the Compliance Cost Budget, Landlord and Tenant shall execute and date the final approved Compliance Cost Budget which shall establish the maximum amount of Compliance Costs for which the Landlord is responsible during the course of construction of the Compliance Work, except as set forth herein to the contrary. However, as construction continues, if and to the extent that Tenant submits a Drawing Change Notice reflecting a Tenant Change in the Compliance Work, which Tenant Change is approved by Landlord (Landlord's approval not to be unreasonably withheld, conditioned or delayed), the Compliance Cost Budget shall be appropriately adjusted to account for such Tenant Change. Notwithstanding the immediately preceding sentence, the adjustments to the Compliance Cost Budget shall be limited to those adjustments required by reason of changes to the Approved Working Drawings necessitated to comply with building codes or other applicable governmental requirements to the extent attributable to Compliance Costs incurred in connection with any such changes and although Landlord may approve a Tenant Change relating to other modifications to the Approved Working Drawings, increases in Compliance Costs relating to such Tenant Changes shall be added to the Compliance Cost Budget only to the extent approved by Landlord in its discretion. In the event that Landlord and Tenant are unable to agree on the maximum amount of Compliance Costs for which Landlord is responsible within ten (10) business days following completion of the Final Working Drawings and receipt of all bids for the Compliance Work, either Landlord or Tenant shall be entitled to submit the dispute to JAMS or its successor for mediation or if the matter is not resolved through mediation, then it shall be submitted to JAMS, or its successor, for final and binding arbitration to establish the cost of the Compliance Work. Either Landlord or Tenant may commence mediation by providing to JAMS and the other party a written request for mediation. The selection of the mediator and/or arbitrator and the process for mediation or arbitration shall be as established by JAMS and the cost of any mediation or arbitration shall be paid equally by Landlord and Tenant. The mediation, and if necessary, the arbitration shall be held in San Francisco and shall proceed as quickly as reasonably possible. The decision of Landlord and

Tenant as a result of the mediation or the decision of the arbitrator as a result of any arbitration with respect to the cost of the Compliance Work shall establish the maximum Compliance Cost.

Tenant shall diligently construct the Compliance Work and will perform such work in accordance with the Compliance Cost Budget, as the same may be adjusted.

2.3.3 Disbursement of the Compliance Costs. Landlord shall make monthly disbursements to Tenant of the Compliance Costs as follows:

(a) Monthly Disbursements. On or before the thirtieth (30th) day of each calendar month, Tenant shall deliver to Landlord a request for payment for amounts incurred for any of Compliance Cost Items forth in the Compliance Cost Budget, together with documentation reasonably necessary for Landlord to confirm such costs. On or before the twentieth (20th) day of the following calendar month, Landlord shall deliver a check to Tenant made payable to Tenant and in payment of the amounts so requested by Tenant.

(b) Other Terms. Landlord shall be obligated to make disbursements up to the aggregate amount of the Compliance Cost Budget (as the same may be adjusted) as and when costs are incurred by Tenant for Compliance Cost Items included in the Compliance Cost Budget (as the same may be adjusted), based upon invoices submitted by Tenant for such costs. Landlord shall only be required to make a progress payment provided that Tenant delivers lien releases for all work which is the subject of the payment request (conditioned on payment only) and unconditional lien releases for all Compliance Work completed prior to the Compliance Work included within the scope of the subject progress payment. Landlord shall further have the right to confirm that all payments made through the date of the subject progress payment reasonably correspond to the completion percentage of the Compliance Work and Landlord shall be entitled to require that Architect from time to time certify to Landlord the percentage of completion then having been achieved with respect to construction of the Compliance Work.

2.3.4 Additional Terms. Landlord shall only be obligated to make disbursements from the Compliance Cost Budget (as the same may be adjusted) to the extent of the agreed upon amounts.

2.3.5 Unused Compliance Cost Budget. In the event that there remains any unused portion of the Compliance Cost Budget following all required disbursements by Landlord in connection with construction of the Compliance Work, any such amount shall be retained by Landlord. Tenant shall have no entitlement to any excess of the Compliance Cost Budget not in good faith consumed in the construction of the Compliance Work.

ARTICLE 3.

CONSTRUCTION DRAWINGS

3.1 Selection of Drawings. Tenant shall retain an architect/space planner subject to the reasonable approval of Landlord (the "**Architect**")**;** Landlord hereby approves Fennie and Mehl as the Architect to prepare the Construction Drawings (defined below). Tenant shall retain engineering consultants subject to the reasonable approval of Landlord (the "**Engineers**") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, life safety, and sprinkler work required to the Premises as a with respect to Tenant Improvements and the Compliance Work. The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "**Construction Drawings**"**.** All Construction Drawings shall be subject to Landlord's reasonable approval, not to be unreasonably withheld, conditioned or delayed. 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 Drawings as set forth in this Section, 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 Drawings 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 Drawings, and Tenant's waiver and indemnity set forth in the Lease shall specifically apply to the Construction Drawings.

3.2 Final Space Plan. Tenant shall supply Landlord with four (4) copies signed by Tenant of its final space plan for the Premises before any architectural working drawings or engineering drawings have been commenced. 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 equipment 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 for the Premises if the same is unsatisfactory or incomplete in any respect. If Tenant is so advised, Tenant shall promptly cause the Final Space Plan to be revised to correct any deficiencies or other matters Landlord may reasonably require. Landlord shall review and respond to any revised Final Space Plan within five (5) business days, and Landlord's

review will be limited in scope to Tenant's correction of the items specified by Landlord in Landlord's prior disapproval of the Final Space Plan. This process shall continue until Landlord has approved the Final Space Plan.

3.3 Final Working Drawings. Upon the approval of the Final Space Plan by Landlord and Tenant, Tenant shall promptly cause the Architect and the Engineers to complete the Construction 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 and to obtain all applicable permits (collectively, the "**Final Working Drawings**") and shall submit the same to Landlord for Landlord's approval which shall not be unreasonably withheld. Tenant shall supply Landlord with four (4) copies signed by Tenant of such Final Working Drawings. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Working Drawings for the Premises if the same is unsatisfactory or incomplete in any respect; Landlord's approval will not be unreasonably withheld. If Tenant is so advised, Tenant shall promptly cause the revision of the Final Working Drawings in accordance with such review and any disapproval of Landlord in connection therewith. Landlord shall review and respond to any revised Final Working Drawings within five (5) business days, and Landlord's review will be limited in scope to Tenant's correction of the items specified by Landlord in Landlord's prior disapproval of the Final Working Drawings. This process shall continue until Landlord has approved the Final Working Drawings. Landlord's review of the Final Working Drawings as set forth in this Section 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, compliance or other like matters. Accordingly, notwithstanding that any Final Working Drawings are reviewed by Landlord or its space planner, architect, engineers or consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Final Working Drawings (or Approved Working Drawings) and Tenant's waiver and indemnity set forth in the Lease shall specifically apply to the Final Working Drawings and Approved Working Drawings.

3.4 Approved Working Drawings. The Final Working Drawings shall be approved by Landlord (the "**Approved Working Drawings**") prior to the commencement of construction of the Tenant Improvements and Compliance Work by Tenant. After approval by Landlord of the Final Working Drawings, Tenant may submit the same to the City of San Francisco for all applicable building permits. Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any building permit or certificate of occupancy for the Premises and that obtaining the same shall be Tenant's responsibility; provided, however, that Landlord shall cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such permit or certificate of occupancy. No 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.

ARTICLE 4.

CONSTRUCTION OF THE TENANT IMPROVEMENTS

4.1 Tenant's Selection of Contractors.

4.1.1 The Contractor. A licensed, qualified general contractor shall be retained by Tenant to construct the Tenant Improvements and Compliance Work. Such general contractor ("**Contractor**") shall be selected by Tenant subject to the approval of Landlord, which approval shall not be unreasonably withheld; Tenant will submit to Landlord a list of the general contractors whom Tenant is contemplating retaining prior to circulating a request for bids to such general contractors; Landlord will, within five (5) business days, notify Tenant if any of the general contractors on Tenant's proposed list are disapproved by Landlord. If Landlord fails to respond and such failure continues for two (2) business days following Tenant's delivery to Landlord's representative of a second (2nd) notice (which notice may be delivered via electronic mail), the general contractors on Tenant's proposed list shall be deemed approved.

4.1.2 Tenant's Agents. All major subcontractors used by Tenant (such subcontractors and the Contractor, together with all laborers, materialmen and suppliers retained by Tenant's Contractor or such subcontractors to be known collectively as "**Tenant's Agents**") must be approved in writing by Landlord, which approval shall not be unreasonably withheld or delayed.

4.2 Construction of Tenant 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 to Landlord for its approval which approval shall not be unreasonably withheld. If Landlord fails to notify Tenant of Landlord's approval or disapproval of the Contract within three (3) business days following Tenant's delivery of the same to Landlord, and if such failure continues for two (2) business days following Tenant's delivery to Landlord's representative of a second (2nd) notice (which notice may be delivered via electronic mail), Landlord will be deemed to have approved the Contract. Prior to the commencement of the construction of the Tenant Improvements and Compliance Work, and after Tenant has accepted all bids for the Tenant Improvements and Compliance Work, Tenant shall provide Landlord with a detailed breakdown, by trade, of the final costs to be incurred or which have been incurred, in connection with the design, permitting and construction of the Tenant Improvements and Compliance

Work pursuant to the Construction Drawings to be performed by or at the direction of Tenant or the Contractor, which costs form a basis for the amount of the Contract (the "**Final Costs**").

4.2.2 Change Order. When the Approved Working Drawings have been approved, there shall be no changes without Landlord's prior written approval (which will not be unreasonably withheld, conditioned or delayed), except for necessary on-site installation variations or minor changes necessary to comply with building codes and other government regulations. If Tenant desires to materially change the Approved Working Drawings, Tenant shall deliver notice (a "**Drawing Change Notice**") of the same to Landlord, setting forth in detail the changes Tenant desires to make (the "**Tenant Change**"). Landlord shall, within five (5) business days of receipt of a Drawing Change Notice, either (i) approve the Tenant Change, or (ii) reasonably disapprove the Tenant Change and deliver a notice to Tenant specifying in reasonably sufficient detail the reasons for Landlord's disapproval.

4.2.3 Tenant's Agents.

(a) Landlord's General Conditions for Tenant's Agents and Tenant Improvement Work. Tenant's and Tenant's Agent's construction of the Tenant Improvements and Compliance Work shall comply with the following: (i) the Tenant Improvements and Compliance Work shall be constructed in accordance with the Approved Working Drawings; (ii) Tenant's Agents shall submit schedules of all work relating to the Tenant's Improvements and Compliance Work to Contractor and Contractor shall, within five (5) days of receipt thereof, inform Tenant's Agents of any changes which are necessary thereto, and Tenant's Agents shall use diligent efforts to adhere to such corrected schedule; and (iii) Tenant shall abide by all reasonable rules made by Landlord's property manager with respect to the use of freight, loading dock and service elevators, storage of materials, coordination of work with the contractors of other tenants, and any other matter in connection with this Tenant Work Letter, including, without limitation, the construction of the Tenant Improvements and Compliance Work.

(b) Indemnity. Tenant's indemnity of Landlord, and Landlord's indemnity of Tenant, as set forth in the 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 Landlord or Landlord's employees, agents or contractors, or anyone directly or indirectly employed by any of them, or in connection with a party's non-payment of any amount arising out of the Tenant Improvements or Compliance Work.

(c) Requirements of Tenant's Agents. Contractor (on behalf of Tenant's Agents) shall guarantee to Tenant for the benefit of Landlord that the Tenant Improvements and Compliance Work 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 work performed by Contractor. 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 Tenant Improvements and/or Compliance Work 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. Tenant covenants to give to Landlord any assignment or other assurances which may be necessary to effect such right of direct enforcement.

(d) Insurance Requirements.

(i) 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 as may be reasonably acceptable to Landlord and commercially appropriate, taking into account the particular Tenant's Agent's role and scope of work with respect to constructing the Tenant Improvements and/or Compliance Work, and in form and with companies as are required of Tenant pursuant to the terms of the Lease.

(ii) Special Coverages. During construction of the Tenant Improvements, Tenant shall carry, or shall require Contractor to 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 Tenant Improvements and Compliance Work) covering the construction of the Tenant Improvements and Compliance Work (at Tenant's option, Contractor will carry such Builder's All Risk insurance), and such other insurance as Landlord may reasonably require, it being understood and agreed that the Tenant Improvements and Compliance Work shall be insured by Tenant pursuant to the Lease immediately upon completion thereof. Such insurance shall be in amounts and shall include such extended coverage endorsements as may be reasonably required by Landlord including, but not limited to, the requirement that all of Tenant's Agents shall carry excess liability and Products and Completed Operation Coverage insurance, each in amounts not less than $500,000 per incident, $1,000,000 in aggregate, and in form and with companies as are required to be carried by Tenant as set forth in the Lease.

(iii) General Terms. Certificates for all insurance carried pursuant to this Section 4.2.3(d) shall be delivered to Landlord before the commencement of construction of the Tenant Improvements and/or Compliance Work and before the Contractor's equipment is moved onto the Site. All such policies of insurance must contain a provision, if commercially available, that the company writing said policy will give Landlord thirty (30) days' prior written notice of any

cancellation or lapse of the effective date of such insurance. In the event that the Tenant Improvements and Compliance Work are damaged during the course of the construction thereof, Tenant shall promptly repair the same at Tenant's sole cost and expense, unless such damage is caused by the gross negligence or willful misconduct of Landlord or any Landlord Party, in which event said repair shall be at Landlord's cost and expense. Tenant's Agents shall maintain all of the foregoing insurance coverage in force until the Tenant Improvements and Compliance Work 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 two (2) years following completion of the work and acceptance by Landlord and Tenant. All policies carried under this Section 4.2.3(d) (other than Workers' Compensation coverage) shall insure Tenant, and Landlord as an additional insured, as well as Contractor and Tenant's Agents. All insurance, except Workers' Compensation, maintained by Tenant's Agents shall preclude subrogation claims by the insurer against anyone insured thereunder. Such insurance shall provide that it is primary insurance as respects the Landlord and that any other insurance maintained by Landlord 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 under the Lease.

4.2.4 Governmental Compliance. The Tenant Improvements and Compliance Work shall comply in all respects with the following: (i) the applicable building 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.

4.2.5 Inspection by Landlord. Landlord shall have the right to inspect the Tenant Improvements and Compliance Work at all reasonable times, provided however, that Landlord will not interfere with the construction of the Tenant Improvements and Compliance Work. Landlord's failure to inspect the Tenant Improvements and Compliance Work shall in no event constitute a waiver of any of Landlord's rights hereunder nor shall Landlord's inspection of the Tenant Improvements and Compliance Work constitute Landlord's approval of the same. Should Landlord reasonably disapprove any portion of the Tenant Improvements and Compliance Work, Landlord shall promptly notify Tenant in writing of such disapproval and shall specify the items disapproved. Any defects or deviations in, and/or timely disapproval by Landlord of, the Tenant Improvements and Compliance Work shall be rectified by Tenant, 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 Tenant Improvements and Compliance Work and such defect, deviation or matter might adversely affect the Building Systems, the structure or exterior appearance of the Building or any other tenant's use of such other tenant's leased premises, Landlord shall inform Tenant in writing and Tenant shall have five (5) business days to rectify same. In the event Tenant fails to do so, Landlord may take such action as Landlord deems reasonably 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 Tenant Improvements and Compliance Work until such time as the defect, deviation and/or matter is corrected to Landlord's satisfaction. Landlord shall perform any such correction in a diligent and timely manner so as to minimize any delay in the construction of the Tenant Improvements and Compliance Work.

4.3 Notice of Completion; Copy of Record Set of Plans. Within fifteen (15) days after completion of construction of the Tenant Improvements and Compliance Work, Tenant shall cause a Notice of Completion to be recorded in the office of the Recorder of the County of San Francisco 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. 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. At the conclusion of construction, (i) 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, (B) to certify to the best of their knowledge that the "record-set" of mylar as-built drawings are true and correct, which certification shall survive the expiration or termination of this Lease, and (C) to deliver to Landlord two (2) sets of copies of such record set of drawings within ninety (90) days following issuance of a certificate of occupancy for the Premises, and (ii) Tenant shall deliver to Landlord a copy of all warranties, guaranties, and operating manuals and information relating to the improvements, equipment, and systems in the Premises constructed by Tenant.

4.4 Landlord's Supervision Fee. In connection with such function, Landlord shall be entitled to a supervision fee equal to the third-party costs actually incurred by Landlord in the review of the drawings and other materials to be submitted by Tenant to Landlord for approval as provided in this Work Letter and inspection of the Tenant Improvements and Compliance Work. Such fee shall be payable to Landlord in the form of a reduction in the Tenant Improvement Allowance and Compliance Costs pursuant to Article 2 above.

ARTICLE 5.

MISCELLANEOUS

5.1 Tenant's Representative. Tenant has designated Ned Fennie (ief@fm-arch.com/ (415) 278-9578) as its sole representative with respect to the matters set forth in this Work Letter, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter.

5.2 Landlord's Representative. Landlord has designated Bart Kraft (bkraff@mcmllc.com/ (802 362-4410) 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.

5.3 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

5.4 Tenant's Lease Default. Notwithstanding any provision to the contrary contained in the Lease, if a Default as described in the Lease or this Work Letter has occurred at any time on or before the substantial completion of the Tenant Improvements and Compliance Work then (i) in addition to all other rights and remedies granted to Landlord pursuant to this Lease, Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance and/or funds which are part of the Compliance Cost Budget and/or Landlord may cause Contractor to cease the construction of the Premises (in which case, Tenant shall be responsible for any delay in the substantial completion of the Premises 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 the Lease (in which case, Tenant shall be responsible for any delay in the substantial completion of the Premises caused by such inaction by Landlord).

5.5 Tenant's Agents. All subcontractors, laborers, materialmen, and suppliers retained directly by Tenant shall conduct their activities in and around the Premises, Building and the Site in a harmonious relationship with all other subcontractors, laborers, materialmen and suppliers at the Premises, Building and Site.

5.6 Hazardous Materials. If the construction of the Tenant Improvements or Compliance Work or Tenant's move into the Premises will involve the use of or disturb Hazardous Materials existing in the Premises, Tenant shall comply with Landlord's rules and regulations concerning such Hazardous Materials. In the event any Hazardous Materials (as defined in the Lease) are discovered or are present at the Premises as of the date of this Lease, none of the Tenant Improvement Allowance shall be used or applied to remediate or remove any of such Hazardous Materials, any remediation and/or removal shall be the sole obligation, responsibility and liability of Landlord and none of the cost thereof shall be part of Common Operating Expenses. Any delay in completion of the Tenant Improvements resulting from the discovery, remediation and/or removal of Hazardous Materials shall be a Landlord Delay.

5.7 Landlord Delay. As used herein, (x) "**Force Majeure Construction Delay**" shall mean acts of God, casualties, natural disasters, strikes, war, terrorist attacks, lockouts, labor disputes or civil commotion, and (y) "**Landlord Delay**" shall mean a delay in the construction of the Tenant Improvements or Compliance Work resulting directly from the acts or omissions of Landlord, Landlord's employees, agents, or contractors including, but not limited to (i) failure of Landlord to timely approve or disapprove any plans; (ii) interference by Landlord, its employees, agents or contractors with the completion of the Tenant Improvements or Compliance Work (including the impairment of Tenant's contractors' or vendors' or employees' access to the Premises for any reason (including due to the presence of Landlord's contractors, vendors or personnel), failure to provide reasonable access to the Building's loading docks or other facilities necessary for the construction of the Tenant Improvements or Compliance Work and/or the movement of materials and personnel to the Premises for such purpose) and (iii) delays due to the acts or failures to act of Landlord, its agents or contractors with respect to payment of the Tenant Improvement Allowance. If Tenant contends that a Force Majeure Construction Delay or a Landlord Delay has occurred, Tenant acknowledges and agrees that it has inspected the Building and the Site and in no event shall the physical character or condition of the Building and/or Site existing as of the Effective Date constitute a basis for a Landlord Delay (this agreement does not apply to the failure of any Building component to properly operate). Further, in no event shall any delay of Landlord constitute a Landlord Delay unless such delay results in a full day of delay in the construction of the Tenant Improvements or Compliance Work. Tenant shall notify Landlord in writing (the "**Delay Notice**") of the event which constitutes such Force Majeure Construction Delay or Landlord Delay; such notice may be via electronic mail to Landlord's construction representative described above. Tenant will additionally use reasonable efforts to mitigate the effects of any Force Majeure Construction Delay or 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 the actions or inactions or circumstances described in the Delay Notice constitute a Landlord Delay, and are not cured by Landlord within one (1) business day after Landlord's receipt of the Delay Notice, then a Landlord Delay shall be deemed to have occurred commencing as of the expiration of such one (l)-business day period. The Lease Commencement Date and the Lease Expiration Date will each be delayed on a day for day basis for each day of Force Majeure Construction Delay or Landlord Delay.

5.8 If and to the extent that Landlord fails to fund any monthly disbursement of the Tenant Improvement Allowance within thirty (30) days following Tenant's submission to Landlord of a draw request containing all of the materials and information required pursuant to Sections 2.2.2 or 2.3, Tenant shall be entitled to fund the amount set forth in Tenant's draw request, provided that Tenant will concurrently deliver notice to Landlord of the amount so funded by Tenant. Additionally, if and to the extent that Landlord's failure to timely fund a monthly disbursement of the Tenant Improvement Allowance causes Tenant to incur any additional penalty or fee payable to Contractor, Landlord will be responsible for such penalty or fee. In the event that Tenant funds a draw request otherwise properly fundable by Landlord and/or Tenant incurs any penalty or fee payable to Contractor as a result of the Landlord's failure to fund a draw request properly submitted Landlord shall be responsible for the amount of any such funding by Tenant together with interest at the Interest Rate and shall promptly pay such amount to Tenant.

5.9 Incorporated into the Lease. For all purposes, this Work Letter shall be and is hereby deemed a part of the Lease, and to the extent necessary, they shall together be construed as one and the same document.

IN WITNESS WHEREOF, the parties have executed and delivered this Work Letter on the day and year first above written.

LANDLORD:		**TENANT:**	
Six Thirty-Four Second Street LLC, a Delaware limited liability company		OKTA, Inc. a Delaware corporation	
By:	/s/ Bayard R. Kraft III	By:	/s/ William E. Losch
Name:	Bayard R. Kraft III	Name:	William E. Losch
Its:	Authorized Agent	Its:	CFO

EXHIBIT C

LEASE COMMENCEMENT AGREEMENT

_____ , 2015

OKTA, Inc.

301 Brannan Street, 3rd Floor

San Francisco, California 94107

Attention: Bill Losch

RE: Lease ("**Lease**") dated December 11, 2014 between, OKTA, Inc., as "**Tenant**", and Six Thirty-Four Second Street, LLC, as "**Landlord**", for the premises located at 634 Second Street, San Francisco, California

Commencement Agreement

Dear Mr. Losch:

In accordance with Paragraph 4 of the above referenced Lease, this letter is to confirm the following (capitalized terms used herein will have the meaning given them in the Lease):

Early Access Date: _____, 2015

The Lease Commencement Date is _____ , 2015

The Schedule of Monthly Basic Rent payable by Tenant is: **[TO BE ADDED]**

The Lease Expiration Date is _____, 2024 unless earlier terminated.

If you concur with the aforementioned, please execute and return one original copy to my attention.

Thank you.

Sincerely,

Six Thirty-Four Second Street, LLC

_____

Property Manager

Agreed:

OKTA, INC.

By: _____

Name: _____

Title: _____

EXHIBIT D

Janitorial Specifications at 634 2nd Street

A. TENANT SPACES/ELEVATOR LOBBIES:

NIGHTLY SERVICES

1. Gather all waste receptacles for disposal/replace liners if needed.
2. Gather all recycling and place for removal, replace liners if needed.
3. Empty clean and sanitize all wastepaper baskets and receptacles as needed.
4. Dust all flat surfaces and window frames within 5'. Remove coffee and beverage rings.
5. Clean and sanitize drinking fountains.
6. Remove smudges and fingerprints from doors and walls, light switches, etc.
7. Dust mops all vinyl/wood floors.
8. Spot clean, sweep and damp mop all marble/vinyl floors.
9. Spot clean marble/vinyl wall covering.
10. Remove gum, tar and any other foreign substance from the floor.
11. Wipe down all conference room tables.
12. Spot clean glass doors and glass partitions.
13. Spot clean and dust directory board glass and ledges.
14. Spot clean elevator doors and saddles.
15. Spot clean all chrome and bright work, door hardware and kick plates.
16. Spot clean interior street level glass.
17. Vacuum and spot clean elevator thresholds.
18. Vacuum all carpets in office area and spot clean spills and remove gum.
19. Edge vacuum elevator carpet. Remove spills and vacuum.
20. Properly arrange furniture in offices and kitchens - chairs, wastebaskets, etc.
21. Dust all over head vents and other high reaching areas including blinds.
22. Turn off all lights when the job is finished.
23. Lock all doors when completed.
24. Report all malfunctions to management thru the communications log.

WEEKLY SERVICES:

1. Dust all low reach areas.
2. Clean all chair pads.
3. Dust inside of all doors jams.

B. RESTROOMS CLEANING TASKS:

NIGHTLY SERVICES:

1. Empty and sanitize all waste and sanitary napkin receptacles, replace liners.
2. Restock all restrooms supplies.
3. Clean and sanitize all toilets, sinks and urinals.
4. Spot wash walls and partitions.
5. Clean mirrors and counters tops.
6. Polish all bright work and chrome fittings.
7. Clean and polish all stainless steel.
8. Clean and disinfect all floors drains.
9. Damp mop and disinfect floors.
10. Disinfect door hardware.
11. Report all malfunction to the communications log.

WEEKLY SERVICES:

1. Detail partition bases.
2. High dusting and clean ventilation grills.
3. Shower clean-up.

MONTHLY SERVICES:

1. Detail all wall bases.

C. KITCHEN AREA SPECIFICATIONS:

NIGHTLY SERVICES

1. Sweep and mop with light degreasing chemical any hardware surface cleaning.
2. If necessary, vacuum and spot clean carpeting or matting.
3. Wipe down all tables, table bases, and chairs. Organize chairs around tables. Remove newspaper/magazine off tables.
4. Empty and wipe clean all trash cans and recycling bins. Wipe down walls behind the containers.
5. Disinfect all counter tops and cabinet faces.
6. Polish all appliances.
7. Spot clean all remaining wall areas.
8. Dust all over head vents and other high reaching areas including blinds.

D. PASSENGER ELEVATORS:

NIGHTLY SERVICES

1. Spot clean interior doors and forward walls.
2. Spot clean elevator cab floor - edge thoroughly.
3. Vacuum and spot clean elevator thresholds.
4. Spot clean interior elevator walls.
5. Clean and polish railing.
6. Vacuum floor.

WEEKLY SERVICES:

1. Thoroughly clean interior face of the doors, walls and exterior saddles.
2. Polish all thresholds.

MONTHLY SERVICES:

1. Clean elevator light lenses.
2. Clean elevator cab ceiling.

E. STAIRWELLS CLEANING TASKS:

NIGHTLY SERVICES

1. Spot sweep and mop.
2. Dust handrails.

MONTHLY SERVICES:

1. Thoroughly sweep and mop.
2. Remove cobwebs from high areas.
3. Spot clean adjoining walls.

F. BUILDING EXTERIOR CLEANING TASK

NIGHTLY SERVICES

1. Police for debris.
2. Sweep entryway.

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (the "**First Amendment**") is made and entered into as of April 28, 2015 by and between Six Thirty-Four Second Street, LLC, a Delaware limited liability company ("**Landlord**") and OKTA Inc., a Delaware corporation ("**Tenant**").

RECITALS

This First Amendment is made with respect to the following facts and circumstances:

A. Landlord and Tenant entered into that certain Agreement of Lease dated December 11, 2014 (the "**Lease**") whereby Tenant is leasing from Landlord and Landlord is leasing to Tenant certain premises located at 634 Second Street, San Francisco, California.

B. The Lease provides, in part, at Section 7 of the Lease for a security deposit in the amount of Two Million Seven Hundred Seventy-Three Thousand Two Hundred Eighty-Seven Dollars ($2,773,287) (the "**Security Deposit**") and further provides that the amount of the Security Deposit may be delivered by Tenant in the form of cash or a letter of credit ("**LOC**"). It is acknowledged that Tenant has delivered to Landlord a LOC in the full amount of the Security Deposit.

C. Landlord and Tenant desire to modify the Lease to provide for a reduction in the amount of the Security Deposit subject to the occurrence of certain conditions in accordance with the provisions of this First Amendment.

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Recitals. The above Recitals are incorporated herein by this reference.

2. Reduced Security Deposit. The initial amount of the Security Deposit in the amount of Two Million Seven Hundred Seventy-Three Thousand Two Hundred Eighty-Seven Dollars ($2,773,287) whether deposited in cash or by delivery of a LOC shall, subject to the provisions of this First Amendment be reduced in accordance with the following:

(a) At the expiration of the fourth "Lease Year," as that term is defined below, the amount of the Security Deposit shall be reduced to a sum equal to One Million One Hundred Forty-Eight Thousand One Hundred Seventy-Nine Dollars ($1,148,179); and

(b) At the expiration of the sixth Lease Year the amount of the Security Deposit shall be reduced to Nine Hundred Seventy-Four Thousand Four Hundred Eighty Three Dollars ($974,483).

For purposes hereof the term "**Lease Year**" shall refer to each twelve (12) month period of the Term commencing as of the Lease Commencement Date with respect to the first Lease Year and the anniversary of the Lease Commencement Date with respect to each Lease Year thereafter.

3. Reduction Conditions. Each reduction in the amount of the Security Deposit as provided in Section 2 above shall be conditioned upon no monetary Default of Tenant (i.e., a default described in any of Sections 25.1(b), 25.1(c) or 25.1(e) of the Lease) having occurred during the Lease Year at the expiration of which the Security Deposit reduction pursuant to the provisions of Section 2 above is scheduled to occur. The reduction in the amount of Security Deposit as provided in Section 2(b), if Tenant qualifies for such reduction, may occur notwithstanding that Tenant may have failed to qualify for the reduction as provided in Section 2(a) above by reason of a monetary Default of Tenant.

4. Alternative Conditions to Reduction. Notwithstanding whether or not the reductions in the amount of the Security Deposit pursuant to the provisions of Section 2 have occurred, provided that no monetary Default by Tenant has occurred during the immediately preceding twelve (12) month period, the amount of the Security Deposit shall be reduced to an amount equal to Five Hundred Thirty-Two Thousand Four Hundred Twenty-Two Dollars ($532,422) upon the occurrence of all of the following:

(a) During the immediately preceding four (4) calendar quarters Tenant has achieved net profit during each such quarter totaling for all such quarters at least Twenty Million Dollars ($20,000,000) and EBITDA in the minimum amount of Seven Million Dollars ($7,000,000) for each of such quarters; and

(b) The then balance sheet pursuant to the financial statements prepared for Tenant shows a minimum of One Hundred Million Dollars ($100,000,000) of cash or cash equivalents.

Satisfaction of the above requirements shall be reflected, if at all, in the then current financial statement for Tenant prepared by the independent certified public accountants then being employed by Tenant. In the event that the conditions for the reduction in the amount of Security Deposit as provided in Sections 4(a) and 4(b) have occurred, and the Tenant does not qualify for the Security Deposit reduction by reason of a monetary Default occurring in the immediately prior twelve (12) month period then thereafter Tenant shall continue to be entitled to the reduction in the amount of Security Deposit as

provided in this Section 4 at such time as the conditions as provided in Section 4(a) and 4(b) have been satisfied and no monetary Default by Tenant has occurred in the immediately preceding twelve (12) month period.

5. Additional Alternative Conditions. Notwithstanding whether or not any of the reductions as provided in Sections 2 and 4 above have occurred, provided no monetary Default by Tenant has occurred in the immediately preceding twelve (12) month period, in the event that a Qualified Public Offering occurs and (i) Tenant has achieved net income (excluding gains from sales of assets and any extraordinary items) cumulatively of at least Twenty Million Dollars ($20,000,000) for any four (4) consecutive quarters and (ii) Tenant has achieved an average total equity capitalization (at market value) of at least One Billion Dollars ($1,000,000,000) on a fully diluted basis based on its closing share price over any ten (10) consecutive trading days the amount of the Security Deposit shall be reduced to Five Hundred Thirty-Two Thousand Four Hundred Twenty-Two Dollars ($532,422). For purposes hereof the term "**Qualified Public Offering**" means the sale, and a firm commitment underwritten public offering, led by a nationally recognized underwriting firm, pursuant to an effective registration statement under the Securities Act of 1933 as amended, or any successor, federal statute, rules and regulations thereunder of common stock of tenant having an aggregate offering value (net of underwriter's discounts and selling commissions) of at least Four Hundred Million Dollars, following which at least fifty percent (50%) of the total stock of Tenant on a fully diluted basis, will have been sold to the public and will be listed on a national securities exchange or quoted on the NASDAQ Stock Market System. For purposes hereof the term "fully diluted basis" means as of any date of determination, with respect to all stock of Tenant, all issued and outstanding stock, and all stock issuable upon the exercise of any outstanding option, warrant or other right to subscribe for, purchase, or acquire stock of Tenant as of such date whether or not at the time any such options, warrants or other rights are exercisable.

6. Limitation on Reductions. The reductions in the amount of the Security Deposit as provided in Section 2, 4 and 5 are not intended to be cumulative and although Tenant may qualify for a reduction pursuant to more than one of such paragraphs, the amount of the reduction shall be limited as provided in the paragraph allowing for the greatest amount of reduction. In no event shall the amount of the Security Deposit be reduced to an amount less than Five Hundred Thirty-Two Thousand Four Hundred Twenty-Two Dollars ($532,422).

7. No Subsequent Increases. In the event of any reduction in the amount of the Security Deposit in accordance with one or more of the provisions of Sections 2, 4 or 5 above in no event thereafter shall the amount of the Security Deposit thereafter be increased.

8. Ratification; Definitions. Except as expressly amended hereby, all terms and provisions of the Lease shall remain in full force and effect and are hereby ratified and reaffirmed. Except as expressly defined herein, the defined terms employed in this First Amendment shall have the same meaning as ascribed to such terms in the Lease.

9. Counterparts. This First Amendment may be executed by the parties hereto in two or more counterparts, each of which executed counterparts shall be considered an original and together shall constitute one and the same document. It shall not be necessary that each party execute each counterpart, or that any one counterpart be executed by more than one party, so long as each party executes at least one counterpart.

10. Electronic Execution. This First Amendment may be executed by facsimile, PDF or by other electronic means of communication.

11. Entire Agreement. This First Amendment sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements other than the Lease as hereby amended by the First Amendment.

12. Inurement. This First Amendment shall be binding upon and shall inure to the benefit of the parties and their respective beneficiaries, legal representatives, heirs, successors and assigns.

13. Conflicts. In the event of a conflict between the terms and provisions of this First Amendment and the terms and provisions of the Lease, the terms and provisions of this First Amendment shall control.

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

LANDLORD:		**TENANT:**	
Six Thirty-Four Second Street LLC, a Delaware limited liability company		OKTA, Inc. a Delaware corporation	
By:	/s/ Bayard R. Kraft III	By:	/s/ William E. Losch
Name:	Bayard R. Kraft III	Name:	William E. Losch
Its:	Authorized Agent	Its:	CFO

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE (the "**Second Amendment**") is entered into as of January 14, 2016 by and between Six Thirty-Four Second Street, LLC, a Delaware limited liability company ("**Landlord**") and OKTA Inc., a Delaware corporation ("**Tenant**"), with reference to the following facts:

A. Pursuant to the provisions of that certain Agreement of Lease dated as of December 11, 2014 (the "**Original Lease**"), as amended by that certain First Amendment to Lease dated as of April 28, 2015 (the "**First Amendment**," and the Original Lease, as amended by the First Amendment, being referred to herein as the "**Lease**"), Tenant leases from Landlord, and Landlord leases to Tenant certain premises consisting of 45,652 rentable square feet located in the building at 634 Second Street, San Francisco, California (the "**Building**").

B. Landlord and Tenant wish to amend the Lease to clarify certain provisions thereof regarding the Commencement Date.

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein by reference, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Lease Commencement Date: Lease Expiration Date. Notwithstanding the provisions of Paragraph 2 of the Original Lease, Landlord and Tenant agree that the Lease Commencement Date shall be October 15, 2015, and the Lease Expiration Date shall be September 30, 2024.

2. Ratification: Definitions. Except as expressly amended hereby, all terms and provisions of the Lease shall remain in full force and effect and are hereby ratified and reaffirmed. Except as expressly defined herein, the defined terms employed in this Second Amendment shall have the same meaning as ascribed to such terms in the Lease.

3. Counterparts. This Second Amendment may be executed by the parties hereto in two or more counterparts, each of which executed counterparts shall be considered an original and together shall constitute one and the same document. It shall not be necessary that each party execute each counterpart, or that any one counterpart be executed by more than one party, so long as each party executes at least one counterpart.

4. Electronic Execution. This Second Amendment may be executed by facsimile, PDF or by other electronic means of communication.

5. Entire Agreement. This Second Amendment sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements other than the Lease as hereby amended by the Second Amendment.

6. Inurement. This Second Amendment shall be binding upon and shall inure to the benefit of the parties and their respective beneficiaries, legal representatives, heirs, successors and assigns.

7. Conflicts. In the event of a conflict between the terms and provisions of this Second Amendment and the terms and provisions of the Lease, the terms and provisions of this Second Amendment-shall control.

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

LANDLORD:		**TENANT:**	
Six Thirty-Four Second Street LLC, a Delaware limited liability company		OKTA, Inc. a Delaware corporation	
By:	/s/ Bayard R. Kraft III	By:	/s/ William E. Losch
Name:	Bayard R. Kraft III	Name:	William E. Losch
Its:	Authorized Agent	Its:	CFO

THIRD AMENDMENT TO LEASE

THIS THIRD AMENDMENT TO LEASE (the "**Third Amendment**") is made and entered into as of June 24, 2016 by and between Six Thirty Four Second Street, LLC, a Delaware limited liability company ("**Landlord**") and Okta, Inc., a Delaware corporation ("**Tenant**").

RECITALS

This Third Amendment is made with respect to the following facts and circumstances:

A. Landlord and Tenant entered into that certain Agreement of Lease dated December 11, 2014 (the "**Initial Lease**") as thereafter amended by that certain First Amendment to Lease dated April 28, 2015 and as thereafter amended by that certain Second Amendment to Lease dated January 14, 2016 by and between Landlord and Tenant (collectively with the Initial Lease, the "**Lease**") whereby Tenant is leasing from Landlord and Landlord is leasing to Tenant certain premises located at 634 Second Street, San Francisco, California (the "**Building**") (the "**Premises**").

B. Tenant intends to proceed to reopen the sky bridge between the Building and the building located at 301 Brannan Street, San Francisco, California (the "**Sky Bridge**" and such building, "**Brannan Street**") as contemplated pursuant to the provisions of Section 49 of the Initial Lease. Landlord and Tenant desire to clarify and further define the obligations of Tenant with respect to the reopening of the Sky Bridge.

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Recitals. The above Recitals are incorporated herein by this reference.

2. Sky Bridge Modifications. Landlord and Tenant hereby agree that the alterations to the Premises required or otherwise to be performed in connection with the opening of the Sky Bridge shall constitute Changes pursuant to the provisions of Sections 14.1 of the Initial Lease and except as otherwise provided in this Third Amendment, such Changes shall be subject to all of the provisions of Section 14 of the Initial Lease applicable to Changes. The Changes made in connection with the opening of the Sky Bridge shall sometimes collectively be referred to as the "**Sky Bridge Changes**".

3. Limitations. In no event shall the Sky Bridge Changes to be made or proposed to be made in connection with opening the Sky Bridge impair or weaken the structural strength or integrity of the Building or result, without the consent of Landlord in its discretion, in an increase in premiums for insurance carried by Landlord with respect to the Building. In the event of any such increase as approved by Landlord in its discretion, Tenant shall be responsible for the entire cost of any such increased premiums, which cost shall be paid by Tenant as additional rent pursuant to the Lease within thirty (30) days following delivery by Landlord to Tenant of a written invoice for the additional cost.

4. Restoration. Upon surrender of the Premises or earlier termination of the Lease Tenant shall be obligated to remove the Sky Bridge Changes and to restore the Premises to its condition prior to making the Sky Bridge changes, reasonable wear and tear excepted, all of which removal and restoration shall be made at the sole cost of Tenant. If Tenant fails to complete the removal and restoration prior to expiration of the Term or earlier termination of this Lease, Landlord may complete such removal and restoration and charge the cost of such removal and restoration to Tenant. Notwithstanding the above provision of this Section 4 to the contrary. Tenant may at any time, no earlier than ninety (90) days prior to the expiration of the Term, give written notice to Landlord ("**Removal Notice**") requesting that Landlord agree that Tenant need not remove the Sky Bridge Changes and restore the Premises upon expiration of the Term of the Lease and surrender of the Premises by Tenant. The agreement of Landlord to any request made by Tenant pursuant to Removal Notice may be withheld or given in Landlord's sole and absolute discretion, but in any event Landlord will respond within thirty (30) days, and any delay beyond such thirty (30) day period on the part of Landlord in responding will delay the outside date for Tenant's completion of such work on a day-for-day basis. In connection with Landlord's response to any Removal Notice, Landlord may require that components of the Sky Bridge Changes be removed with related restoration and that other components of the Sky Bridge Changes remain. Unless Landlord in a written response to Tenant to any Removal Notice has agreed in writing that the Sky Bridge Changes (or any component thereof) need not be removed by Tenant, Tenant shall be obligated, at its sole cost, to remove the Sky Bridge Changes and restore the Premises prior to expiration of the Term. If and to the extent that Landlord responds to a Renewal Notice that all or any portion of the Sky Bridge will not be required to be removed, Tenant will be forever released from any requirement to remove the Sky Bridge Changes which Landlord has specifically agreed in writing need not be removed and Tenant shall continue to be obligated to remove all other Sky Bridge Changes and to restore the Premises.

5. Costs. Consistent with the provisions relating to Changes pursuant to Section 14 of the Lease, Tenant shall be responsible for any and all costs of any kind whatsoever arising out of or relating to the Sky Bridge Changes including, without limitation, all costs of construction, all fees and costs relating to governmental approvals, the cost of all consultants, including, without limitation, the reasonable cost of third party consultants and attorneys reasonably engaged by Landlord in connection with the Sky Bridge Changes, and all other costs relating to or arising from the Sky Bridge Changes. In connection therewith, if

and to the extent that Landlord intends to retain a third party consultant to review any Sky Bridge Changes and/or incur any other material costs relating to or arising from the Sky Bridge Changes, Landlord will notify Tenant in advance, and, to the extent reasonably possible, keep Tenant apprised of the anticipated cost of same.

6. Further Limitations. It is acknowledged and agreed that although the entry to the Sky Bridge from the Building constitutes a portion of the Premises and Building, the Sky Bridge between the Building and Brannan Street does not constitute a portion of the Premises or the Building and Landlord has no responsibility whatsoever for the Sky Bridge including, without limitation, any responsibility for or obligation with respect to (i) the structural integrity of the Sky Bridge, (ii) any costs relating to the Sky Bridge including, without limitation, any maintenance or repair costs, (iii) compliance with applicable law, (iv) the provision of any insurance coverage, (v) the habitability, suitability or feasibility for the use intended by Tenant, (vi) any utilities or services with respect to the Sky Bridge, and (vii) any and all other matters arising out of or relating to the Sky Bridge. Without limiting the generality of the above, and notwithstanding that the Sky Bridge does not constitute a portion of the Building or Premises, the provisions of Section 19.1 of the Initial Lease shall be applicable with respect to the Sky Bridge and the indemnity obligations of Tenant as provided in Section 19.1 shall apply with respect to matters relating to the Sky Bridge. Further, Tenant shall be solely responsible for obtaining any and all required consents of the owner of Brannan Street to the opening of the Sky Bridge, and the other matters as contemplated by this Third Amendment and Landlord shall have no responsibility for obtaining any such consents as may be required. Notwithstanding any provision of this Third Amendment to the contrary, Tenant shall not be entitled to proceed with the Sky Bridge Changes until and unless any and all consents of the owner of Brannan Street to the opening of the Sky Bridge as contemplated by this Third Amendment have been obtained, and evidence of such consents in a form reasonably acceptable to Landlord has been delivered to Landlord. In no event shall any consent from the owner of Brannan Street be inconsistent with the provisions of this Third Amendment including, without limitation, the limitation on the obligations of Landlord as provided herein with respect to the Sky Bridge or purport to impose any obligations on Landlord.

7. Ratification: Definitions. Except as expressly amended hereby, all terms and provisions of the Lease shall remain in full force and effect and are hereby ratified and reaffirmed. Except as express Ly defined herein, the defined terms employed in this Third Amendment shall have the same meaning as ascribed to such terms in the Lease.

8. Counterparts. This Third Amendment may be executed by the parties hereto in two or more counterparts, each of which executed counterparts shall be considered an original and together shall constitute one and the same document. It shall not be necessary that each party execute each counterpart, or that any one counterpart be executed by more than one party, so long as each party executes at least one counterpart.

9. Electronic Execution. This Third Amendment may be executed by facsimile, PDF or by other electronic means of communication.

10. Entire Agreement. This Third Amendment sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements other titan the Lease as hereby amended by the Third Amendment.

11. Inurement. This Third Amendment shall be binding upon and shall inure to the benefit of the parties and their respective beneficiaries, legal representatives, heirs, successors and assigns.

12. Conflicts. In the event of a conflict between the terms and provisions of this Third Amendment and the terms and provisions of the Lease, the terms and provisions of this Third Amendment shall control.

13. Controlling Law. This Third Amendment will be governed by the laws of the State of California.

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

LANDLORD:		**TENANT:**	
Six Thirty-Four Second Street LLC, a Delaware limited liability company		OKTA, Inc. a Delaware corporation	
By:	/s/ Bayard R. Kraft III	By:	/s/ William E. Losch
Name:	Bayard R. Kraft III	Name:	William E. Losch
Its:	Authorized Agent	Its:	CFO

SUBLEASE

THIS SUBLEASE (this "Sublease") is made as of June 1, 2018 (the "Effective Date") by and between OKTA, INC., a Delaware corporation ("Sublandlord") and CLOUDFLARE, INC., a Delaware corporation ("Subtenant").

RECITALS

A. THOR 634, LLC, a Delaware limited liability company ("Master Landlord"), and Sublandlord, are parties to that certain Agreement of Lease dated December 11, 2014 (the "Original Lease"), as amended by that certain First Amendment to Lease dated as of April 28, 2015 (the "First Amendment"), that certain Second Amendment to Lease dated as of January 14, 2016 (the "Second Amendment"), and that certain Third Amendment to Lease dated as of June 24, 2016 (the "Third Amendment," which together with the Original Lease, the First Amendment and the Second Amendment, is the Master Lease"), whereby Master Landlord has leased to Sublandlord approximately 45,032 rentable square feet of space (the "Premises"), located at 634 2nd Street, San Francisco, California 94107 (the "Building"). The Premises are more particularly described in the Master Lease. A redacted copy of the Master Lease is attached hereto as Exhibit A. Capitalized terms used in this Sublease but not defined herein shall have the meanings given them in the Master Lease.

B. Subtenant desires to sublease from Sublandlord the entirety of the Premises, and Sublandlord desires to sublease the Premises to Subtenant on the terms, covenants and conditions set forth in this Sublease.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants and promises of the parties hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant agree as follows:

1. SUBLEASE.

1.1 Sublease. Upon and subject to the terms, covenants and conditions hereinafter set forth, effective as of the Commencement Date (as defined below), Sublandlord hereby leases to Subtenant and Subtenant hereby leases from Sublandlord the Premises.

1.2 Agreed Area of Premises. The parties hereby stipulate that the Premises contain 45,032 rentable square feet, and that such square footage amount is not subject to adjustment or remeasurement by Subtenant or Sublandlord at any time during the Term.

2. TERM; POSSESSION.

2.1 Term. The term of this Sublease shall commence on the Commencement Date and shall expire on September 16, 2024 (the "Expiration Date"), unless sooner terminated pursuant to any provision herein (the "Term"). The "Commencement Date" shall be the later to occur of (i) January 1, 2019 (the "Target Commencement Date"), (ii) the date upon which Sublandlord delivers possession of the Premises to Subtenant in the condition required herein and (iii) the date Master Landlord provides its consent to this Sublease under Section 26 of the Master Lease and Section 3 hereof ("Master Landlord's Consent"). In the event that delivery of the Premises is delayed or the Commencement Date otherwise does not occur on the Target Commencement Date, this Sublease shall not be void or voidable (or terminable by Subtenant), the Term of this Sublease shall not be extended, and Sublandlord shall not be liable to Subtenant for any loss or damage resulting from such delay or from the failure of the delivery of possession of the Premises to occur on any particular date. Notwithstanding, if the Commencement Date does not occur by June 1, 2019, Subtenant may terminate this Sublease by written notice to Sublandlord and in such event neither party shall have any obligations to the other party under this Sublease, except that Sublandlord shall refund to Subtenant any Base Rent, Security Deposit or other monies paid by Subtenant to Sublandlord under Section 4 and 6 (or return the letter of credit required to be delivered by Subtenant to Sublandlord in substitution for the Security Deposit under Section 6, as applicable). Promptly following the Commencement Date, Sublandlord and Subtenant shall enter into a Confirmation of Commencement Date Agreement substantially in the form of Exhibit B attached hereto confirming the Commencement Date. Subtenant shall not have any right to extend the Term, notwithstanding Sublandlord's rights under Section 2.2 of the Master Lease.

2.2 Rent Commencement Date. Subject to Section 4.2 below, Subtenant shall commence paying Rent for the Premises on the Commencement Date.

3. MASTER LANDLORD'S CONSENT.

This Sublease is not and shall not be effective unless and until Master Landlord shall have delivered to Sublandlord Master Landlord's Consent. If Master Landlord fails to consent to this Sublease within thirty (30) days after the Effective Date, Sublandlord may terminate this Sublease by written notice to Subtenant and in such event neither party shall have any obligations to the other party under this Sublease, except that Sublandlord shall refund to Subtenant any Base Rent, Security Deposit or other monies paid by Subtenant to Sublandlord under Section 4 and 6 (or return the letter of credit required to be delivered by Subtenant to Sublandlord in substitution for the Security Deposit under Section 6, as applicable). Subtenant shall reasonably cooperate with Sublandlord to obtain Master Landlord's Consent, including providing Master Landlord with financial information and other information requested by Master Landlord. Sublandlord shall pay all administrative fees, costs and expenses charged by Master Landlord in connection with obtaining Master Landlord's Consent as set out in the Master Lease, including fees charged by Master Landlord pursuant to Section 26(c) of the Master Lease.

4. BASE RENT.

4.1 Base Rent. Commencing on the Commencement Date and continuing through the Expiration Date, Subtenant agrees to pay Sublandlord as base rent ("Base Rent") for the Premises the sum of Sixty-Two Dollars ($62.00) per rentable square foot per annum. The Base Rent shall increase by three percent (3%) of the prior amount on the first (1st) anniversary of the Commencement Date and each anniversary thereafter. The parties acknowledge that the Base Rent payable under this Sublease is being paid by Subtenant for the use of the following by Subtenant throughout the Term: (i) the Premises and (ii) Sublandlord's improvements in the Premises as of the Commencement Date.

4.2 Process for Payment. Each monthly installment of Base Rent shall be payable in advance on the first (1st) day of each calendar month during the Term, except that Base Rent for the first (1st) full month of the Term following the Commencement Date shall be prepaid upon the execution of this Sublease by Subtenant and will be credited against the first (1st) installment of Base Rent due under this Sublease. If the Term commences or ends on a day other than the first (1st) day of a calendar month, then the Base Rent for the month in which this Sublease commences or ends shall be prorated (and paid at the beginning of each such month) by the number of days this Sublease is in effect during such month based upon a thirty (30) day month, and such partial month's installment shall be paid no later than the commencement of the subject month. In addition, to the Base Rent, Subtenant agrees to pay Additional Rent (as defined in Section 5 below) as and when the same is due. All "Rent" (which shall include Base Rent, Additional Rent and other sums due to Sublandlord) shall be paid to Sublandlord, without prior demand and without any deduction, offset, counterclaim or abatement, in lawful money of the United States of America, via electronic funds transfer to:

Bank Name: Silicon Valley Bank
ABA Routing Number:
Account Name: Okta, Inc.
Account Number:

or to such other person or at such other place as Sublandlord may from time to time designate in writing. Subtenant's covenant to pay Rent shall be independent of every other covenant in this Sublease.

4.3 No Waiver. No payment by Subtenant or receipt and acceptance by Sublandlord of a lesser amount than the Base Rent or Additional Rent shall be deemed to be other than part payment of the full amount then due and payable; nor shall any endorsement or statement on any check or any letter accompanying any check, payment of Rent or other payment, be deemed an accord and satisfaction; and Sublandlord may accept, but is not obligated to accept, such part payment without prejudice to Sublandlord's right to recover the balance due and payable or to pursue any other remedy provided in this Sublease or by law. If Sublandlord shall at any time or times accept Rent after it becomes due and payable, such acceptance shall not excuse a subsequent delay or constitute a waiver of Sublandlord's rights hereunder.

5. ADDITIONAL RENT.

5.1 In addition to Base Rent, commencing on the Commencement Date and continuing thereafter throughout the Term, Subtenant shall pay to Sublandlord, as Additional Rent, Tenant's Percentage share of Direct Operating Expenses, Common Operating Expenses, Real Property Taxes, utilities and electricity payable by Sublandlord under the Master Lease. Said sums (including any estimates of such sums) shall be paid to Sublandlord at the times required pursuant to the terms and conditions of the Master Lease. Subtenant shall be responsible to pay all other sums (excluding Monthly Basic Rent as defined in the Master Lease) which Sublandlord is obligated to pay under the Master Lease with respect to the Premises (but not other sums which result from a default by Sublandlord under the Master Lease unless caused in whole or in part by the acts or omissions of Subtenant) and shall also be responsible to pay for any additional charges and expenses imposed by Master Landlord pursuant to the terms of the Master Lease or related exclusively to Subtenant's use and occupancy of the Premises during the Term, said sums shall be paid to Sublandlord at the times required pursuant to the terms and conditions of the Master Lease.

5.2 Subtenant shall be liable to Sublandlord for any gross receipts and rental tax payable by Sublandlord to the City and County of San Francisco, California based upon the Rent payable hereunder.

5.3 All sums payable pursuant to this Section 5 and all other costs and expenses that Subtenant assumes or agrees to pay pursuant to this Sublease (other than Base Rent) shall be considered "Additional Rent" payable under this Sublease, and Sublandlord shall have all rights and remedies available hereunder for the failure to pay such Additional Rent.

6. SECURITY DEPOSIT; LETTER OF CREDIT.

6.1 Security Deposit. Subtenant shall, within ten (10) days following the Effective Date, deposit with Sublandlord a security deposit in the amount of Three Million Thirty-Four Thousand Five Hundred One Dollars ($3,034,501.00) (the "Security Deposit") as security for Subtenant's faithful performance of Subtenant's obligations under this Sublease. If Subtenant fails to deposit the Security Deposit to Sublandlord within ten (10) days following the Effective Date, Sublandlord may terminate this Sublease by written notice to Subtenant and in such event neither party shall have any obligations to the other party under this Sublease. If Subtenant fails to pay Rent or otherwise defaults under this Sublease, Sublandlord may use the Security Deposit for the payment of any amount due Sublandlord or to reimburse or compensate Sublandlord for any liability, cost, expense, loss or damage (including attorneys' fees) which Sublandlord may suffer or incur pursuant to the terms of this Sublease. Subtenant shall on written demand pay Sublandlord the amount so used or applied so as to restore the Security Deposit to the amount set forth in this Section 6.1. Sublandlord shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Sublandlord shall, at the expiration or earlier termination of the Term and after Subtenant has vacated the Premises, return to Subtenant that portion of the Security Deposit not used or applied by Sublandlord as it may have under the terms of this Sublease. No part of the Security Deposit shall be considered to be held in trust, to bear interest, or to be prepayment for any monies to be paid by Subtenant under this Sublease. In the event of an assignment by Sublandlord of its interest under the Master Lease, Sublandlord shall have the right to transfer the Security Deposit to Sublandlord's assignee, and Subtenant agrees to look to such assignee solely for the return of the Security Deposit and it is agreed that the provisions hereof shall apply to such transfer or assignment made of the Security Deposit to Sublandlord's assignee. Subtenant further covenants that it shall not assign or encumber or attempt to assign or encumber the monies deposited herein as security and that neither Sublandlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

6.2 Letter of Credit.

6.2.1 Notwithstanding Section 6.1 above, Subtenant shall, within ten (10) days following the Effective Date, deliver to Sublandlord an unconditional, clean, irrevocable letter of credit in substitution for the cash Security Deposit required in Section 6.1 of this Sublease (the "Letter of Credit"), subject to the following terms and conditions. If Subtenant fails to deliver the Letter of Credit to Sublandlord within ten (10) days following the Effective Date, Sublandlord may terminate this Sublease by written notice to Subtenant and in such event neither party shall have any obligations to the other party under this Sublease. Subtenant shall pay all expenses, points and/or fees incurred by Subtenant in obtaining the Letter of Credit. Such Letter of Credit shall be: (i) in the form attached to and hereby made a part of this Sublease as Exhibit C; (ii) at all times in the amount of the Security Deposit and shall permit multiple draws without a corresponding reduction in the amount of the Letter of Credit; (iii) made payable to Sublandlord and expressly transferable and assignable; (iv) payable in the City of San Francisco, California and "callable" at sight upon presentment of a simple sight draft or certificate (including via delivery by overnight courier) stating only that Sublandlord is entitled to draw on the Letter of Credit pursuant to this Sublease; (v) for a term not less than one year; and (vi) contain an "evergreen" provision which provides that the Letter of Credit will be automatically renewed on an annual basis unless the issuer delivers at least thirty (30) days' prior written notice of cancellation to Sublandlord and Subtenant, such that the Letter of Credit remains in existence through the date occurring ninety (90) days after the expiration of the Term. At least thirty (30) days prior to the then current expiration date of such Letter of Credit, Subtenant shall cause such Letter of Credit to be renewed (or automatically and unconditionally extended), or replaced, from time to time for a period of one (1) year through the ninetieth (90th) day after the expiration of the Term.

6.2.2 The Letter of Credit shall be issued by a federally chartered commercial bank that has a credit rating with respect to certificates of deposit, short term deposits or commercial paper of at least A 3 (or equivalent) by Moody's Investment Service, Inc., or at least AA (or equivalent) by Standard & Poor's, a division of McGraw-Hill, and shall be otherwise acceptable to Sublandlord in its sole and absolute discretion. If the issuer's credit rating is reduced below A 3 (or equivalent) by Moody's Investment Service, Inc. or below AA (or equivalent) by Standard & Poor's, a division of McGraw-Hill, or if the financial condition of such issuer changes in any other materially adverse way as determined in Sublandlord's sole and absolute discretion, then Subtenant shall obtain from a different issuer a substitute Letter of Credit that complies in all respects with the requirements of Section 6.2.1 of this Sublease, and Subtenant's failure to obtain such substitute Letter of Credit within ten (10) days following its receipt of Sublandlord's written demand therefor (and Subtenant's failure to do so shall, notwithstanding anything in this Sublease or the Master Lease to the contrary, constitute a Default by Subtenant hereunder for which there shall be no notice or grace or cure period applicable thereto) and shall entitle Sublandlord to immediately draw upon the then existing Letter of Credit in whole or in part, without notice to Subtenant and to hold the proceeds thereof as the Security Deposit. If the issuer of the Letter of Credit is insolvent or placed into receivership or conservatorship by the Federal Deposit Insurance Corporation, or any successor or similar entity, or if a trustee, receiver or liquidator is appointed for the issuer, then Subtenant shall obtain from a different issuer a substitute Letter of Credit that complies in all respects with the requirements of this Section, and Subtenant's failure to obtain such substitute Letter of Credit within ten (10) days following its receipt of Sublandlord's written demand therefore (and Subtenant's

failure to do so shall, notwithstanding anything in this Sublease or the Master Lease to the contrary, constitute a default of Subtenant hereunder for which there shall be no notice or grace or cure periods applicable thereto) and shall entitle Sublandlord to immediately draw upon then existing Letter of Credit in whole or in part, without notice to Subtenant and to hold the proceeds thereof as the Security Deposit.

6.2.3 Sublandlord shall have the right to assign its interest (including, without limitation, a collateral assignment thereof) in any Letter of Credit delivered to it by Subtenant pursuant to Section 6.2 of this Sublease to any lender or assignee of Sublandlord and Sublandlord shall give notice of any such assignment to Subtenant. If requested by any such lender or assignee, Subtenant shall obtain an amendment to such Letter of Credit which names such lender or assignee as the beneficiary thereof in lieu of Sublandlord. Any failure or refusal of the issuer to honor the Letter of Credit shall be at Subtenant's sole risk and shall not relieve Subtenant of its obligations hereunder with respect to the Security Deposit.

6.2.4 Notwithstanding anything in this Sublease or the Master Lease to the contrary, any cure or grace period set forth in this Sublease or the Master Lease shall not apply to any of the foregoing, and, specifically, if Subtenant fails to timely comply with the foregoing terms of this Section 6.2, then Sublandlord shall have the right to draw upon the Letter of Credit without notice to Subtenant and hold the proceeds as the Security Deposit. If any portion of the Letter of Credit is drawn upon, Subtenant shall, within ten (10) days after written demand therefor, reinstate the Letter of Credit to the amount then required under this Sublease, and Subtenant's failure to do so shall be a default under this Sublease.

7. INCORPORATION OF MASTER LEASE BY REFERENCE; ASSUMPTION.

7.1 Incorporation. Subtenant acknowledges that it has read the Master Lease and is fully familiar with all terms and conditions of the Master Lease. All of the Sections and Exhibits of the Master Lease are incorporated into this Sublease as if fully set forth in this Sublease except that (i) Sections (a)-(e), (h), (i), (j), (k), (o) and (p) of the Summary of Basic Lease Information and Sections 1.4 (excluding the third and fourth sentences, which shall be included), 1.5, 2, 3, 4, 7, 9, 10, 13.2, 14.10, 28, 31, 41, 42, 43, 44, 45, Exhibit B (Tenant Work Letter) of the Master Lease and Exhibit C of the Master Lease, the First Amendment, the Second Amendment and the Third Amendment are deleted in their entirety from the Master Lease as incorporated into this Sublease, (ii) all representations and warranties made by Master Landlord in the Master Lease are made solely by Master Landlord and not by Sublandlord, (iii) any rights of Sublandlord to extend, expand, contract, cancel or terminate the Master Lease shall not apply to or benefit Subtenant in any manner whatsoever and (v) any signage rights set forth in the Master Lease are for the exclusive benefit of Sublandlord and Subtenant shall have no signage rights except as expressly set forth herein, and (vi) any obligations of Sublandlord set out in the First Amendment, the Second Amendment and/or the Third Amendment shall not apply to Subtenant. In addition, notwithstanding the calculations of square footage of the Premises under the Master Lease, the parties agree that calculation of the square footage of the Premises shall in all events equal 45, 032 rentable square feet under this Sublease.

7.2 Usage of Terms. Except as otherwise provided in or modified by this Sublease, the term "Landlord" as used in the Master Lease shall refer to "Sublandlord" hereunder, the term "Tenant" as used in the Master Lease shall refer to "Subtenant" hereunder, the term "Lease" as used in the Master Lease shall refer to this Sublease, the term "business day" as used in the Master Lease shall refer to "Business Day" hereunder, the term "Lease Commencement Date" as used in the Master Lease shall refer to the "Commencement Date" hereunder, the term "Term" as used in the Master Lease shall refer to the "Term" hereunder, the term "Monthly Basic Rent" as used in the Master Lease shall refer to "Base Rent" hereunder, the term "additional rent" as used in the Master Lease shall refer to "Additional Rent" hereunder and the term "Lease Expiration Date" as used in the Master Lease shall refer to the "Expiration Date" hereunder. Any reference to the consent or approval of "Landlord" being required under the Master Lease, as incorporated into this Sublease, shall require the consent or approval of both Master Landlord and Sublandlord. Notwithstanding anything to the contrary contained in this Sublease, Sublandlord shall not be required to (i) provide any of the insurance, services or construction to the Premises that Master Landlord may have agreed to provide pursuant to the Master Lease, (ii) provide any utilities (including electricity) to the Premises that Master Landlord may have agreed to furnish pursuant to the Master Lease (or as required by law), (iii) make any of the repairs that Master Landlord may have agreed to make pursuant to the Master Lease (or as required by law), including any repairs required following a casualty, (iv) take any other action relating to the operation, maintenance, repair, restoration, rebuilding, alteration or servicing of the Premises that Master Landlord may have agreed to provide, furnish, make, comply with, or take, or cause to be provided, furnished, made complied with or taken under the Master Lease, (v) provide any security for the Premises or (vi) except as set forth in this Sublease, provide Subtenant with any abatement, rebate, credit, allowance or other concession required of Master Landlord pursuant to the Master Lease. Subtenant shall not make any claim against Sublandlord for any damage which may arise by reason of (a) the failure of Master Landlord to keep, observe or perform any of its obligations under the Master Lease or (b) the acts or omissions of Master Landlord or its agents, contractors, employees, invitees or licensees.

7.3 Abatements Under Master Lease. If Sublandlord shall actually receive under the Master Lease an abatement of Rent as to the Premises resulting from any casualty, condemnation or interruption of services, then Subtenant shall be entitled to receive such abatement; provided, that in no event shall Subtenant receive an abatement of Rent in excess of the abatement actually received by Sublandlord for the Premises, less any expenses incurred by Sublandlord in obtaining such abatement.

7.4 Conflicts with Master Lease. If any provisions of this Sublease expressly conflict with any portion of the Master Lease as incorporated herein, the terms of this Sublease shall govern. Subtenant shall assume and perform for the benefit of

Sublandlord and Master Landlord all of Tenant's obligations under the Master Lease provisions as incorporated herein to the extent that the provisions are applicable to the Premises.

7.5 Services Under Master Lease. Subtenant 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 Landlord under the Master Lease with respect to the Premises (except to the extent any such obligations were not incorporated by reference above); provided, however, Sublandlord's sole obligation with respect thereto shall be to request the same from Master Landlord, as requested in writing by Subtenant and at Subtenant's sole cost and expense. If Master Landlord shall default in any of its obligations to Sublandlord with respect to the Premises, Sublandlord will use commercially reasonable efforts to cause Master Landlord to perform and observe such obligations and restore all services promptly (except that Sublandlord shall not be obligated to commence any legal, arbitration or audit proceedings against Master Landlord, or utilize any self-help rights, or make any payment of money or other consideration other than as expressly required of Sublandlord under the Master Lease), but Sublandlord shall have no liability for failure to obtain the observance or performance of such obligations by Master Landlord or by reason of any default of Master Landlord under the Master Lease or any failure of Master Landlord to act or grant any consent or approval under the Master Lease, or from any misfeasance or non-feasance of Master Landlord, nor shall the obligations of Subtenant hereunder be excused or abated in any manner by reason thereof, except as expressly provided in this Sublease.

7.6 Requests for Services From Master Landlord. Subtenant shall cooperate with Sublandlord as may be required to obtain from Master Landlord any such work, services, repairs, repainting, restoration, the provision of utilities, elevator or HVAC services, or the performance of any of Master Landlord's other obligations under the Master Lease, provided that in day-to-day issues, Subtenant shall contact Master Landlord first to obtain the desired service or item and shall only contact Sublandlord if Master Landlord fails to perform. This Sublease shall at all times during the Term remain subject and subordinate to the Master Lease (and to all matters to which the Master Lease is subject and subordinate) and to all modifications and amendments to the Master Lease.

8. MASTER LEASE.

At any time and on reasonable prior notice to Subtenant, Sublandlord can elect to require Subtenant to perform Subtenant's obligations under this Sublease directly to Master Landlord. Subtenant shall send to Sublandlord copies of all written notices and other written communications that Subtenant shall send to and receive from Master Landlord. Subtenant shall not do or permit to be done anything which would constitute a violation or breach of any of the terms, conditions or provisions of the Master Lease or which would cause the Master Lease to be terminated or forfeited by virtue of any rights of termination or forfeiture reserved by or vested in Master Landlord. During the Term of this Sublease, Sublandlord shall not voluntarily terminate the Master Lease, subject to Sublandlord's right to terminate the Master Lease in the event of a casualty, condemnation, force majeure, or default by Master Landlord under the Master Lease. If the Master Lease terminates, this Sublease shall terminate and the parties shall be relieved from all liabilities and obligations under this Sublease.

9. ACCEPTANCE OF PREMISES "AS-IS".

The Premises shall be delivered to Subtenant in "AS-IS and WITH ALL FAULTS" condition without any representations and warranties with respect thereto by Sublandlord, its agents, officers, directors, employees, consultants or attorneys. Subtenant acknowledges and agrees that Sublandlord and its agents, officers, directors, employees, consultants and attorneys have made no representations, warranties or promises of any nature whatsoever with respect to the Premises or any improvements located therein. The taking of possession of any portion of the Premises by Subtenant shall be conclusive evidence that Subtenant accepts the same "AS-IS and WITH ALL FAULTS" and that the Premises are suited for the use intended by Subtenant and are in good and satisfactory condition at the time such possession was taken. Subtenant represents and warrants to Sublandlord that (a) its sole intended use of the Premises is for general office and administrative use (the "Permitted Use") and (b) prior to executing this Sublease it has made such investigations as it deems appropriate with respect to the suitability of the Premises for its intended use and has determined that the Premises are suitable for such intended use. Sublandlord shall have no obligation whatsoever to construct any improvements for Subtenant or to repair or refurbish the Premises. Notwithstanding the foregoing, Sublandlord shall, at its sole cost and expense prior to the Commencement Date, eliminate access to the sky bridge between the Building and the building located at 301 Brannon Street, San Francisco, California.

10. USE; SIGNAGE; SUBLANDLORD'S TRADE NAMES.

10.1 Use. Subtenant agrees that the Premises shall be used by Subtenant (and its permitted assignees and subtenants) solely for the Permitted Use and for no other use, business or purpose whatsoever.

10.2 Signage. Subject to and in accordance with Section 46 of the Master Lease, including Master Landlord's approval as applicable, Subtenant shall have the right to the signage granted to Tenant under the Master Lease ("Subtenant's Signage"). Sublandlord shall remove all of Sublandlord's Signage prior to the Commencement Date at Sublandlord's sole cost and expense, including repairing any damage to the Building caused by such removal. Subtenant shall be responsible, at its sole cost and expense, for all costs associated with the design, fabrication, permitting, installation, repair, maintenance and replacement of Subtenant's Signage. Subtenant's rights to Subtenant's Signage shall be subject to all applicable Laws, including the requirement that Subtenant obtain all permits and approvals required by the City of San Francisco. Subtenant acknowledges and agrees that neither Master

Landlord nor Sublandlord has made any representations or warranties regarding the likelihood of Subtenant obtaining the required permits and approvals for Subtenant's Signage and the failure of Subtenant to obtain such permits or approvals shall not delay the Commencement Date, release Subtenant of any of Subtenant's obligations hereunder or entitle Subtenant to any abatement of amounts due hereunder. Subtenant shall remove all of Subtenant's Signage at the expiration of the Term at Subtenant's sole cost and expense, including repairing any damage to the Building caused by such removal.

10.3 Trade Names. The parties agree that they shall not, without the other party's prior written consent, which consent may be withheld by such party in its sole and absolute discretion, use the names, characters, artwork, designs, trade names, copyrighted materials, trademarks or service marks of the other party or its parent, affiliated or subsidiary companies, employees, directors, shareholders, assigns, successors or licensees (a) in any advertising, publicity or promotion or (b) in any manner other than expressly in accordance with this Sublease.

11. CONFIDENTIALITY.

Except as expressly permitted in this Section 11, neither party nor its agents, servants, employees, invitees and contractors will, without the prior written consent of the other party, disclose any Confidential Information of the other party to any third party. Information will be considered "Confidential Information" of a party if: (a) it is disclosed by the party to the other party in tangible form and is conspicuously marked "Confidential", "Proprietary" or the like; (b) it is disclosed by one party to the other party in non-tangible form and is identified by such party as confidential, proprietary or the like at the time of disclosure; or (c) would reasonably be understood, given the nature of the information or the circumstances surrounding its disclosure, to be confidential. In addition, notwithstanding anything in this Sublease to the contrary, the terms of this Sublease (but not its mere existence) will be deemed Confidential Information of each party. Other than the terms and conditions of this Sublease, information will not be deemed Confidential Information hereunder if such information: (i) is known to the receiving party prior to receipt from the disclosing party directly or indirectly from a source other than one known to have an obligation of confidentiality to the disclosing party; (ii) becomes known (independently of disclosure by the disclosing party) to the receiving party directly or indirectly from a source other than one known to have an obligation of confidentiality to the disclosing party; (iii) becomes publicly known or otherwise ceases to be secret or confidential, except through a breach of this Sublease by the receiving party; or (iv) is independently developed by the receiving party. The terms and conditions of this Sublease will cease being confidential if, and only to the extent that, they become publicly known, except through a breach of this Sublease by the disclosing party. Notwithstanding anything to the contrary set forth herein, either party may disclose this Sublease to Master Landlord. Each party will secure and protect the Confidential Information of the other party (including, without limitation, the terms of this Sublease) in a manner consistent with the steps taken to protect its own confidential information, but not less than a reasonable degree of care. Each party may disclose the other party's Confidential Information where: (1) the disclosure is required by law or by an order of a court or other governmental body having jurisdiction after giving reasonable notice to the other party with adequate time for such other party to seek a protective order, if reasonably possible; (2) if in the opinion of counsel for such party, disclosure is advisable under any applicable securities laws regarding public disclosure of business information; or (3) the disclosure is reasonably necessary and is to that party's or its affiliates' or its actual or prospective lenders' or investors' employees, officers, directors, members, attorneys, accountants, consultants and advisors, or the disclosure is otherwise necessary for a party to exercise its rights and perform its obligations under this Sublease, so long as in all cases the disclosure is no broader than reasonably necessary and the party who receives the disclosure agrees prior to receiving the disclosure to keep the information confidential. Each party is responsible for ensuring that any Confidential Information of the other party that the first party discloses pursuant to this Section 11 is kept confidential by the person receiving the disclosure. Without limiting the generality of this Section 11, neither Subtenant nor Sublandlord will, directly or indirectly issue any press release regarding this Sublease or any matters set forth in this Sublease, or use either party's name for any commercial purposes or use any of either party's trademarks, in each case, without the express prior written consent of the other party to be granted or withheld in such party's sole and absolute discretion. Each party acknowledges that any breach of this Section 11 may cause irreparable harm for which monetary damages are an insufficient remedy and therefore that upon any breach of this Section 11 the non-breaching party shall be entitled to appropriate equitable relief without the posting of a bond in addition to whatever other remedies it might have at law or in equity.

12. ASSIGNMENT AND SUB-SUBLETTING.

12.1 Consent Requirements. Subject to Subtenant obtaining the consent of Master Landlord and Sublandlord, which consent by Sublandlord will not be unreasonably withheld, Subtenant shall have the right to assign this Sublease or to sub-sublease the Premises (each, a "Transfer") in accordance with the provisions of Section 26 of the Master Lease (to the extent Section 26 is incorporated into this Sublease pursuant to Section 7.1) and this Section 12. Copies of all materials required by Section 26 of the Master Lease, and this Section 12 shall be delivered simultaneously to both Master Landlord and Sublandlord, together with Subtenant's request for any such consent. Without limiting the reasons upon which Sublandlord could reasonably withhold its consent to a Transfer, Sublandlord may reasonably withhold its consent if it does not approve (i) the proposed use of the Premises or (ii) the creditworthiness or business reputation of the assignee or new sub-subtenant (each, a "Transferee"). In connection with any Transfer, Sublandlord shall have the right to review and approve the current financial statements of any proposed Transferee.

12.2 Fees; Sharing of Profits. Subtenant shall pay Sublandlord's reasonable fees and expenses (not to exceed $2,500) incurred with respect to any proposed Transfer (and regardless of whether such Transfer is actually consummated) including,

without limitation, reasonable attorneys' fees (at market rates) incurred in reviewing Transfer documentation and required Master Landlord consents thereto, any fees charged by Master Landlord to Sublandlord in connection with any such Transfer (including expenses under Section 26(c) of the Master Lease), and any architects', engineers' and other consultants' fees required for such Transfer, within ten (10) days following written demand therefor from Sublandlord accompanied by invoices reasonably substantiating such costs. If Sublandlord consents to any Transfer, Subtenant shall pay to Sublandlord as Additional Rent the amounts set forth in the final paragraph of Section 26(c) of the Master Lease (the "Transfer Profits"). In addition, Sublandlord or its representative shall have the right at all reasonable times to audit the books and records of Subtenant with respect to the calculation of the Transfer Profits. If such inspection reveals that the amount of Transfer Profits paid to Sublandlord was incorrect, then within ten (10) days of Subtenant's receipt of the results of such audit, Subtenant shall pay Sublandlord the deficiency and the cost of Sublandlord's audit.

12.3 Collection of Rent; Further Assignment/Subletting. If this Sublease is assigned, or if the Premises or any part thereof is Transferred or occupied by anyone other than Subtenant, whether or not Subtenant shall have been granted any required consent, Sublandlord may, after default by Subtenant, collect rent and other charges from such Transferee or other occupant, and apply the net amount collected to the Base Rent and Additional Rent herein reserved, but no such Transfer, occupancy or collection shall be deemed to be a waiver of the requirements of this Section 12 or an acceptance of the Transferee or other occupant as the subtenant under this Sublease. The consent by Sublandlord or Master Landlord to a Transfer shall not in any way be construed to relieve Subtenant from obtaining the consent of Master Landlord and Sublandlord to any further Transfer. Such Transfer shall be subject to all of the terms and conditions of the Master Lease and this Sublease, and Subtenant shall remain primarily liable under this Sublease notwithstanding any Transfer.

13. DEFAULTS AND REMEDIES.

13.1 Upon any default by Subtenant under this Sublease or under the Master Lease, Sublandlord shall have all rights and remedies available at law or in equity, including, without limitation, all of the rights and remedies described in the Master Lease, including, without limitation, Section 25 of the Master Lease. Without limiting the generality of the foregoing, Sublandlord shall have the rights and remedies provided by California Civil Code Section 1951.2, including but not limited to the right to terminate Subtenant's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Base Rent, Additional Rent and other charges for the balance of the Term after the time of award exceed the amount of rental loss for the same period that Subtenant proves could be reasonably avoided, as computed pursuant to subsection (b) of California Civil Code 1951.2; and the rights and remedies provided by California Civil Code Section 1951.4, that allows Sublandlord to continue this Sublease in effect and to enforce all of its rights and remedies under this Sublease, including, without limitation, the right to recover Base Rent, Additional Rent and other charges as they become due, for so long as Sublandlord does not terminate Subtenant's right to possession. Subtenant shall have no right to occupy the Premises or any portion thereof after the expiration or earlier termination of this Sublease. Subtenant shall remove from the Premises all of its fixtures and equipment upon the expiration or earlier termination of this Sublease, including furniture. If Subtenant or any party claiming by, through or under Subtenant holds over, Sublandlord may exercise any and all remedies available to it at law or in equity to recover possession of the Premises and to recover damages. Subtenant shall indemnify, defend and hold Sublandlord harmless from all liabilities, claims and damages suffered by Sublandlord (including attorneys' fees) resulting from or occasioned by Subtenant's holding over, including consequential damages. For each and every month or partial month that Subtenant or any party claiming by, through or under Subtenant remains in occupancy of all or any portion of the Premises after the expiration of this Sublease or after termination of this Sublease or Subtenant's right to possession of the Premises, Subtenant shall pay, as minimum damages and not as a penalty, monthly Base Rent equal to one hundred fifty percent (150%) of the Base Rent applicable to the Premises immediately prior to the date of such expiration or earlier termination of this Sublease or of Subtenant's right of possession. In addition, to the extent any holding over by Subtenant of the Premises causes a holdover of the Premises or any portion thereof under the Master Lease, Subtenant shall be responsible for all costs and expenses required to be paid by Sublandlord to Master Landlord in connection with any holding over by Subtenant under the Master Lease, including, without limitation, holdover rent and consequential damages. The acceptance by Sublandlord of any lesser sum shall be construed as payment on account and not in satisfaction of damages for such holding over. Subtenant's failure to remove any items of furniture, equipment, business and trade fixtures, free-standing cabinet work, movable partitions, cabling and other articles of personal property owned or installed by Subtenant from the Premises upon the expiration or earlier termination of this Sublease shall be deemed to be a holding over. Any such property not so removed by Subtenant as required herein shall be deemed abandoned and may be stored, removed, and disposed of by Sublandlord at Subtenant's expense, and Subtenant waives all claims against Sublandlord for any damages resulting from Sublandlord's retention and/or disposition of such property.

13.2 In the event of a non-monetary default by Subtenant under this Sublease, Subtenant shall have the same notice and cure rights provided for in the Master Lease as Sublandlord would have for a similar default under the Master Lease, except that Subtenant's time to cure shall not exceed seventy-five percent (75%) of the corresponding time under the Master Lease.

14. ALTERATIONS.

Except as provided herein, Subtenant shall not make any alterations, additions or improvements (collectively, "Alterations") in or to the Premises or make changes to locks on doors or add, disturb or in any way change any plumbing,

mechanical, electrical, HVAC, life safety or other Building systems without obtaining the prior written consent of Master Landlord and Sublandlord, which consent by Sublandlord shall not be unreasonably withheld. Sublandlord shall respond to Subtenant's written request for such Alteration(s) within thirty (30) days of Subtenant's request. Sublandlord's failure to respond within thirty (30) days constitutes its acceptance of such Alteration(s), subject to Master Landlord approval. Any Alterations must be done in full compliance with the provisions of the Master Lease; provided, however, that in all instances concerning Sublandlord's approval of Subtenant's Alterations, the time period in which Sublandlord shall have to grant or withhold its consent to such Alterations shall equal one hundred fifty percent (150%) of the corresponding time period under the Master Lease (i.e., if Master Landlord has ten (10) days to approve an Alteration, Sublandlord shall have fifteen (15) days in which to approve the same Alteration). All Alterations shall be made at Subtenant's sole cost and expense and by contractors or mechanics approved by Sublandlord and Master Landlord, and shall become the property of Sublandlord without its obligation to pay for such Alterations. All work with respect to any Alterations shall be performed in a good and workmanlike manner, shall be of a quality equal to or exceeding the then existing construction standards for the Building and shall be constructed in compliance with all plans approved by Sublandlord and Master Landlord. Alterations shall be diligently prosecuted to completion to the end that the Premises shall be at all times a complete unit except during the period necessarily required for such work. All Alterations shall be made strictly in accordance with all applicable laws relating thereto, including all building codes and regulations and the Americans with Disabilities Act (the "ADA"). In furtherance of the foregoing Subtenant, at Subtenant's sole cost and expense, shall make and complete any and all necessary alterations or upgrades to the Premises and/or the Building arising by reason of Subtenant's Alterations in order to fully comply with the ADA and any life safety requirements applicable to the Premises and the Building. Subtenant, at its sole cost and expense, shall obtain any and all permits and consents of applicable governmental authorities in connection with all Alterations. Subtenant shall be liable to Sublandlord and Master Landlord for the reasonable costs of any improvements to the Building (whether or not on the Premises) which may be required as a consequence of Subtenant's Alterations. No alterations or interior improvements installed in the Premises may be removed unless the same are promptly replaced with alterations or interior improvements of the same or better quality. Sublandlord hereby reserves the right to require any contractor, subcontractor or materialsman working in or providing materials to the Premises to provide lien waivers and liability insurance covering the Alterations to the Premises. Subtenant shall give Master Landlord and Sublandlord ten (10) days' written notice prior to the commencement of any Alterations and shall allow Master Landlord and Sublandlord to enter the Premises and post appropriate notices to avoid liability to contractors or material suppliers for payment for any Alterations. All Alterations shall remain in and be surrendered with the Premises as a part thereof at the termination of this Sublease, without disturbance, molestation or injury, provided that each of Master Landlord and/or Sublandlord may require any Alterations (including, without limitation, all cabling and wiring) to be removed upon termination of this Sublease in their sole and absolute discretion and such portion of the Premises to be restored to its condition prior to performance of such Alterations as long as Sublandlord specified during its review of Subtenants written request for approval, Alterations would need to be removed by Subtenant upon the expiration of this Sublease. In such event, all expenses to remove said Alterations and to restore the Premises to normal Building standards shall be paid by Subtenant; provided, however, that Subtenant shall not be required to restore any Alterations or other items requiring restoration that were installed or made in the Premises or to the Building prior to the Commencement Date.

15. INDEMNIFICATION; LIMITATION OF DAMAGES.

15.1 Subtenant's Duty to Indemnify. Subtenant shall indemnify, defend and hold Sublandlord and Master Landlord and their respective directors, officers, agents, employees, licensees or invitees harmless from all claims, damages, losses, liabilities, costs and expenses, including, without limitation, any sums for which Sublandlord may be liable to Master Landlord under any indemnity or hold harmless provision in the Master Lease and reasonable attorneys' fees and costs, arising from: (a) Subtenant's use of the Premises or the conduct of its business or any activity, work, or thing done, permitted or suffered by Subtenant in or about the Premises, (b) any breach or default in the performance of any obligation to be performed by Subtenant under the terms of this Sublease (or any consents thereto) and (c) any act, neglect, fault or omission of Subtenant or of its directors, officers, agents, employees, licensees or invitees. In case any action or proceeding shall be brought against Sublandlord or its directors, officers, agents, employees, licensees or invitees by reason of any such claim, Subtenant upon notice from Sublandlord shall defend the same at Subtenant's expense by counsel approved in writing by Sublandlord. Subtenant or its counsel shall keep Sublandlord fully apprised at all times of the status of such defense and shall not settle same without the written consent of Sublandlord. To the fullest extent permitted by law, Subtenant, as a material part of the consideration to Sublandlord, hereby assumes all risk of and waives all claims against Sublandlord with respect to damage to property or injury to persons in, upon or about the Premises from any cause whatsoever except that which is caused by the failure of Sublandlord to observe any of the terms and conditions of this Sublease or Sublandlord's failure to comply with local, state or federal law where such failure has persisted for an unreasonable period of time after written notice to Sublandlord of such failure.

15.2 Limitation of Damages. Under no circumstances shall either party to this Sublease be liable for any indirect, incidental, special or consequential damages arising out of this Sublease, including, without limitation, any damages arising from lost revenues, profits, use or business opportunity regardless of the cause of such damages and whether or not the other party was aware or should have been aware of the possibility of these damages; provided, however, that Subtenant will remain liable for any consequential damages arising out of any holdover of the Premises after the expiration of the Term or termination of this Sublease to the extent payable by Sublandlord under the Master Lease.

16. DAMAGE TO SUBTENANT'S PROPERTY.

Master Landlord and Sublandlord and their respective directors, officers and agents shall not be liable for (a) any damage to any property entrusted to employees at the Building or its property managers, (b) loss or damage to any property by theft or otherwise, (c) any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak from any part of the Building or from the pipes, appliances or plumbing work therein or from the roof, street or sub-surface or from any other place or resulting from dampness or any other cause whatsoever, or (d) any damage or loss to the business or occupation of Subtenant arising from the acts or neglect of other tenants or occupants of, or invitees to, the Building. Subtenant shall give prompt notice to Sublandlord and Master Landlord in case of fire or accident in the Premises or in the Building or of defects therein or in the fixtures or equipment.

17. SUBTENANT'S INSURANCE.

17.1 Subtenant shall, at its sole cost and expense, maintain throughout the Term, any insurance coverage required to be maintained by Sublandlord under the Master Lease, pursuant to the terms and conditions of the Master Lease, with a company authorized to transact business in the jurisdiction where the Premises is located and otherwise in accordance with the terms of the Master Lease. Sublandlord and Master Landlord (and such other parties as required by the provisions of the Master Lease) shall be named as additional insureds under such insurance. Subtenant shall provide Sublandlord and Master Landlord with certificates of insurance evidencing the insurance required to be maintained by Subtenant herein prior to the Commencement Date and, upon request, from time to time thereafter. Subtenant further agrees to give not less than thirty (30) days' advance written notice to Sublandlord and Master Landlord (and any other parties named as additional insureds thereon) of any cancellation or reduction of insurance under any such policy.

17.2 Subtenant hereby waives on behalf of itself and on behalf of its insurers any and all rights of recovery against Sublandlord, Master Landlord and the directors, officers, employees, agents and representatives of Sublandlord or Master Landlord, by way of subrogation or otherwise, on account of loss or damage occasioned to Subtenant or its property or the properties of others under its control caused by fire or any of the extended coverage risks described hereunder to the extent that such loss or damage is insured under any insurance policy in force at the time of such loss or damage or required to be carried hereunder. If necessary for its effectiveness, Subtenant shall give notice to its insurance carrier of the foregoing waiver of subrogation. Sublandlord hereby waives on behalf of itself and on behalf of its insurers any and all rights of recovery against Subtenant and its officers, employees, agents and representatives on account of damage to the Sublandlord or its property or the properties of others under its control caused by fire or any of the extended coverage risks described herein to the extent that such loss or damage is insured under any insurance policy in force at the time of such loss or damage or required to be carried hereunder.

18. SERVICES.

Except to the extent expressly provided in this Sublease, Sublandlord shall not be liable for, and Subtenant shall not be entitled to any abatement of Rent by reason of (a) the failure to furnish or delay in furnishing any of the services when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Sublandlord or Master Landlord or by the making of any repairs or improvements to the Premises or to the Building or (b) the limitation, curtailment, rationing or restrictions on use of water, electricity, gas or any other utility servicing the Premises or the Building by any utility or governmental agency; provided, however, that any abatement of Rent provided to Sublandlord by Master Landlord related to the Premises shall be passed through to Subtenant as and when received by Sublandlord. Subtenant shall not connect any electrical equipment to the Building's electrical distribution system which may overload the electrical capacity of the Building or the Premises.

19. TIME; BUSINESS DAY.

Time is of the essence of this Sublease. As used herein, the term "Business Day" shall mean Monday through Friday (except public holidays).

20. RIGHT TO PERFORM.

If Subtenant shall fail to pay any sum of money required to be paid by it hereunder, or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for five (5) Business Days after written notice thereof by Sublandlord, Sublandlord may, but shall not be obligated so to do, and without waiving or releasing Subtenant from any obligations of Subtenant, make any such payment or perform any such other act on Subtenant's part to be made or performed as provided in this Sublease. Subtenant shall reimburse Sublandlord for all reasonable costs incurred by Sublandlord in connection with such payment or performance immediately upon demand.

21. NON-WAIVER.

Neither the acceptance of Rent nor any other act or omission of Sublandlord or Subtenant at any time or times after the happening of any event authorizing the cancellation or forfeiture of this Sublease shall operate as a waiver of any past or future violation, breach or failure to keep or perform any covenant, agreement, term or condition hereof, or deprive either party of its right to cancel or forfeit this Sublease, upon the notice required by law, at any time that cause for cancellation or forfeiture may exist, or be construed so as to at any future time prevent either party from promptly exercising any other option, right or remedy that it may have under any term or provision of this Sublease.

22. NOTICES.

All notices under this Sublease shall be in writing and addressed to either Sublandlord or Subtenant as follows:

If to Sublandlord: Okta, Inc.
301 Brannan Street
San Francisco, CA 94107
Attn: Armen Vartanian

with a copy to: Okta, Inc.
301 Brannan Street
San Francisco, CA 94107
Attn: General Counsel

and a copy to: Paul Hastings LLP
101 California Street, 48th Floor
San Francisco, California 94111
Attention: Stephen I. Berkman, Esq.

If to Subtenant: Cloudflare, Inc.
101 Townsend St.
San Francisco, California 94107
Attn: Legal

or to such addresses as may hereafter be designated by either party in writing. Notwithstanding the foregoing, Sublandlord may also always deliver any notice to Subtenant at the Premises. Notices delivered personally or sent same-day courier will be effective immediately upon delivery to the addressee at the designated address; notices sent by overnight courier will be effective one (1) Business Day after acceptance by the service for delivery; notices sent by mail will be effective two (2) Business Days after mailing.

23. SURRENDER OF PREMISES.

The voluntary or other surrender of this Sublease by Subtenant, or a mutual cancellation hereof, shall not work a merger, and shall, at the option of Sublandlord, operate as an assignment to it of any sub-subleases or sub-subtenancies.

24. GENERAL PROVISIONS.

24.1 Entire Agreement. This Sublease and Exhibits A - C attached hereto contain all of the agreements of the parties with respect to the subject matter hereof, and there are no verbal or other agreements which modify or affect this Sublease. This Sublease and Exhibits A - C attached hereto supersede any and all prior agreements made or executed by or on behalf of the parties hereto regarding the Premises.

24.2 Terms and Headings. The words “Sublandlord” and” Subtenant” include the plural as well as the singular, and words used in any gender include all genders. The titles to sections of this Sublease are not a part of this Sublease and shall have no effect upon the construction or interpretation of any part hereof.

24.3 Successors and Assigns. All of the covenants, agreements, terms and conditions contained in this Sublease shall inure to and be binding upon Sublandlord and Subtenant and their respective permitted successors and assigns.

24.4 Brokers. Subtenant represents and warrants to Sublandlord that, except with respect to Jones Lang LaSalle, Inc. (“Subtenant’s Broker”), Subtenant has not engaged any broker, finder or other person who would be entitled to any commission or fees in respect of the negotiation, execution or delivery of this Sublease, and Subtenant shall indemnify, defend and hold harmless Sublandlord against any loss, cost, liability or expense incurred by Sublandlord as a result of any claim asserted by any such broker, finder or other person (other than Subtenant’s Broker) on the basis of any arrangements or agreements made or asserted to have been made by or on behalf of Subtenant. Sublandlord represents and warrants to Subtenant that, except with respect to Colliers International Group Inc. (“Sublandlord’s Broker”), Sublandlord has not engaged any broker, finder or other person who would be entitled to any commission or fees in respect of the negotiation, execution or delivery of this Sublease, and Sublandlord shall indemnify, defend and hold harmless Subtenant against any loss, cost, liability or expense incurred by Subtenant as a result of any claim asserted by any such broker, finder or other person (other than Sublandlord’s Broker) on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Sublandlord. Sublandlord shall pay all commissions due to Subtenant’s Broker and Sublandlord’s Broker arising out of this Sublease pursuant to a separate written agreement.

24.5 Liability of Sublandlord; Limitations on Subtenant’s Remedies. No officer, director, employee or shareholder of Sublandlord, nor any parent, subsidiary or affiliate of Sublandlord shall have or incur any personal liability whatsoever with respect to this Sublease. With respect to any provision of this Sublease that specifically requires that Sublandlord shall not

unreasonably withhold, unreasonably condition or unreasonably delay its consent or approval, Subtenant in no event shall be entitled to make, nor shall Subtenant make, any claim, and Subtenant hereby waives any claim, for any sum of money whatsoever as damages, costs, expenses, attorneys' fees or disbursements, whether affirmatively or by way of setoff, counterclaim or defense, based upon any claim or assertion by Subtenant that Sublandlord has unreasonably withheld, unreasonably conditioned or unreasonably delayed such consent or approval. Subtenant's sole remedy for claimed unreasonable withholding or unreasonably delaying by Sublandlord of its consent or approval shall be an action or proceeding brought and prosecuted solely at Subtenant's own cost and expense to enforce such provision, for specific performance, injunction or declaratory judgment.

24.6 Severability. Any provision of this Sublease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof, and the remaining provisions hereof shall nevertheless remain in full force and effect.

24.7 Examination of Sublease. Submission of this instrument for examination or signature by Subtenant does not constitute a reservation of or option to sublease, and it is not effective as a sublease or otherwise unless and until (a) the execution by and delivery to both Sublandlord and Subtenant, and (b) the Master Landlord consents hereto as provided in Section 3.

24.8 Recording. Neither Sublandlord nor Subtenant shall record this Sublease or any memorandum hereof without the written consent of the other and any attempt by Subtenant to do the same shall constitute an immediate and uncurable default by Subtenant under this Sublease.

24.9 Authorized Signatory. Both parties hereby represent and warrant to the other party that the person executing this Sublease is a duly authorized representative of the signing party and has full authority to execute and deliver this Sublease.

24.10 Survival of Obligations. All provisions of this Sublease which require the payment of money or the delivery of property after the termination of this Sublease or require Subtenant to indemnify, defend or hold Sublandlord harmless or require Sublandlord to indemnify, defend or hold harmless the Subtenant shall survive the expiration or earlier termination of this Sublease.

24.11 Counterparts. This Sublease may be executed in one or more counterparts, each of which shall be deemed an original, but all of which when taken together will constitute one and the same instrument. The parties hereto consent and agree that this Sublease may be signed and/or transmitted by facsimile, e-mail of a .pdf document or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's hand-written signature. The parties further consent and agree that (i) to the extent a party signs this Sublease using electronic signature technology, by clicking "sign", such party is signing this Sublease electronically and (ii) the electronic signatures appearing on this Sublease shall be treated, for purposes of validity, enforceability and admissibility, the same as hand-written signatures.

24.12 OFAC List.

24.12.1 For purposes of this Sublease, the following terms shall have the following meanings:

(a) "Sanctions Law" means any laws or regulations concerning economic and trade sanctions and restrictions, such as those administered by the United Nations, United States authorities (such as those enforced by the United States Department of the Treasury, the United States Department of Commerce, and/or the United States Department of State), Her Majesty's Treasury, and the European Union. These include but are not limited to laws or regulations governing anti-terrorism, and anti-money laundering activities, and include the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, Executive Order No. 13224, and Title 3 of the USA Patriot Act (defined below), and any regulations promulgated under any of them, each as may be amended from time to time.

(b) "Executive Order No. 13224" means Executive Order No. 13224 on Terrorist Financing effective September 24, 2001, and relating to "Blocking Project and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism," as may be amended from time to time.

(c) "Prohibited Person" means (a) a person or entity that is listed in, or owned or controlled by a person or entity that is listed in, the Annex to Executive Order No. 13224 or has been subsequently sanctioned under that authority; (b) a person or entity with whom Subtenant is prohibited from dealing or otherwise engaging in any transaction by any Sanctions Law; or (c) a person or entity that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department's Office of Foreign Assets Control at its official website, http://sanctionssearch.ofac.treas.gov/, or at any replacement website or other official publication of such list, or a legal or natural person or entity owned or controlled by such a listed person.

(d) "USA Patriot Act" means the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (Public Law 107-56).

24.12.2 Subtenant is not, nor at any time during the Term will be, (i) in violation of any Sanctions Law; (ii) conducting any business or engaging in activities impermissible under Sanctions Law, including but not limited to, providing support for the proliferation of weapons of mass destruction, narcotics trafficking, the financing of terror, or organized crime, or any transaction or dealing with any Prohibited Person, including the making or receiving of any contribution of funds, goods or services to or for the benefit of any Prohibited Person or any legal or natural person owned or controlled by a Prohibited Person;

(iii) dealing in, or otherwise engaging in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224 or other Sanctions Law; (iv) included on any other list whereby the provision of the services contemplated in this agreement would be in violation of Sanctions Law; or (v) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate any of the prohibitions set forth in, any Sanctions Law. Subtenant is not a Prohibited Person, has no reason to believe that it or any of its affiliated parties is the target of an investigation by authorities that could result in it becoming a Prohibited Person nor at any time during the Term will it be, a Prohibited Person.

24.13 Appendices and Riders. The following appendices and riders are attached hereto and by this reference made a part of this Sublease:

EXHIBIT A Master Lease
EXHIBIT B Confirmation of Commencement Date Agreement
EXHIBIT C Form of Letter of Credit

25. KEYS AND ACCESS CARDS.

Subtenant shall provide Sublandlord with keys and access cards to the Premises so that Sublandlord may enter the Premises subject to and in accordance with Sublandlord's entry rights set forth in Section 17 of the Master Lease.

26. CERTIFIED ACCESS SPECIALIST.

For purposes of Section 1938 of the California Civil Code and to Sublandlord's actual knowledge, Sublandlord hereby discloses to Subtenant, and Subtenant hereby acknowledges, that the Premises have not undergone inspection by a Certified Access Specialist ("CASp"). As required by Section 1938(e) of the California Civil Code, Sublandlord hereby states as follows: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." In furtherance of the foregoing, Sublandlord and Subtenant hereby agree as follows: (a) any CASp inspection requested by Subtenant shall be conducted, at Subtenant's sole cost and expense, by a CASp approved in advance by Sublandlord; and (b) the parties rights and obligations with respect to making any repairs within the Premises to correct violations of construction-related accessibility standards shall be in accordance with Section 13 of the Master Lease (to the extent incorporated herein) and Sections 7.5 and 7.6 herein. The foregoing verification is included in this Sublease solely for the purpose of complying with California Civil Code Section 1938 and shall not in any manner affect Sublandlord's and Subtenant's respective responsibilities for compliance with construction-related accessibility standards as provided under this Sublease.

27. ANTI-CORRUPTION.

In accordance with the U.S. Foreign Corrupt Practices Act (15 U.S.C. Section 78dd-1, et. seq.), Subtenant affirms that it has not and agrees that it will not, in connection with this Sublease (and any services provided thereunder) offer, promise, agree to make or authorize any corrupt or improper payment or transfer of anything of value, any benefit, or any advantage, directly or indirectly to: (i) any Government Official (as hereinafter defined); (ii) any person while knowing or having reason to know that all or a portion of the value will be given, offered, or promised, directly or indirectly to a Government Official; (iii) any director, officer, employee, representative or agent of Sublandlord or any of its affiliates; or (iv) any other person or entity if such payment or transfer would violate the laws of any relevant jurisdiction. It is the intent of the parties that no payments or transfers of value shall be made which have the purpose or effect of public or commercial bribery, acceptance of or acquiescence in extortion, kickbacks or other unlawful or improper means of obtaining business or any improper advantage. Subtenant shall promptly inform Sublandlord upon becoming aware of any possible violations of this provision in connection with this Sublease. Subtenant must require that any third parties used in the performance of this Sublease will also fully comply with all applicable laws. Subtenant is fully responsible for the activities of any third parties which Subtenant uses in the performance of Subtenant's obligations under this Sublease. For purposes of this Sublease, "Government Official" means anyone that is, works for, or on the behalf of (a) a national, regional, municipal, or local government; (b) a department, agency, subsidiary, or branch of a national, regional, municipal, or local government; (c) a government-owned or government-controlled company (for example, a state-owned oil company, bank, airline, hospital, university, etc.); (d) a subsidiary of a government-owned or government-controlled company; (e) a public international organization (for example, the International Monetary Fund, the United Nations, the World Bank, the World Trade Organization, etc.); (f) a member of a royal family; or (g) a political party, political party official, or candidate for political office.

28. FINANCIAL STATEMENTS.

Subtenant represents and warrants that the financial information provided by Subtenant to Sublandlord regarding Subtenant's financial condition is true, complete and correct in all respects. Subtenant acknowledges that Sublandlord has relied upon the financial information provided by Subtenant in Sublandlord's determination to enter into and execute this Sublease.

[Remainder of page intentionally blank; signatures follow on next page]

IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the Effective Date.

Sublandlord: OKTA, INC.,
a Delaware corporation

By:	/s/ Jonathan Runyan
Name:	Jonathan Runyan
Its:	General Counsel

Subtenant: CLOUDFLARE, INC.,
a Delaware corporation

By:	/s/ Michelle Zatlyn
Name:	Michelle Zatlyn
Its:	COO, Director

EXHIBIT A

MASTER LEASE

(See Attached)

EXHIBIT B

CONFIRMATION OF COMMENCEMENT DATE AGREEMENT

THIS CONFIRMATION OF COMMENCEMENT DATE AGREEMENT (this "Agreement") is made as of [_____] between OKTA, INC., a Delaware corporation ("Sublandlord"), and CLOUDFLARE, INC., a Delaware corporation ("Subtenant").

Sublandlord and Subtenant have entered into that certain Sublease dated [_____, 2018] (the "Sublease"), in which Sublandlord subleased to Subtenant and Subtenant subleased from Sublandlord certain premises located in that certain building located at 634 2nd Street, San Francisco, California 94107, as such Premises are more particularly defined in the Sublease. Capitalized terms used in this Agreement but not defined herein shall have the meanings given them in the Sublease.

Pursuant to Section 2.1 of the Sublease, Sublandlord and Subtenant hereby confirm that the Commencement Date under the Sublease is [_____].

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

Sublandlord: OKTA, INC.,
a Delaware corporation
By: _____
Name: _____
Its: _____

Subtenant: CLOUDFLARE, INC.,
a Delaware corporation
By: _____
Name: _____
Its: _____

EXHIBIT C

FORM OF LETTER OF CREDIT

_____, 2018

BENEFICIARY:

OKTA, INC.
301 BRANNAN STREET
SAN FRANCISCO, CA 94107
ATTN: _____

APPLICANT:

_____

_____

_____

RE: APPLICANT: [_____], A []

LETTER OF CREDIT NO. _____

EFFECTIVE DATE: _____ ___, 2018

EXPIRATION DATE: _____ ___, 20__

LADIES AND GENTLEMEN:

WE HEREBY ISSUE IN THE FAVOR OF EACH OF OKTA, INC., A DELAWARE CORPORATION (THE "BENEFICIARY") OUR IRREVOCABLE TRANSFERABLE LETTER OF CREDIT NO. _____ FOR THE ACCOUNT OF [_____], A [_____] ("[_____]"), FOR THE SUM OF U.S. $[_____] (THE "LETTER OF CREDIT"), WHICH SUM IS AVAILABLE AGAINST THE BENEFICIARY'S SIGHT DRAFT(S) DRAWN ON US AND ACCOMPANIED BY A STATEMENT SIGNED BY BENEFICIARY WHICH STATEMENT SHALL READ AS FOLLOWS:

> "WE HEREBY CERTIFY THAT THE BENEFICIARY IS ENTITLED TO DRAW UPON THIS LETTER OF CREDIT IN THE AMOUNT OF THE DRAFT SUBMITTED HEREWITH PURSUANT TO THAT CERTAIN SUBLEASE BETWEEN BENEFICIARY, AS SUBLANDLORD, AND [_____], AS SUBTENANT, AS THE SAME MAY HAVE BEEN AMENDED OR ASSIGNED."

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT WILL BE AUTOMATICALLY EXTENDED FOR PERIODS OF ONE YEAR FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE. IN THE EVENT WE DO NOT EXTEND THIS LETTER OF CREDIT, WE SHALL NOTIFY YOU IN WRITING BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED AT THE ABOVE LISTED ADDRESS, AT LEAST SIXTY (60) DAYS PRIOR TO THE THEN PRESENT EXPIRATION DATE.

IN THE EVENT THAT WE NOTIFY YOU THAT WE ELECT NOT TO EXTEND THIS LETTER OF CREDIT, YOU MAY DRAW HEREUNDER BY MEANS OF YOUR DRAFT EXECUTED BY BENEFICIARY WITHOUT PRESENTATION OF THE FOREGOING STATEMENT OR ANY ADDITIONAL DOCUMENTATION.

THIS LETTER OF CREDIT IS TRANSFERABLE ON ONE OR MORE OCCASIONS. TRANSFER OF THIS LETTER OF CREDIT IS SUBJECT TO OUR RECEIPT OF THE ORIGINAL LETTER OF CREDIT AND AMENDMENT(S), IF ANY, ACCOMPANIED BY OUR FORM OF TRANSFER, AND PAYMENT OF OUR USUAL TRANSFER FEES. TRANSFER FEES

SHALL BE BILLED TO THE ACCOUNT OF APPLICANT. PARTIAL AND MULTIPLE DRAWINGS ARE AUTHORIZED UNDER THIS LETTER OF CREDIT.

WE HEREBY AGREE THAT DRAFTS DRAWN IN ACCORDANCE WITH THE TERMS STIPULATED HEREIN WILL BE DULY HONORED UPON PRESENTATION AND DELIVERY OF DOCUMENTS AS SPECIFIED VIA OVERNIGHT COURIER SERVICE IF PRESENTED TO: [BANK], [ADDRESS], ON OR BEFORE _____, OR ANY AUTOMATICALLY EXTENDED EXPIRATION DATE. UNLESS [BANK] RECEIVES PAYMENT INSTRUCTIONS SIGNED BY BENEFICIARY TO THE CONTRARY, PAYMENT FOR DRAWING UNDER THIS LETTER OF CREDIT WILL BE EFFECTED BY MEANS OF A CASHIER CHECK TO BE ISSUED IN THE NAME OF BENEFICIARY. IF DEMAND FOR PAYMENT IS PRESENTED BEFORE 10:00 A.M. PACIFIC TIME, PAYMENT SHALL BE MADE TO YOU OF THE AMOUNT DEMANDED IN IMMEDIATELY AVAILABLE FUNDS NOT LATER THAN 5:00 P.M. PACIFIC TIME ON THE FOLLOWING BUSINESS DAY. IF DEMAND FOR PAYMENT IS PRESENTED AFTER 10:00 A.M. PACIFIC TIME, PAYMENT SHALL BE MADE TO YOU OF THE AMOUNT DEMANDED IN IMMEDIATELY AVAILABLE FUNDS NOT LATER THAN 5:00 P.M. PACIFIC TIME ON THE SECOND BUSINESS DAY.

EXCEPT SO FAR AS IS OTHERWISE STATED, THIS IRREVOCABLE LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES, INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 590 ("ISP98"). AS TO MATTERS NOT COVERED BY ISP98, THIS LETTER OF CREDIT SHALL BE SUBJECT TO AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

VERY TRULY YOURS,

[BANK]

BY: _____

NAME: _____

ITS: _____

CONSENT TO SUBLEASE

THIS CONSENT TO SUBLEASE (this "**Consent**") dated as of the 13th day of July, 2018 by and between **THOR 634 SECOND STREET LLC**, a Delaware limited liability company, and **THOR 634 LLC**, a Delaware limited liability company, as tenants-in-common (collectively, "**Landlord**"); **OKTA, INC.**, a Delaware corporation ("**Tenant**"), and **CLOUDFLARE, INC.**, a Delaware corporation ("**Subtenant**"), is made with reference to the following:

RECITALS

A. By Lease dated as of December 11, 2014 between Six Thirty Four Second Street, LLC, a Delaware limited liability company, as Landlord's predecessor in interest ("**Original Landlord**"), as amended by a First Amendment to Lease dated as of April 28, 2015, between Original Landlord and Tenant, a Second Amendment to Lease dated as of January 14, 2015, between Original Landlord and Tenant, and a Third Amendment to Lease dated as of June 24, 2016, between Original Landlord and Tenant (as so amended, the "**Lease**"), Landlord leased to Tenant certain premises in the building located at and commonly known as 634 Second Street, San Francisco, California (the "**Building**"), which premises are more particularly described in the Lease (the "**Premises**").

B. Tenant desires to sublease the Premises to Subtenant upon the terms and conditions contained in a Sublease between Tenant and Subtenant dated as of June 1, 2018 attached hereto as Exhibit A (the "**Sublease**").

C. Pursuant to the terms of the Lease, Tenant is required to obtain Landlord's prior written consent to the Sublease.

NOW, THEREFORE, in consideration of Ten Dollars ($10.00) and other good and valuable consideration, paid by each of the parties hereto to the other, the receipt and sufficiency of which is hereby acknowledged, and in further consideration of the provisions herein, Landlord, Tenant and Subtenant hereby agree as follows:

1. Consent. Landlord hereby consents to the Sublease upon the terms and conditions contained in this Consent.

2. Compliance by Subtenant; Enforcement. Subtenant (i) shall comply with and perform the terms of the Sublease to be complied with or performed on the part of the subtenant under the Sublease, (ii) shall not violate any of the terms of the Lease and (iii) assumes, during the term of the Sublease, the performance of the terms of the Lease to be performed on the part of the tenant under the Lease to the extent that such terms are applicable to the Premises (including, without limitation, the indemnity, insurance and waiver of subrogation provisions of the Lease) but only to the extent any of such provisions were expressly included or incorporated by reference into the Sublease with Tenant remaining solely liable for any such other provisions of the Lease not so included or incorporated by reference into the Sublease, and provided that Subtenant's liability for the payment of rent and other amounts shall be limited to amounts set forth in the Sublease.

3. Subordination; Attornment. The Sublease shall be subject and subordinate at all times to the Lease and all amendments thereof, this Consent and all other instruments to which the Lease is or may hereafter be subject and subordinate. The provisions of this Consent and the execution and delivery of the Sublease shall not constitute a recognition of the Sublease or the Subtenant thereunder; it being agreed that in the event of termination (whether voluntary or involuntary), rejection (pursuant to 11 U.S.C. §365) or expiration of the Lease, unless otherwise elected by Landlord as hereinafter set forth, the Sublease shall be deemed terminated and Subtenant shall have no further rights (including, without limitation, rights, if any, under 11 U.S.C. §365(h)) with respect to the Premises. If (a) the Lease is (or both the Lease and the Sublease are) terminated for any reason whatsoever or rejected (pursuant to 11 U.S.C. §365) by Tenant prior to its (or their) scheduled expiration date(s) or (b) if Landlord shall succeed to Tenant's estate in the Premises, then in any such event, at Landlord's election, Subtenant shall either attorn to and recognize Landlord as Subtenant's landlord under the Sublease or pursuant to the Cloudflare Direct Lease (as defined herein) (and if Landlord so elects as aforesaid to have Subtenant attorn to and recognize Landlord as Subtenant's Landlord under the Sublease, Subtenant hereby waives its right to treat the Sublease as terminated under 11 U.S.C. §365(h)), provided that, in any such event, Landlord shall not be (i) liable for any previous act or omission of Tenant; (ii) subject to any offset or defense which theretofore accrued to Subtenant (including, without limitation, any rights under 11 U.S.C. §365(h)); (iii) bound by any rent or other sums paid by Subtenant more than one month in advance; (iv) liable for any security deposit not actually received by Landlord; (v) liable for any work or payments on account of improvements to the Premises; or (vi) bound by any amendment of the Sublease not consented to in writing by Landlord. Subtenant shall promptly execute and deliver any instrument Landlord may reasonably request to evidence such attornment or direct lease. In the event of such attornment or direct lease, Tenant shall not be responsible or liable for the performance of Subtenant's obligations under the Sublease or the Cloudflare Direct Lease from and after the date of attornment or such Cloudflare Direct Lease. Subtenant shall reimburse Landlord for any costs and expenses that may be incurred by Landlord in connection with such attornment or direct lease including, without limitation, reasonable attorneys' fees.

Notwithstanding the foregoing, if Landlord does not elect to have Subtenant attorn to Landlord under the Sublease or pursuant to the New Lease as described above, the Sublease and all rights of Subtenant to the Premises shall terminate upon the date of expiration or termination of the Lease or Tenant's right to possession thereunder. The terms of this Section 3 supersede any contrary provisions in the Sublease as between Landlord and Subtenant.

4. Representations and Warranties. Tenant and Subtenant represent, warrant and covenant to Landlord that (a) no rent, fees or other consideration has been or will be paid to Tenant by Subtenant for the right to use or occupy the Premises (or the sale or rental of Tenant's fixtures, leasehold improvements, equipment furniture or other personal property) other than as set forth in the Sublease and that certain Bill of Sale, dated as of June 1, 2018, between Tenant and Subtenant (the "**FF&E Agreement**") attached hereto as Exhibit B, (b) attached hereto as Exhibit A is a true, correct and complete copy of the Sublease, (c) attached hereto as Exhibit B is a true, correct and complete copy of the FF&E Agreement and (d) the purchase price for the FF&E (as defined in the FF&E Agreement) set forth in the FF&E Agreement is not in excess of the fair market value for the FF&E. Upon Landlord's request from time to time, Subtenant shall deliver to Landlord a copy of Subtenant's most recent financial statements certified by an officer of Subtenant.

5. Amendment or Termination of Sublease. Tenant and Subtenant agree that they shall not change, modify, amend, cancel or terminate (except in accordance with their respective terms) the Sublease, or enter into any additional agreements relating to or affecting the use or occupancy of the Premises, or the use, sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture or other personal property, without first obtaining Landlord's prior written consent thereto pursuant to the terms of the Lease.

6. No Waiver or Release. Except as expressly set forth in this Consent, neither this Consent, the Sublease, nor any acceptance of rent or other consideration from Subtenant by Landlord (whether before or after the occurrence of any default by Tenant under the Lease) shall operate to waive, modify, impair, release or in any manner affect any of the covenants, agreements, terms, provisions, obligations or conditions contained in the Lease, or to waive any breach thereof, or any rights of Landlord against any person, firm, association or corporation liable or responsible for the performance thereof, or to increase the obligations or diminish the rights of Landlord under the Lease, or to increase the rights or diminish the obligations of Tenant thereunder, or to, in any way, be construed as giving Subtenant any greater rights than those to which the original tenant named in the Lease would be entitled or any longer time period to perform than is provided to the original tenant under the Lease. All terms, covenants, agreements, provisions and conditions of the Lease are hereby ratified and declared by Tenant to be in full force and effect, and Tenant hereby unconditionally reaffirms its primary, direct and ongoing liability to Landlord for the performance of all obligations to be performed by the Tenant as tenant under the Lease, including, without limitation, the obligations to pay all rent and all other charges in the full amount, in the manner and at the times provided for in the Lease.

7. No Further Assignment or Subletting. The giving of this Consent shall not be construed either as a consent by Landlord to, or as permitting, any other or further assignment or transfer of the Lease or the Sublease, whether in whole or in part, or any subletting or licensing of the Premises or any part thereof, or as a waiver of the restrictions and prohibitions set forth in the Lease regarding subletting, assignment or other transfer of any interest in the Lease or the Premises. Subtenant shall not assign the Sublease or sublet or license all or any part of the Premises, voluntarily or by operation of law, or permit the use or occupancy thereof by others, without the prior written consent of Landlord in accordance with the terms of the Lease and the prior written consent of Tenant in accordance with the terms of the Sublease.

8. No Ratification of Sublease or Cloudflare Direct Lease. (a) Tenant and Subtenant acknowledge that Landlord is not a party to the Sublease and is not bound by the provisions thereof, and recognize that, accordingly, Landlord has not, and will not, review or pass upon any of the provisions of the Sublease. Nothing contained herein shall be construed as an approval of, or ratification by Landlord of, any of the particular provisions of the Sublease or a modification or waiver of any of the terms, covenants and conditions of the Lease or as a representation or warranty by Landlord.

(b) Landlord and Subtenant acknowledge that Tenant is not a party to the Cloudflare Direct Lease and is not bound by the provisions thereof, and recognize that, accordingly, Tenant has not, and will not, review or pass upon any of the provisions of the Cloudflare Direct Lease. Nothing contained herein shall be construed as an approval of, or ratification by Tenant of, any of the particular provisions of the Cloudflare Direct Lease or a modification or waiver of any of the terms, covenants and conditions of the Lease or as a representation or warranty by Tenant. The existence of or termination of the Cloudflare Direct Lease shall not effect Subtenant's obligations to Tenant under the Sublease, except as expressly set forth herein.

9. Default; Remedies. (a) Any breach or violation of any provisions of the Lease by Subtenant shall be deemed to be and shall constitute a default by Tenant under the Lease. In the event (i) of any default by Tenant in the full performance and observance of its obligations under this Consent, which default shall not be cured within thirty (30) days after notice to Tenant (with a copy of such notice to Subtenant) (provided that, for such defaults that cannot with reasonable diligence be cured within

thirty (30) days, such thirty (30) day period shall be extended for so long as Tenant is making reasonable and diligent efforts to cure same, but in no event beyond sixty (60) days), or (ii) any representation or warranty of Tenant made herein shall prove to be false or misleading in any material respect, then such event may, at Landlord's option, be deemed an Event of Default under the Lease. In the event (a) of any default by Subtenant in the full performance and observance of any of its obligations under this Consent, which default shall not be cured within thirty (30) days after notice to Subtenant (with a copy of such notice to Tenant) (provided that, for such defaults that cannot with reasonable diligence be cured within thirty (30) days, such thirty (30) day period shall be extended for so long as Subtenant is making reasonable and diligent efforts to cure same, but in no event beyond sixty (60) days), or (b) any representation or warranty of Subtenant made herein shall prove to be false or misleading in any material respect, then Landlord may seek a claim against Subtenant of damages for any injury, inconvenience or loss caused thereby. Subject to Landlord's right to require Subtenant to attorn to Landlord pursuant to the Sublease or the New Lease under Section 3 hereof, if Subtenant shall fail to vacate and surrender the Premises upon the expiration, rejection or earlier termination (whether voluntary or involuntary) of the Lease, then (x) Landlord shall be entitled to all of the rights and remedies which are available to a landlord against a tenant holding over after the expiration of a term and (y) without limiting Landlord's rights against Tenant under the Lease or Tenant's rights against Subtenant under the Sublease, Subtenant shall be directly liable to Landlord under the holdover provisions of the Lease with respect to the Premises. Subtenant expressly waives for itself and for any person claiming through or under Subtenant, any rights which Subtenant or any such person may have under 11 U.S.C. §365(h), including, without limitation, any right to remain in possession of the Premises under §365(h)(1)(A)(ii) and any right of offset under §365(h)(1)(B) against any amounts due and owing to Landlord. Further, Subtenant expressly waives for itself and for any person claiming through or under Subtenant, any rights which Subtenant or any such person may have under the provisions of Section 2201 of the New York Civil Practice Law and Rules and of any successor law of like import then in force, in connection with any holdover summary proceedings which Landlord may institute to enforce the foregoing.

(b) Tenant and Subtenant agree that if Subtenant holds over beyond the expiration or termination of the term of the Lease, then any payments made by Subtenant directly to Landlord pursuant to Section 9(a) above in respect of such holdover under the holdover provisions of the Lease shall be credited against amounts payable by Tenant to Landlord under the Lease and by Subtenant to Tenant under the holdover provisions of the Sublease.

10. Notices.

(a) Any notices given under this Consent shall be effective only if in writing and given in the manner notices are required to be given under the Lease, addressed to the respective party at the address set forth in the Lease with respect to Landlord and Tenant, and at the address set forth in the Sublease with respect to Subtenant, or at such other address for such purpose designated by notice in accordance with the provisions hereof.

(b) Tenant and Subtenant shall promptly deliver to Landlord a copy of any termination notice sent or received by either party with respect to the Sublease.

(c) Except as otherwise provided herein, all such notices shall be effective when received; provided, that (i) if receipt is refused, notice shall be effective upon the first occasion that such receipt is refused, or (ii) if the notice is unable to be delivered due to a change of address of which no notice was given, notice shall be effective upon the date such delivery was attempted.

11. Brokerage.

(a) Tenant represents, warrants and covenants to Landlord that Tenant has dealt with no broker in connection with the Sublease other than Colliers International Group Inc. ("**Broker**"). In the event any claim is made against Landlord relative to dealings by Tenant with any broker in connection with the Sublease, Tenant shall hold Landlord harmless from all damages and indemnify Landlord for all said damages paid or incurred by Landlord resulting from any claims that may be asserted against Landlord by the Broker or by any other broker, agent or finder who has, or has claimed to have, rendered services to Tenant undisclosed by Tenant herein.

(b) Subtenant represents, warrants and covenants to Landlord that Subtenant has dealt with no broker in connection with the Sublease other than Jones Lang LaSalle, Inc. In the event any claim is made against Landlord relative to dealings by Subtenant with any broker in connection with the Sublease, Subtenant shall defend the claim against Landlord with counsel of Subtenant's selection first approved by Landlord and save harmless and indemnify Landlord on account of loss, cost or damage which may arise by reason of such claim.

12. Restoration and Holdover. If the Cloudflare Direct Lease shall be terminated by Landlord or Subtenant, Landlord and Subtenant shall each be obligated to deliver notice of such termination to Tenant (the "**Direct Lease Termination Notice**")

on or before the effective date of any such termination. Notwithstanding anything in the Lease to the contrary, Landlord and Tenant agree that, provided neither Landlord nor Subtenant shall have delivered the Direct Lease Termination Notice to Tenant on or before August 31, 2024: (a) Subtenant's possession, use and occupancy of the Premises from and after the expiration of the Sublease shall not be deemed to be a holding over in the Premises by Subtenant under the Sublease, or otherwise trigger any obligations of Subtenant to Tenant, or rights and remedies of Tenant pursuant to Sections 13.1 or 15.2 of the Sublease, (b) Subtenant's possession, use and occupancy of the Premises from and after the expiration of the Lease shall not be deemed to be a hold over in the Premises by Tenant under the Lease, or otherwise trigger any obligations of Tenant, or rights and remedies of Landlord, pursuant to Section 11 of the Lease, (c) Tenant's obligation to Landlord to perform repairs, alterations and other work to the Premises, and to remove or restore any Changes, remove or restore any Cosmetic Alterations, remove Tenant's personal property and repair any damage to the Premises as necessary to deliver the Premises in vacant and broom-clean condition shall be limited to the obligations of Tenant with respect to the Sky Bridge under the Third Amendment to Lease. As used herein, the term "Cloudflare Direct Lease" means that certain lease of even date herewith by and between Landlord and Subtenant with respect to the leasing of the Premises by Subtenant immediately following the expiration of the Lease. Notwithstanding anything herein to the contrary, Landlord, except to the extent Landlord or Subtenant delivers a Direct Lease Termination Notice on or before August 31, 2024, Tenant and Subtenant hereby agree that the Term of the Sublease, and Subtenant's performance of its responsibilities, including Subtenant's payment of Rent, thereunder, shall be extended to September 29, 2024.

13. Miscellaneous.

(a) Remedies Cumulative. Each right and remedy of Landlord provided for in this Consent shall be cumulative and shall be in addition to every other right and remedy provided for herein and therein or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise by Landlord of any one or more of the rights or remedies so provided for or existing shall not preclude the simultaneous or subsequent exercise by Landlord of any or all other rights or remedies so provided for or so existing.

(b) Landlord's Liability. Landlord's liability under this Consent shall be limited to the same extent Landlord's liability is limited under the Lease.

(c) Successors and Assigns. The terms and provisions of this Consent shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, except that no violation of the provisions of this Consent shall operate to vest any rights in any successor or assignee of Tenant or Subtenant.

(d) Captions. The captions contained in this Consent are for convenience only and shall in no way define, limit or extend the scope or intent of this Consent, nor shall such captions affect the construction hereof.

(e) Counterparts. This Consent may be executed in one or more counterparts, and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(f) No Privity of Estate. It is expressly understood and agreed that, except with respect to Landlord's election to have Subtenant attorn to or enter into a direct lease with Landlord pursuant to Section 3 above, neither this Consent nor any direct dealings between Landlord and Subtenant during the term of the Sublease (including, without limitation, the direct billing by Landlord to Subtenant of work order, or other charges relating to Subtenant's occupancy) shall create or constitute, or shall be deemed to create or constitute, privity of estate, any landlord-tenant relationship, or occupancy or tenancy agreement between Landlord and Subtenant.

(g) Binding Effect. This Consent is offered to Tenant and Subtenant and Guarantor for signature and it is understood that this Consent shall be of no force and effect and shall not be binding upon Landlord unless and until Landlord, Tenant and Subtenant shall each have executed and delivered a copy of this Consent.

(h) Review of Sublease. To the extent permitted by the terms of the Lease, Tenant shall reimburse Landlord for any fees which may be charged by Landlord and for any costs incurred by Landlord in connection with the Sublease.

(i) Consent Limited. This Consent shall be deemed limited solely to the Sublease, and Landlord reserves the right to consent or withhold consent and all other rights as set forth in and in accordance with the Lease with respect to any other matters.

(j) Alterations. Tenant and Subtenant acknowledge that any additions, alterations, demolitions or improvements to be performed in connection with the Sublease shall be first approved by Landlord in accordance with (and to

the extent required under) the Lease and subject to all of the terms and conditions of the Lease. To the extent provided in the Lease, all contractors, vendors and service providers requiring access to the Premises or the Building shall be subject to Landlord's prior and continuing review and approval with respect to insurance, security and operational matters.

(k) Terms. Terms defined in the Lease and used, but not defined, herein shall have the meanings ascribed to them in the Lease.

(l) Entire Agreement. This Consent contains the entire agreement of the parties with respect to the matters contained herein and may not be modified, amended or otherwise changed except by written instrument signed by the parties sought to be bound.

(m) Partial Invalidity. If any term, provision or condition contained in this Consent shall, to any extent, be invalid or unenforceable, the remainder of this Consent, 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 Consent shall be valid and enforceable to the fullest extent possible permitted by law.

(n) Attorneys' Fees. If any party commences litigation for the specific performance of this Consent, for damages for the breach hereof or otherwise for enforcement of any remedy hereunder, the parties hereto agree to and hereby do waive any right to a trial by jury and, in the event of any such commencement of litigation, the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys' fees as may have been incurred.

(o) Authority. Tenant represents, warrants and covenants to Landlord and Subtenant that (i) Tenant is a duly formed and existing entity qualified to do business in the jurisdiction in which the Building is located and (ii) Tenant has the full right, power and authority to enter into this Consent and that the person executing this Consent on behalf of Tenant is duly authorized to do so. Subtenant represents, warrants and covenants to Landlord and Tenant that (a) Subtenant is a duly formed and existing entity qualified to do business in the jurisdiction in which the Building is located and (b) Subtenant has the full right, power and authority to enter into this Consent and that the person executing this Consent on behalf of Subtenant is duly authorized to do so. Landlord represents, warrants and covenants to Tenant and Subtenant that (x) Landlord is a duly formed and existing entity qualified to do business in the jurisdiction in which the Building is located and (y) Landlord has the full right, power and authority to enter into this Consent and that the person executing this Consent on behalf of Landlord is duly authorized to do so.

(p) Governing Law. This Consent shall for all purposes be construed in accordance with, and governed by, the laws of the jurisdiction in which the Building is located.

(q) OFAC. As an inducement to Landlord to enter into this Consent, Subtenant hereby represents and warrants that: (i) Subtenant is not, nor is it owned or controlled directly or indirectly by, any person, group, entity or nation named on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of the United States Treasury (**"OFAC"**) (any such person, group, entity or nation being hereinafter referred to as a **"Prohibited Person"**); (ii) Subtenant is not (nor is it owned or controlled, directly or indirectly, by any person, group, entity or nation which is) acting directly or indirectly for or on behalf of any Prohibited Person; and (iii) Subtenant (and any person, group, or entity which Subtenant controls, directly or indirectly) has not conducted nor will conduct business nor has engaged nor will engage in any transaction or dealing with any Prohibited Person that either may cause or causes Landlord to be in violation of any OFAC rule or regulation, including without limitation any assignment of the Lease or any subletting of all or any portion of the Premises. In connection with the foregoing, it is expressly understood and agreed that (x) any breach by Subtenant of the foregoing representations and warranties shall be deemed a default by Subtenant under Section 9(a) above, and (y) the representations and warranties contained in this subsection shall be continuing in nature and shall survive the expiration or earlier termination of the Sublease.

(r) Electronic Signatures. The parties acknowledge and agree that, subject to the terms of this paragraph, this Consent may be executed by electronic signature, which shall be considered as an original signature for all purposes and shall have the same force and effect as an original signature. **"Electronic signature"** shall mean faxed versions of an original signature or electronically scanned and transmitted versions (i.e., email of a pdf) of an original signature and, absent contrary written instructions by the transmitting party, the transmission of such an electronic signature by fax or email by one party hereto to the other party(ies) hereto shall constitute execution and delivery of this Consent by the transmitting party. Any party hereto executing this Consent by electronic signature shall promptly thereafter deliver such transmitting party's original signature to this Consent to the recipient party(ies), but the failure to do so shall not affect the validity of this Consent.

[Signatures on next page.]

EXECUTED as of the date and year first above written.

LANDLORD:

THOR 634 SECOND STREET LLC

By: /s/ Morris Missry
Name: Morris Missry
Title: Authorized Signatory

THOR 634 LLC

By: /s/ Morris Missry
Name: Morris Missry
Title: Authorized Signatory

TENANT:

OKTA, INC.

By: /s/ Jon Runyan
Name: Jon Runyan
Title: General Counsel

SUBTENANT:

CLOUDFLARE, INC.

By: /s/ Doug Kramer
Name: Doug Kramer
Title: General Counsel

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, 2018

/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, 2018

/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, 2018, 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, 2018

/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)