

**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 June 30, 2021

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 001-35098

Cornerstone OnDemand, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-4068197
(IRS Employer
Identification No.)

1601 Cloverfield Blvd.

Suite 620 South

Santa Monica, CA 90404

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:

(310) 752-0200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	CSOD	Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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 every Interactive Data File required to be submitted 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 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	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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 July 30, 2021, the registrant had 66,754,079 shares of common stock, \$0.0001 par value per share, outstanding.

CORNERSTONE ONDEMAND, INC.
QUARTERLY REPORT ON FORM 10-Q
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TRADEMARKS

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RISK FACTOR SUMMARY

Our business is subject to significant risks and uncertainties that make an investment in us speculative and risky. Below we summarize what we believe are the principal risk factors but these risks are not the only ones we face, and you should carefully review and consider the full discussion of our risk factors in the section titled "Risk Factors," together with the other information in this Quarterly Report on Form 10-Q. If any of the following risks actually occur (or if any of those listed elsewhere in this Quarterly Report on Form 10-Q occur), our business, reputation, financial condition, results of operations, revenue, and future prospects could be seriously harmed. Additional risks and uncertainties of which we are unaware, or that we currently believe are not material, may also become important factors that adversely affect our business.

Risks Related to the Acquisition of Cornerstone by Clearlake Capital

- The announcement and pendency of our agreement to be acquired by Clearlake Capital may have an adverse effect on our business, operating results and our stock price, and may result in the loss of employees, customers, suppliers, and other business partners.
- While the merger is pending, we are subject to contractual restrictions that could harm our business, operating results and our stock price.

Risks Related to the Nature of Our Business

- Unfavorable conditions in our industry or the global markets, or reductions in information technology spending, could limit our ability to grow our business and negatively affect our operating results.
- Our business depends substantially on the level of our customer satisfaction and specifically on customers renewing their agreements with us, purchasing additional products from us, or adding additional users. Any significant decline in our customer satisfaction rates, customer renewal rates, or the rates at which our customers purchase additional products or add additional users would harm our future operating results.
- The market in which we participate is intensely competitive, and if we do not compete effectively, our operating results could be harmed.
- Because of how we recognize revenue, a significant downturn in our business may not be immediately reflected in our operating results.
- Defects in our solutions could affect our reputation, result in significant costs to us, and impair our ability to sell our products and related services.
- If for any reason we are not able to develop enhancements and new features, keep pace with technological developments or respond to future disruptive technologies, our business will be harmed.
- Even if demand for people development products and services increases generally, there is no guarantee that demand for SaaS products like ours will increase to a corresponding degree.
- Integrated, comprehensive SaaS products such as ours represent a relatively recent approach to addressing organizations' people development challenges, and we may be forced to change our pricing and billing terms as the market evolves.

Risks Related to COVID-19

- Our operations and employees face risks related to the ongoing COVID-19 pandemic, that could adversely affect our financial condition and operating results. The COVID-19 pandemic could materially affect our operations, and the business or operations of our customers, suppliers, partners, or other third parties with whom we conduct business.

Risks Related to Acquisitions

- Failure to integrate our business and operations successfully with those of Saba in the expected time-frame or otherwise may adversely affect our operating results and financial condition.
- As we have in the past, we may seek to acquire or invest in other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders, or otherwise disrupt our operations and harm our operating results.

Risks Related to Information Technology Upon Which We Rely

- Our systems collect, access, use, and store personal and other customer proprietary information. As a result, we are subject to security risks and are required to invest resources to prevent, mitigate, or correct issues arising from potential or actual security breaches. If a security breach occurs, our reputation could be harmed, our business may suffer, and we could incur significant liability.
- We rely on third-party hardware and software that may be difficult to replace or could cause errors or failures of our service.
- If we fail to manage our SaaS hosting network infrastructure capacity, our customers may experience service outages and delays in the deployment of our people development solutions.

- Any significant disruption in our SaaS hosting network infrastructure could harm our reputation, require us to provide credits or refunds, result in early terminations of customer agreements or a loss of customers, and adversely affect our business.

Risks Related to Our Reliance on Third Parties

- Our growth depends in part on the success of our strategic relationships with third parties.
- We rely significantly on implementation partners to deliver professional services to our customers, and if these implementation partners fail to deliver these professional services effectively, or if we are unable to incentivize new partners to service our customers, our operating results will be harmed.
- Failure to effectively manage customer deployments by third-party service providers could adversely impact our business.

Risks Related to Our Financial Results and Need for Additional Capital

- Our financial results may fluctuate due to our long, variable and, therefore, unpredictable sales cycle and our focus on large and mid-market organizations.
- Servicing our debt will require a significant amount of cash, which could adversely affect our business, financial condition, and results of operations.
- We may require additional capital to support growth, and this capital may not be available on acceptable terms, if at all.
- Our financial results may fluctuate due to various business factors, some of which may be beyond our control.
- Because we generally recognize subscription revenue from our customers over the terms of their agreements but incur most costs associated with generating such agreements upfront, rapid growth in our customer base may put downward pressure on our operating margin in the short term.
- We have a history of losses, and we cannot be certain that we will achieve or sustain profitability.

Risks Related to Compliance with Laws

- Existing or future laws and regulations relating to privacy or data security could increase the cost of our products, limit their use and adoption, and subject us or our customers to litigation, regulatory investigations and penalties, and other potential liabilities.
- We are subject to governmental export and import controls that could impair our ability to compete in international markets due to licensing requirements and subject us to liability if we are not in full compliance with applicable laws.

Risks Related to International Operations

- Fluctuations in the exchange rate of foreign currencies could result in foreign currency gains and losses.
- We currently have a number of international offices and may expand our international operations. Doing business internationally has unique risks with respect to operational execution and regulatory compliance.

Risks Related to Intellectual Property

- If we fail to adequately protect our proprietary rights, our competitive advantage and brand could be impaired and we may lose valuable assets, generate reduced revenue, and incur costly litigation to protect our rights.
- We may be sued by third parties for alleged infringement of their proprietary rights or may find it necessary to enter into licensing arrangements with third parties to settle or forestall such claims, either of which could have a material adverse effect on our operating results and financial condition.
- Indemnity provisions may expose us to substantial liability for intellectual property infringement and other losses.
- We use open source software in our products, which could subject us to litigation or other actions.

Risks Related to Reliance on Our Employees

- If we fail to retain key employees or to recruit and retain qualified technical and sales personnel, our business could be harmed.
- Failure to effectively retain, and continue to increase the productivity of, our direct sales teams will impede our growth.

Risks Related to Tax Issues

- We are a multinational organization faced with increasingly complex tax issues in many jurisdictions, and we could be obligated to pay additional taxes in various jurisdictions, or taxing authorities could reallocate our taxable income among our subsidiaries, which could increase our consolidated tax liability.
- Changes in tax laws or regulations that are applied adversely to us or our customers may have a material adverse effect on our business, cash flow, financial condition, or results of operations.
- Our ability to use net operating loss carryforwards and certain other tax attributes to reduce future tax payments may be subject to limitations.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

**CORNERSTONE ONDEMAND, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par values)
(unaudited)**

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 147,025	\$ 153,151
Accounts receivable, net	140,751	221,461
Deferred commissions, current portion	48,291	45,786
Prepaid expenses and other current assets	34,194	30,615
Total current assets	370,261	451,013
Capitalized software development costs, net	55,060	50,812
Property and equipment, net	25,520	32,271
Operating right-of-use assets	65,256	74,419
Deferred commissions, net of current portion	88,956	89,698
Long-term investments	1,867	8,565
Intangible assets, net	388,185	436,290
Goodwill	962,280	961,322
Deferred tax assets	19,877	19,169
Other assets	11,770	11,010
Total assets	\$ 1,989,032	\$ 2,134,569
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable, accrued expenses, and other current liabilities	\$ 118,425	\$ 129,908
Deferred revenue, current portion	404,350	446,886
Operating lease liabilities, current portion	14,417	10,830
Debt, current portion	8,297	10,047
Total current liabilities	545,489	597,671
Debt, net of current portion	1,063,048	1,176,239
Deferred revenue, net of current portion	2,066	5,184
Operating lease liabilities, net of current portion	57,081	65,911
Deferred tax liabilities	7,378	11,936
Other liabilities, non-current	5,403	8,754
Total liabilities	1,680,465	1,865,695
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, \$0.0001 par value	7	6
Additional paid-in capital	887,692	835,069
Accumulated deficit	(577,485)	(564,662)
Accumulated other comprehensive loss	(1,647)	(1,539)
Total stockholders' equity	308,567	268,874
Total liabilities and stockholders' equity	\$ 1,989,032	\$ 2,134,569

See accompanying notes.

CORNERSTONE ONDEMAND, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Revenue	\$ 214,343	\$ 184,358	\$ 423,616	\$ 334,494
Cost of revenue	60,775	58,000	121,311	99,924
Gross profit	153,568	126,358	302,305	234,570
Operating expenses:				
Sales and marketing	67,782	64,942	137,517	120,272
Research and development	27,227	28,338	57,997	52,423
General and administrative	31,536	25,620	63,098	50,345
Acquisition-related and integration	1,341	20,093	2,871	26,904
Restructuring	4,764	9,733	10,853	9,733
Total operating expenses	132,650	148,726	272,336	259,677
Income (loss) from operations	20,918	(22,368)	29,969	(25,107)
Other income (expense):				
Interest expense	(16,302)	(18,219)	(35,072)	(23,720)
Loss on extinguishment of debt and related expenses	(3,108)	—	(3,108)	—
Other, net	388	(514)	(4,516)	(5,878)
Other expense, net	(19,022)	(18,733)	(42,696)	(29,598)
Income (loss) before income tax (provision) benefit	1,896	(41,101)	(12,727)	(54,705)
Income tax (provision) benefit	(2,267)	29,114	(96)	28,943
Net loss	\$ (371)	\$ (11,987)	\$ (12,823)	\$ (25,762)
Net loss per share, basic and diluted	\$ (0.01)	\$ (0.19)	\$ (0.19)	\$ (0.41)
Weighted-average common shares outstanding, basic and diluted	66,330	63,593	65,866	62,612

See accompanying notes.

CORNERSTONE ONDEMAND, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (371)	\$ (11,987)	\$ (12,823)	\$ (25,762)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	(172)	277	(2,928)	3,610
Unrealized (loss) gain on interest rate swap contracts	(239)	—	2,820	—
Net change in unrealized losses on investments	—	—	—	(223)
Other comprehensive (loss) income, net of tax	(411)	277	(108)	3,387
Total comprehensive loss	\$ (782)	\$ (11,710)	\$ (12,931)	\$ (22,375)

See accompanying notes.

CORNERSTONE ONDEMAND, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Par Value				
Balance as of March 31, 2021	66,055	\$ 7	\$ 860,980	\$ (577,114)	\$ (1,236)	\$ 282,637
Issuance of common stock upon the exercise of options	68	—	2,383	—	—	2,383
Vesting of restricted stock units	390	—	—	—	—	—
Shares issued under employee stock purchase plan	129	—	4,657	—	—	4,657
Stock-based compensation	—	—	19,672	—	—	19,672
Net loss	—	—	—	(371)	—	(371)
Other comprehensive loss, net of tax	—	—	—	—	(411)	(411)
Balance as of June 30, 2021	66,642	\$ 7	\$ 887,692	\$ (577,485)	\$ (1,647)	\$ 308,567

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Par Value				
Balance as of December 31, 2020	64,926	\$ 6	\$ 835,069	\$ (564,662)	\$ (1,539)	\$ 268,874
Issuance of common stock upon the exercise of options	249	1	7,534	—	—	7,535
Vesting of restricted stock units	1,338	—	—	—	—	—
Shares issued under employee stock purchase plan	129	—	4,657	—	—	4,657
Stock-based compensation	—	—	40,432	—	—	40,432
Net loss	—	—	—	(12,823)	—	(12,823)
Other comprehensive loss, net of tax	—	—	—	—	(108)	(108)
Balance as of June 30, 2021	66,642	\$ 7	\$ 887,692	\$ (577,485)	\$ (1,647)	\$ 308,567

See accompanying notes.

CORNERSTONE ONDEMAND, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)
(in thousands)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Par Value				
Balance as of March 31, 2020	62,512	\$ 6	\$ 716,158	\$ (538,455)	\$ 3,549	\$ 181,258
Issuance of common stock upon the exercise of options	5	—	107	—	—	107
Vesting of restricted stock units	303	—	—	—	—	—
Shares issued under employee stock purchase plan	130	—	4,370	—	—	4,370
Stock-based compensation	—	—	16,028	—	—	16,028
Common stock issued in acquisition	1,110	—	32,889	—	—	32,889
Change in fair value of conversion feature of modified Convertible Notes	—	—	18,598	—	—	18,598
Net loss	—	—	—	(11,987)	—	(11,987)
Other comprehensive income, net of tax	—	—	—	—	277	277
Balance as of June 30, 2020	64,060	\$ 6	\$ 788,150	\$ (550,442)	\$ 3,826	\$ 241,540

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Par Value				
Balance as of December 31, 2019	61,038	\$ 6	\$ 682,717	\$ (524,680)	\$ 439	\$ 158,482
Issuance of common stock upon the exercise of options	704	—	8,188	—	—	8,188
Vesting of restricted stock units	1,078	—	—	—	—	—
Shares issued under employee stock purchase plan	130	—	4,370	—	—	4,370
Stock-based compensation	—	—	41,388	—	—	41,388
Common stock issued in acquisition	1,110	—	32,889	—	—	32,889
Change in fair value of conversion feature of modified Convertible Notes	—	—	18,598	—	—	18,598
Net loss	—	—	—	(25,762)	—	(25,762)
Other comprehensive income, net of tax	—	—	—	—	3,387	3,387
Balance as of June 30, 2020	64,060	\$ 6	\$ 788,150	\$ (550,442)	\$ 3,826	\$ 241,540

See accompanying notes.

CORNERSTONE ONDEMAND, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Overview

Cornerstone OnDemand, Inc. (“Cornerstone” or the “Company”) is a leading global provider of people development solutions, delivered as software-as-a-service (“SaaS”). The Company helps organizations around the globe recruit, train, and manage their employees. The Company’s solutions combine the world’s leading unified talent management solutions with state-of-the-art analytics and HR administration solutions to enable organizations to manage the entire employee lifecycle. Its focus on continuous learning and development helps organizations empower employees to realize their potential and drive success.

On August 5, 2021, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Sunshine Software Holdings, Inc., a Delaware corporation (“Sunshine Software”), and Sunshine Software Merger Sub, Inc., a Delaware corporation and an indirect wholly owned subsidiary of Sunshine Software (“Merger Sub”), providing for the merger of Merger Sub with and into the Company (the “Merger”), with the Company surviving the Merger as an indirect wholly owned subsidiary of Sunshine Software. Sunshine Software and Merger Sub were formed by affiliates of Clearlake Capital Partners V, L.P., Clearlake Capital Partners V (Offshore), L.P., Clearlake Capital Partners V (USTE), L.P., Clearlake Capital Partners VI, L.P., Clearlake Capital Partners VI (Offshore), L.P., Clearlake Capital Partners VI (USTE), L.P., and Clearlake Flagship Plus Partners (Master), L.P. (collectively, “Clearlake Capital”). The Company will call a special meeting of its stockholders to present the Merger Agreement to its stockholders for adoption.

Under the terms of the Merger Agreement, Sunshine Software will acquire all outstanding shares of the Company’s common stock in exchange for consideration of \$57.50 per share in cash. The Merger Agreement contains representations and warranties customary for transactions of this type. The closing of the Merger is subject to approval of the Company’s stockholders and the satisfaction or waiver of a number of closing conditions. The Merger Agreement provides Sunshine Software and the Company with certain termination rights and, under certain circumstances, may require that Sunshine Software or the Company pay a termination fee.

On April 22, 2020, the Company acquired Saba Software, Inc. (“Saba”), a provider of talent experience solutions.

The Company works with customers across all geographies and markets. Its Learning, Content, Performance, Careers, Recruiting, and HR solutions help with sourcing, recruiting, and onboarding new hires; managing training and development requirements; nurturing knowledge sharing and collaboration among employees; goal setting, reviews, competency management, and continuous feedback; linking compensation to performance; identifying development plans based on performance gaps; streamlining employee data management, self-service, and compliance reporting; and then utilizing state-of-the-art analytics capabilities to make smarter, more-informed decisions using data from across the solution for talent mobility, engagement, and development so that HR and leadership can focus on strategic initiatives to help their organizations succeed.

The Company’s management has determined that the Company operates in one segment as it only reports financial information on an aggregated and consolidated basis to the Company’s chief executive officer, who is the Company’s chief operating decision maker.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the Company’s annual consolidated financial statements. These unaudited condensed financial statements are presented in accordance with (i) accounting standards generally accepted in the United States of America (“GAAP”) for interim financial information and (ii) the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements include all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the interim periods presented.

Results of operations for the three and six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021, for any other interim period, or for any other future year. Certain prior period balances have been reclassified to conform to the current period presentation.

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2019-12, *Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which enhances and simplifies various aspects of the income tax accounting guidance. The guidance was effective for the Company in the first quarter of 2021. The adoption did not have a material impact on the Company’s consolidated financial statements.

Summary of Significant Accounting Policies

There have been no material changes to the Company’s significant accounting policies described in the Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission (“SEC”), on February 22, 2021.

2. BUSINESS COMBINATIONS

Saba

On April 22, 2020, the Company acquired 100% of the equity interests of the direct and indirect subsidiaries of Vector Talent Holdings, L.P., including Saba Software, Inc. (such subsidiaries, collectively, “Saba”), to expand its cloud-based learning, talent management, and talent experience software offerings. The Company acquired Saba for an aggregate purchase price of \$1.310 billion, consisting of \$1.277 billion in cash (net of cash acquired) and 1,110,352 shares of the Company’s common stock with an aggregate value of \$32.9 million. The acquisition was financed with a combination of cash on hand and proceeds from new borrowings (refer to *Note 3 – Debt* for additional information). Under the terms of the purchase agreement, the final consideration was subject to certain adjustments based on a determination of closing net working capital and net indebtedness (as defined in the purchase agreement). The purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date with the excess recorded as goodwill, none of which is expected to be deductible for tax purposes. The goodwill is primarily attributable to the acquired workforce and synergies expected to arise after the acquisition, including future technologies and customers of the combined business.

The results of operations and fair values of the assets acquired and liabilities assumed have been included in the accompanying condensed consolidated financial statements as of the date of acquisition. The following table summarizes the fair value of assets acquired and liabilities assumed as a result of the acquisition of Saba, as adjusted (in thousands):

	Preliminary Fair Value at Acquisition Date	Measurement Period Adjustments ¹	Adjusted Fair Value at Acquisition Date
Cash and cash equivalents	\$ 49,471	\$ —	\$ 49,471
Accounts receivable	58,764	—	58,764
Prepaid expenses and other current assets	13,020	—	13,020
Property and equipment	9,446	—	9,446
Operating right-of-use assets	16,700	—	16,700
Intangible assets	481,000	—	481,000
Goodwill	905,498	(2,977)	902,521
Other assets	2,698	1,122	3,820
Total assets	1,536,597	(1,855)	1,534,742
Accounts payable and accrued expenses	28,978	—	28,978
Deferred revenue	69,940	1,092	71,032
Operating lease liabilities	16,532	—	16,532
Deferred tax liabilities, net	46,472	(283)	46,189
Other liabilities	12,782	—	12,782
Total liabilities	174,704	809	175,513
Total purchase consideration	\$ 1,361,893	\$ (2,664)	\$ 1,359,229

¹ The Company received approximately \$2.7 million from escrow and made other revisions to certain acquired balances during the measurement period which closed one year from the acquisition date.

Identifiable Intangible Assets

The following table provides the valuation of the Saba intangible assets, along with their estimated useful lives:

	Estimated Fair Value (in thousands)	Estimated Useful Life (in years)
Customer relationships	\$ 294,800	11
Customer contracts	58,500	2
Developed technology	120,500	3 – 5
Trade names, trademarks, and domain names	7,200	3
Total	<u>\$ 481,000</u>	

The identifiable intangible assets are amortized on a straight-line basis over their respective estimated useful lives to sales and marketing for customer-related intangible assets, cost of revenue for developed technology intangible assets, and general and administrative expense for all other intangible assets. Management applied significant judgment in determining the fair value of intangible assets, which involved the use of estimates and assumptions with respect to estimated future subscription revenue and related profit margins, costs anticipated to fulfill remaining acquired performance obligations and related profit margins, customer retention rates, technology migration curves, royalty rates, discount rates, and economic lives assigned to acquired intangible assets.

Unaudited Pro Forma Financial Information

The following table presents the unaudited pro forma results for the three and six months ended June 30, 2020. The unaudited pro forma financial information combines the results of operations of Cornerstone OnDemand and Saba as though the companies had been combined as of January 1, 2019. The pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at such time. The unaudited pro forma revenue for the periods presented below includes the effect of purchase accounting adjustments related to the valuation of deferred revenue assumed in the acquisition (“the deferred revenue write-down”). The deferred revenue write-down had an \$18.6 million impact on pro forma revenue during the three and six months ended June 30, 2020. The unaudited pro forma results presented below include adjustments for amortization of identifiable intangible assets, interest expense related to debt financing, and related tax effects (in thousands):

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
Revenue	\$ 201,949	\$ 420,913
Net loss	(35,789)	(73,035)

Clustree

On January 24, 2020, the Company purchased all of the outstanding shares of Clustree SAS (“Clustree”), a developer of a skills engine and skills ontology. The Company paid cash consideration of approximately \$18.6 million. The purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date with the excess recorded as goodwill, none of which is expected to be deductible for tax purposes. The goodwill generated from this transaction is primarily attributable to the ability to enhance the Company’s product portfolio.

The Company's allocation of the total purchase consideration as of January 24, 2020 is summarized below (in thousands):

	Fair Value at Acquisition Date
Tangible assets	\$ 1,275
Intangible assets – developed technology	9,800
Intangible assets – customer relationships	800
Goodwill	8,875
Deferred tax liabilities	(1,020)
Accounts payable and accrued expenses	(755)
Deferred revenue	(336)
Net assets acquired	<u>\$ 18,639</u>

The intangible assets related to developed technology are amortized on a straight-line basis over three years to cost of revenue. The intangible assets related to customer relationships are amortized on a straight-line basis over two years to sales and marketing. Pro forma results of operations related to the acquisition of Clustree have not been presented as the impact of the acquisition is not material to the Company's financial results.

Acquisition-Related and Integration

Acquisition-related and integration expenses for both Saba and Clustree primarily consist of external fees for advisory, legal, and other professional services. These expenses totaled approximately \$1.3 million and \$20.1 million for the three months ended June 30, 2021 and 2020 and \$2.9 million and \$26.9 million for the six months ended June 30, 2021 and 2020, respectively. These were expensed as incurred and recorded in acquisition-related and integration expenses in the accompanying condensed consolidated statements of operations.

3. DEBT

Term Loan B and Revolving Credit Facility

On April 22, 2020, the Company entered into a credit agreement (the "Credit Agreement") with Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent ("Agent"), which provided for a seven-year senior secured term loan B facility (the "Term Loan Facility") in an aggregate principal amount of \$1.0047 billion for a purchase price equal to 97.5% of the aggregate principal amount after original issue discount. Equity interests in certain subsidiaries of the Company and domestic assets of the Company, subject to customary exceptions, are pledged as collateral. Principal payments are due quarterly at a rate of 0.25% of the original principal amount with the remaining outstanding principal balance due in April 2027. In addition, the Company entered into a five-year senior secured revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of up to \$150.0 million, of which \$150.0 million and \$102.5 million remained available at June 30, 2021 and December 31, 2020, respectively. The available borrowings under the Revolving Credit Facility are limited by indebtedness covenants with the holders of the Convertible Notes (as defined below) and letters of credit issued under the Credit Agreement. The Revolving Credit Facility includes a letter of credit sub-facility of up to \$30.0 million. Borrowings under the Credit Agreement bear interest at a rate per annum equal to LIBOR for an interest period of one month, plus an applicable margin of 4.25%, with a 0.00% LIBOR floor.

On April 23, 2021, the Company entered into an amendment to the Credit Agreement to effectuate a repricing of the Term Loan Facility resulting in a rate per annum equal to LIBOR plus an applicable margin of 3.25%, with a 0.00% LIBOR floor (the "Repricing"). Principal payments are due quarterly at a rate of 0.25% of the principal amount upon Repricing with the remaining outstanding principal balance due in April 2027. As a result of the Repricing, a portion of the Term Loan Facility was accounted for as an extinguishment of the existing debt and issuance of new debt. During the three months ended June 30, 2021, the Company recognized a loss on extinguishment of debt of \$2.0 million and incurred third-party expenses of \$1.1 million, both of which were recorded within loss on extinguishment of debt and related expenses in the accompanying condensed consolidated statements of operations.

The Company uses interest rate swap contracts designated as cash flow hedges to manage its exposure to fluctuations in interest rates. These contracts hedge the variable LIBOR component of the interest rate on the Term Loan Facility and effectively fix the interest rate for the hedged portion of the principal value to 0.28% plus the applicable margin over a stated period of time (refer to *Note 9 – Fair Value of Financial Instruments* for additional information). Interest is payable on a monthly or quarterly basis at the Company's option.

The net carrying amounts of the components of the Term Loan Facility consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Principal amount	\$ 827,602	\$ 952,188
Unaccreted debt discount	(20,298)	(23,082)
Unamortized debt issuance costs	(18,910)	(21,392)
Net carrying value	<u>\$ 788,394</u>	<u>\$ 907,714</u>

The effective interest rate is 4.2% for the Term Loan Facility as of June 30, 2021.

The following table presents the interest expense recognized related to the Term Loan Facility (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Contractual interest expense	\$ 7,593	\$ 10,298	\$ 17,433	\$ 10,298
Accretion of debt discount	792	699	1,746	699
Amortization of debt issuance costs	763	663	1,668	663
Total	<u>\$ 9,148</u>	<u>\$ 11,660</u>	<u>\$ 20,847</u>	<u>\$ 11,660</u>

Undrawn amounts under the Revolving Credit Facility accrue a commitment fee at an initial per annum rate of 0.50% subject to certain adjustments, beginning July 1, 2020. In addition to the unused commitment fee, the Company is required to pay certain letter of credit, administrative, and other related fees. The Company did not draw any amounts under the Revolving Credit Facility as of June 30, 2021 and December 31, 2020.

The Term Loan Facility, Revolving Credit Facility, and Convertible Notes (as discussed below) contain customary covenants that, among other things, restrict the Company's ability to incur additional indebtedness, grant liens, make certain investments (including acquisitions), dispose of certain assets, and make certain payments (including share repurchases and dividends). As of June 30, 2021, the Company was in compliance with all financial covenants.

Convertible Notes

In 2017, the Company issued \$300.0 million principal amount of 5.75% senior convertible notes (the "Convertible Notes") for a purchase price equal to 98% of the principal amount to certain entities affiliated with Silver Lake (a principal owner of the Company) and LinkedIn. The Company received net proceeds of \$284.8 million, net of a discount of \$6.0 million and issuance costs of \$9.2 million. The debt discount is being accreted to interest expense over the term of the Convertible Notes using the effective interest method. The issuance costs were deferred and are being amortized to interest expense over the term of the Convertible Notes using the effective interest method. Interest is payable semi-annually in arrears on January 1 and July 1, commencing January 1, 2018.

The Convertible Notes are convertible at an initial conversion rate of 23.8095 shares of the Company's common stock per \$1,000 principal amount of the Convertible Notes, which represents an initial conversion price of \$42.00 per share, subject to adjustment for anti-dilutive issuances, voluntary increases in the conversion rate, and make-whole adjustments upon a fundamental change. A fundamental change includes a change in control, delisting of the Company's common stock, or a liquidation of the Company. Upon conversion, the Company will deliver the applicable number of the Company's common stock and cash in lieu of any fractional shares. Holders of the Convertible Notes may convert their Convertible Notes at any time prior to the close of business on the scheduled trading day immediately preceding the maturity date.

The holders of the Convertible Notes may require the Company to repurchase all or a portion of their Convertible Notes at a cash repurchase price equal to 100% of the principal amount of the notes being repurchased, plus the remaining scheduled interest through and including the maturity date, upon a fundamental change or event of default, including non-payment of interest or principal and other obligations.

On April 20, 2020, the Company amended the indenture to the Convertible Notes with US Bank National Association, as trustee (the “Supplemental Indenture”). Upon the completion of the acquisition of Saba on April 22, 2020, the Supplemental Indenture became effective, which permitted the Company to incur additional indebtedness and extended the maturity date of the Convertible Notes from July 1, 2021 to March 17, 2023. In connection with this amendment, the Company paid approximately \$3.4 million in consent and other fees to the holders of the Convertible Notes which were capitalized as debt issuance costs. As part of the amendment, the Company applied modification accounting as the criteria requiring extinguishment accounting were not met. As a result of the modification accounting, the fair value of the conversion feature increased by \$18.6 million. This increase in fair value was recorded as a debt discount with a corresponding increase to additional paid-in capital. The Company will accrete the debt discount related to the conversion feature and amortize the debt issuance costs related to consent and other fees, including the previously unaccreted and unamortized amounts, to interest expense over the remaining term of the Convertible Notes.

The net carrying amounts of the components of the Convertible Notes consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Principal amount	\$ 300,000	\$ 300,000
Unaccreted debt discount	(12,872)	(16,178)
Unamortized debt issuance costs	(4,177)	(5,250)
Net carrying value	<u>\$ 282,951</u>	<u>\$ 278,572</u>

The effective interest rate is 9.2% for the Convertible Notes as of June 30, 2021.

The following table presents the interest expense recognized related to the Convertible Notes (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Contractual interest expense	\$ 4,313	\$ 4,313	\$ 8,626	\$ 8,626
Accretion of debt discount	1,699	1,499	3,306	1,930
Amortization of debt issuance costs	551	593	1,073	1,256
Total	<u>\$ 6,563</u>	<u>\$ 6,405</u>	<u>\$ 13,005</u>	<u>\$ 11,812</u>

4. NET LOSS PER SHARE

The following table presents the Company’s basic and diluted net loss per share (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Net loss	\$ (371)	\$ (11,987)	\$ (12,823)	\$ (25,762)
Net loss per share, basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.19)</u>	<u>\$ (0.19)</u>	<u>\$ (0.41)</u>
Weighted-average shares of common stock outstanding, basic and diluted	66,330	63,593	65,866	62,612

The potential shares of common stock that would have a dilutive impact are computed using the treasury stock method or the if-converted method, as applicable. The following potential shares were excluded from the computation of diluted net loss per share because their effect would have been anti-dilutive (in thousands):

	June 30,	
	2021	2020
Options to purchase common stock, restricted stock units, and performance-based restricted stock units	7,418	8,947
Shares issuable pursuant to employee stock purchase plan	109	152
Convertible notes	7,143	7,143
Total shares excluded from net loss per share	<u>14,670</u>	<u>16,242</u>

5. CASH AND INVESTMENTS

The Company's investments in marketable and non-marketable securities are made pursuant to its investment policy, which has established guidelines relative to the diversification of the Company's investments and their maturities, with the principal objective of capital preservation and maintaining liquidity that is sufficient to meet cash flow requirements.

As of June 30, 2021 and December 31, 2020, the Company did not have any marketable investments. During the first quarter of 2021, the Company recorded a \$6.9 million write-down related to a non-marketable investment accounted for using the equity method because an other than temporary impairment was identified. During the six months ended June 30, 2020, the Company recognized a \$1.9 million loss on the sale of available-for-sale securities.

The Company's non-marketable investments are composed of the following (in thousands):

	June 30, 2021	December 31, 2020
Accounted for at cost, adjusted for observable price changes	\$ 1,867	\$ 1,750
Accounted for using the equity method	—	6,815
Total non-marketable investments	<u>\$ 1,867</u>	<u>\$ 8,565</u>

6. INTANGIBLE ASSETS AND GOODWILL

Finite-lived Intangibles

The Company has finite-lived intangible assets which are amortized over their estimated useful lives on a straight-line basis, which approximates the economic pattern of benefit. The following table presents the gross carrying amount and accumulated amortization of finite-lived intangible assets (dollars in thousands):

		June 30, 2021			December 31, 2020		
	Weighted-Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	4.1	\$ 143,531	\$ (50,310)	\$ 93,221	\$ 143,151	\$ (31,658)	\$ 111,493
Content library	5.5	4,700	(2,260)	2,440	4,700	(1,833)	2,867
Customer relationships	11.0	296,972	(32,642)	264,330	296,812	(18,946)	277,866
Customer contracts	2.0	58,746	(34,921)	23,825	58,717	(20,225)	38,492
Trade names, trademarks, and domain names	3.0	7,237	(2,868)	4,369	7,233	(1,661)	5,572
Total		<u>\$ 511,186</u>	<u>\$ (123,001)</u>	<u>\$ 388,185</u>	<u>\$ 510,613</u>	<u>\$ (74,323)</u>	<u>\$ 436,290</u>

Amortization of customer-related intangible assets is recorded in sales and marketing expense in the accompanying condensed consolidated statements of operations; amortization of developed technology and content library intangible assets is recorded in cost of revenue; amortization of all other finite-lived intangibles is recorded in general and administrative expense. Total amortization expense was \$24.3 million and \$18.5 million for the three months ended June 30, 2021 and 2020 and \$48.6 million and \$20.2 million for the six months ended June 30, 2021 and 2020, respectively.

The following table presents the Company's estimate of remaining amortization expense for finite-lived intangible assets that existed as of June 30, 2021 (in thousands):

2021 – remaining period	\$ 47,665
2022	73,152
2023	50,783
2024	42,426
2025	31,202
Thereafter	142,957
Estimated remaining amortization expense	<u>\$ 388,185</u>

The Company evaluates the recoverability of its long-lived assets with finite useful lives, including intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company does not believe an impairment trigger occurred which would impact the recoverability of the carrying values as of June 30, 2021. There were no impairment charges related to identifiable intangible assets during the three and six months ended June 30, 2021 and 2020.

Goodwill

The following table presents the carrying amount of goodwill (in thousands):

Balance as of December 31, 2020	\$	961,322
Measurement period adjustments		571
Effect of foreign currency translation		387
Balance as of June 30, 2021	\$	962,280

7. RESTRUCTURING

The Company has recently undertaken various restructuring activities as part of the Company's integration plan with Saba and to streamline the organization. The activities were composed primarily of workforce reductions and exits of certain facilities. The cost of workforce reductions is primarily composed of severance payments and termination benefits, including stock-based compensation in certain cases. The cost of vacated facilities is primarily composed of incremental amortization expense associated with vacated right-of-use assets and associated leasehold improvements. The present actions are expected to be substantially complete during 2021. All liabilities for severance and termination benefits are included in accounts payable, accrued expenses, and other current liabilities in the accompanying condensed consolidated balance sheets.

Activity for the Company's restructuring plan is as follows:

	Six Months Ended June 30, 2021 (in thousands)	
Severance payments and termination benefits	\$	7,453
Stock-based compensation		2,504
Vacated facilities		896
Total restructuring expense	\$	10,853
Restructuring liability balance as of December 31, 2020	\$	6,233
Severance payments and termination benefits expense		7,453
Cash payments		(8,853)
Effect of foreign currency translation		(70)
Restructuring liability balance as of June 30, 2021	\$	4,763

8. OTHER BALANCE SHEET AMOUNTS

Property and Equipment, net

The balance of property and equipment, net is as follows (dollars in thousands):

	Useful Life	June 30, 2021	December 31, 2020
Computer equipment and software	1 – 6 years	\$ 68,477	\$ 66,205
Furniture and fixtures	1 – 7 years	7,133	6,580
Leasehold improvements	1 – 8 years	27,089	26,204
Total property and equipment		102,699	98,989
Less: accumulated depreciation and amortization		(77,179)	(66,718)
Total property and equipment, net		\$ 25,520	\$ 32,271

Depreciation expense was \$3.6 million and \$5.8 million for the three months ended June 30, 2021 and 2020 and \$8.9 million and \$8.9 million for the six months ended June 30, 2021 and 2020, respectively.

Accounts Payable, Accrued Expenses, and Other Current Liabilities

The balance of accounts payable, accrued expenses, and other current liabilities is as follows (in thousands):

	June 30, 2021		December 31, 2020	
Accounts payable	\$	7,058	\$	1,424
Accrued compensation and related liabilities		54,898		76,974
Other accrued expenses and other current liabilities		56,469		51,510
Total accounts payable, accrued expenses, and other current liabilities	\$	118,425	\$	129,908

Deferred Commissions

The Company defers commissions paid to its sales force and related payroll taxes as these amounts are incremental costs of obtaining a contract with a customer and are recoverable from future revenue due to the non-cancelable customer agreements that gave rise to the commissions. Deferred commissions are amortized over the related benefit period, which has been determined to be six years for initial contracts, and the contract term for renewal contracts, which is generally three years. Commissions expense was \$12.7 million and \$9.9 million for the three months ended June 30, 2021 and 2020 and \$25.0 million and \$19.0 million for the six months ended June 30, 2021 and 2020, respectively. These expenses were recorded in sales and marketing in the accompanying condensed consolidated statements of operations.

Capitalized Software Development Costs

The Company capitalized \$9.7 million and \$7.5 million of software development costs and amortized \$6.2 million and \$6.7 million to cost of revenue during the three months ended June 30, 2021 and 2020, respectively. The Company capitalized \$18.3 million and \$15.1 million of software development costs and amortized \$13.2 million and \$13.9 million to cost of revenue during the six months ended June 30, 2021 and 2020, respectively.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value represents the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs are based on market data obtained from independent sources. The fair value hierarchy is based on the following three levels of inputs, of which the first two are considered observable and the last one is considered unobservable:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that management has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs

Assets and liabilities measured at fair value on a recurring basis included the following (in thousands):

	June 30, 2021				December 31, 2020			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Interest rate swap contracts designated as cash flow hedges	\$ 1,950	\$ —	\$ 1,950	\$ —	\$ (885)	\$ —	\$ (885)	\$ —

At June 30, 2021 and December 31, 2020, the Company had no cash equivalents measured at fair value on a recurring basis.

Derivatives Designated as Hedging Instruments – Cash Flow Hedges

The change in fair value of derivatives designated and qualifying as cash flow hedges is deferred as a component of accumulated other comprehensive loss in the accompanying condensed consolidated balance sheets and is subsequently reclassified into earnings in the period that the hedged interest expense affects earnings. As of June 30, 2021, the Company had two outstanding interest rate swap derivatives designated as hedging instruments with an aggregate notional value of \$596.7 million. These contracts have maturities of four years or less with amortizing notional values over the contract term.

The following table summarizes the amount of income recognized from derivative instruments and the line items in the accompanying condensed consolidated statements of operations where the results were recorded for cash flow hedges (in thousands):

	Amount of Gain (Loss) Recognized in Other Comprehensive Loss on Derivative		Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss	
	Three Months Ended			Three Months Ended	
	June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
Interest rate swap contracts	\$ (507)	\$ —	Interest expense	\$ (267)	\$ —

	Amount of Gain (Loss) Recognized in Other Comprehensive Loss on Derivative		Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss	
	Six Months Ended			Six Months Ended	
	June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
Interest rate swap contracts	\$ 2,302	\$ —	Interest expense	\$ (518)	\$ —

The Company expects that \$(0.6) million recorded as a component of accumulated other comprehensive income (loss) will be recognized in the statements of operations over the next twelve months.

The following table summarizes the fair values of derivative instruments and the line items in the accompanying condensed consolidated balance sheets where the instruments are recorded (in thousands):

Designated as cash flow hedges:	Balance Sheet location:	Derivative Assets		December 31, 2020	Balance Sheet location:	Derivative Liabilities	
		June 30, 2021	December 31, 2020			June 30, 2021	December 31, 2020
		Interest rate swap contracts	Prepaid expenses and other current assets			\$ —	\$ —
Interest rate swap contracts	Other assets	\$ 1,975	\$ —	Other liabilities, non-current	\$ —	\$ (845)	

Convertible Notes

The Company's Convertible Notes, as described in *Note 3 – Debt*, are presented in the accompanying condensed consolidated balance sheets at their original issuance value, net of unaccreted debt discount and unamortized debt issuance costs, and are not remeasured to fair value each period. The fair value of the Company's Convertible Notes as of June 30, 2021 was approximately \$430 million. The fair value of the Convertible Notes, which are classified as Level 2 financial instruments, was estimated on the basis of the current equity value implicit in the instrument.

10. STOCKHOLDERS' EQUITY

Common Stock

As of June 30, 2021 and December 31, 2020, there were 1,000,000,000 shares of common stock authorized. As of June 30, 2021 and December 31, 2020, there were 66,642,159 and 64,926,234 shares issued and outstanding, respectively.

Share Repurchase Programs

In August 2019, the Company's board of directors authorized a \$150.0 million share repurchase program of its common stock (the "2019 Share Repurchase Program"). The 2019 Share Repurchase Program is set to terminate when the aggregate cost of shares repurchased under the 2019 Share Repurchase Program reaches \$150.0 million. Share repurchases may be executed through various means, including, without limitation, open market transactions, privately negotiated transactions, or otherwise. The timing and amount of any share repurchase will depend on share price, corporate and regulatory requirements, economic and market conditions, and other factors. At July 1, 2021, \$127.6 million remained available for repurchase of shares under the 2019 Share Repurchase Program. There were no share repurchases under the 2019 Share Repurchase Program during the three and six months ended June 30, 2021 and 2020.

11. STOCK-BASED AWARDS

Stock Options

Stock option activity is summarized as follows (in thousands, except per share and term information):

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value ¹
Outstanding, December 31, 2020	1,819	\$ 37.81	2.6	\$ 15,541
Exercised	(249)	30.23		
Forfeited	(8)	53.02		
Outstanding, June 30, 2021	<u>1,562</u>	\$ 38.94	2.2	\$ 20,253
Exercisable at June 30, 2021	1,562	\$ 38.94	2.2	\$ 20,253
Vested and expected to vest at June 30, 2021	1,562	\$ 38.94	2.2	\$ 20,253

¹ Based on the Company's closing stock price of \$51.58 on June 30, 2021 and \$44.04 on December 31, 2020.

There were no stock options granted during the three and six months ended June 30, 2021 and 2020.

Restricted Stock Units

Restricted stock unit ("RSU") activity is summarized as follows (shares in thousands):

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested shares at December 31, 2020	3,891	\$ 42.21
Granted	1,450	46.40
Forfeited	(346)	43.42
Vested	(1,228)	41.71
Unvested shares at June 30, 2021	<u>3,767</u>	\$ 43.85

Unrecognized compensation expense related to unvested RSUs was \$122.0 million at June 30, 2021, which is expected to be recognized over a weighted-average period of 2.3 years.

Performance-Based Restricted Stock Units

Performance-based restricted stock unit ("PRSU") activity is summarized as follows (shares in thousands):

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested shares at December 31, 2020 ¹	2,229	\$ 41.95
Granted	519	85.50
Forfeited	(549)	40.22
Vested	(110)	40.60
Unvested shares at June 30, 2021 ¹	<u>2,089</u>	\$ 53.29

¹ Assumes maximum achievement of the specified financial targets.

Unrecognized compensation expense related to unvested PRSUs was \$23.5 million at June 30, 2021, which is expected to be recognized over a weighted-average period of 1.6 years.

Employee Stock Purchase Plan

Under the Company's 2010 Employee Stock Purchase Plan ("ESPP"), eligible employees are granted the right to purchase shares at the lower of 85% of the fair value of the stock at the time of grant or 85% of the fair value at the time of exercise. The right to purchase shares is granted semi-annually, in June and December, for six month offering periods. Under the ESPP 4,697,036 shares remained available for issuance at June 30, 2021. During the six months ended June 30, 2021 and 2020, 128,632 and 130,177 shares were purchased under the ESPP, respectively.

Stock-Based Compensation

Stock-based compensation expense is reflected in the accompanying condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Cost of revenue	\$ 2,261	\$ 2,122	\$ 4,317	\$ 4,823
Sales and marketing	5,393	5,628	11,690	14,212
Research and development	3,357	2,724	7,412	7,524
General and administrative	6,212	3,421	12,085	10,506
Restructuring	1,303	208	2,504	208
Total	\$ 18,526	\$ 14,103	\$ 38,008	\$ 37,273

12. INCOME TAXES

The Company's income tax (provision) benefit was approximately \$(2.3) million and \$29.1 million with an effective income tax rate of 119.6% and 70.8% for the three months ended June 30, 2021 and 2020. The Company's income tax (provision) benefit was approximately \$(0.1) million and \$28.9 million with an effective income tax rate of (0.8)% and 52.9% for the six months ended June 30, 2021 and 2020. The Company's effective tax rate differs from the US statutory rate of 21% primarily due to the change in the valuation allowance on the Company's deferred tax assets and income taxes in foreign jurisdictions with no valuation allowances.

The income tax provision is related to domestic income, certain foreign income, and withholding taxes. The Company does not have a material tax provision in significant jurisdictions in which it operates, such as the United States and the United Kingdom, as it has historically generated losses. The Company has recorded a full valuation allowance against its net deferred tax assets in the aforementioned jurisdictions and the Company does not currently anticipate recording an income tax benefit related to these deferred tax assets or current year losses.

The Company's provision for income taxes for the three and six months ended June 30, 2021 was estimated using the discrete method and was based on its financial results through the end of the period. The Company determined that using the discrete method is more appropriate than using the annual effective tax rate method. The Company is unable to estimate the annual effective tax rate with sufficient precision to use the effective tax rate method, which requires a full-year projection of income.

The Company is subject to United States federal income tax as well as to income tax in multiple state and foreign jurisdictions, including the United Kingdom. Federal income tax returns of the Company are subject to IRS examination for the 2017 through 2020 tax years. State income tax returns are subject to examination for the 2016 through 2020 tax years. There are ongoing audits in insignificant tax jurisdictions. The Company does not anticipate any material impact from these audits.

13. COMMITMENTS AND CONTINGENCIES

Commitments

In March 2020, the Company entered into an agreement with a provider of cloud computing services to provide services over approximately seven years. The remaining obligation as of June 30, 2021 is \$73.5 million.

Letters of Credit

The Company maintains standby letters of credit in association with other contractual arrangements. Total letters of credit outstanding at June 30, 2021 and December 31, 2020 were \$8.8 million and \$8.9 million, respectively.

Guarantees and Indemnifications

The Company has made guarantees and indemnities under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions, including revenue transactions in the ordinary course of business. The Company is obligated to indemnify its directors and officers to the maximum extent permitted under the laws of the State of Delaware. However, the Company has a directors and officers insurance policy that may reduce its exposure in certain circumstances and may enable it to recover a portion of future amounts that may be payable, if any. The duration of the guarantees and indemnities varies and, in many cases, is indefinite but subject to statutes of limitations. To date, the Company has made no payments related to these guarantees and indemnities. The Company estimates the fair value of its indemnification obligations as insignificant based on this history and the Company's insurance coverage and, therefore, has not recorded any liability for these guarantees and indemnities in the accompanying condensed consolidated balance sheets.

Litigation

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. If the Company determines that it is probable that a loss has been incurred and the amount is reasonably estimable, the Company will record a liability. The Company has determined that it does not have a potential liability related to any legal proceedings or claims that would individually, or in the aggregate, have a significant adverse effect on its financial condition or operating results.

14. LEASES

The Company has various non-cancelable operating leases for its offices and data centers. These arrangements have remaining lease terms up to nine years. Certain lease agreements contain renewal options, termination rights, rent abatement, and/or escalation clauses with renewal terms that can extend the lease term, generally from one to five years.

The components of lease cost related to the Company's operating leases are as follows:

	Six Months Ended June 30,	
	2021	2020
	(in thousands)	
Operating lease cost	\$ 10,493	\$ 8,843
Sublease income	(901)	(2,044)
Net lease cost	\$ 9,592	\$ 6,799

Supplemental cash flow information related to leases, including leases acquired in business combinations, is as follows:

	Six Months Ended June 30,	
	2021	2020
	(in thousands)	
Cash paid for operating leases	\$ 7,471	\$ 6,402
Right-of-use assets obtained in exchange for lease obligations	—	17,762

Supplemental balance sheet information related to the Company's operating leases is as follows:

	June 30, 2021	December 31, 2020
Weighted-average remaining lease term	4.9 years	5.2 years
Weighted-average incremental borrowing rate	3.7 %	3.5 %

Maturities of the Company's operating lease liabilities at June 30, 2021 are as follows (in thousands):

2021 – remaining period	\$	6,474
2022		20,258
2023		19,132
2024		9,760
2025		8,251
Thereafter		14,742
Total lease payments		78,617
Less: Imputed interest ¹		(7,119)
Present value of operating lease liabilities	\$	71,498

¹ Calculated using the incremental borrowing rate for each lease.

15. REVENUE, DEFERRED REVENUE, AND REMAINING PERFORMANCE OBLIGATIONS

Disaggregation of Revenue

The following table sets forth the Company's sources of revenue (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Subscription revenue	\$ 206,821	\$ 177,217	\$ 407,405	\$ 321,638
Professional services revenue	7,522	7,141	16,211	12,856
Total revenue	\$ 214,343	\$ 184,358	\$ 423,616	\$ 334,494

The following table sets forth revenue by geographic region, which is generally based on the address of the Company's customers as defined in their master subscription agreements (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
United States	\$ 129,461	\$ 119,385	\$ 256,653	\$ 217,303
All other countries	84,882	64,973	166,963	117,191
Total revenue	\$ 214,343	\$ 184,358	\$ 423,616	\$ 334,494

Deferred Revenue

The Company recognized \$187.9 million and \$138.6 million of revenue during the three months ended June 30, 2021 and 2020, respectively, that was included in the deferred revenue balances as of March 31, 2021 and 2020, respectively. The Company recognized \$318.1 million and \$243.2 million of revenue during the six months ended June 30, 2021 and 2020, respectively, that was included in the deferred revenue balances as of December 31, 2020 and 2019, respectively.

Transaction Price Allocated to Remaining Performance Obligations

As of June 30, 2021, approximately \$1.177 billion of revenue is expected to be recognized from remaining performance obligations. The Company expects to recognize revenue on approximately 70% of these remaining performance obligations over the next 18 months, with the balance recognized thereafter.

The estimated revenues from the remaining performance obligations do not include uncommitted contract amounts such as (i) amounts which are cancellable by the customer without significant penalty, (ii) future billings for time and material contracts, and (iii) amounts associated with optional renewal periods.

16. RELATED PARTY TRANSACTIONS

The Cornerstone OnDemand Foundation (the “Foundation”) empowers communities in the United States and internationally by increasing the impact of the non-profit sector through the utilization of people development technology including the Company’s products. The Company’s founder and co-chairperson of the board of directors is on the Foundation’s board of directors. The Company does not direct the Foundation’s activities, and accordingly, the Company does not consolidate the Foundation’s activities with its financial results. The Company provided at no charge certain resources to the Foundation, with approximate values of \$0.8 million and \$0.7 million during the three months ended June 30, 2021 and 2020 and \$1.6 million and \$1.8 million during the six months ended June 30, 2021 and 2020, respectively.

17. SUBSEQUENT EVENTS

On August 5, 2021, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Sunshine Software Holdings, Inc., a Delaware corporation (“Sunshine Software”), and Sunshine Software Merger Sub, Inc., a Delaware corporation and an indirect wholly owned subsidiary of Sunshine Software (“Merger Sub”), providing for the merger of Merger Sub with and into the Company (the “Merger”), with the Company surviving the Merger as an indirect wholly owned subsidiary of Sunshine Software. Sunshine Software and Merger Sub were formed by Clearlake Capital (refer to *Note 1 – Organization and Summary of Significant Accounting Policies – Company Overview* for additional information). As a result of the Merger, each share of common stock, par value \$0.0001 per share, of the Company issued and outstanding immediately prior to the effective time of the Merger (other than shares, if any, held by the Company, Sunshine Software, Merger Sub or any of their subsidiaries, shares held in treasury, and shares with respect to which dissenters rights have been properly demanded in accordance with the Delaware General Corporation Law) will be converted into the right to receive \$57.50 in cash, without interest, per share. Subject to the satisfaction or waiver of customary closing conditions, including the approval of the Merger by the Company’s stockholders and receipt of certain governmental approvals, the Merger is expected to be completed in the second half of calendar year 2021.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are any statements that look to future events and consist of, among other things, statements regarding our business strategies; anticipated future operating results and operating expenses; our ability to attract new customers to enter into subscriptions for our solutions; our ability to service those customers effectively and induce them to renew and upgrade their deployments of our solutions; our ability to expand our sales organization to address effectively the new industries, geographies, and types of organizations we intend to target; our ability to optimize the efficiency of our operations and scalability of our business; our ability to accurately forecast revenue and appropriately plan our expenses; market acceptance of enhancements to our solutions; alternate ways of addressing people development needs or new technologies generally by us and our competitors; continued acceptance of software-as-a-service as an effective method for delivering people development solutions and other business management applications; the attraction and retention of qualified employees and key personnel; our ability to protect and defend our intellectual property; costs associated with defending intellectual property infringement and other claims; the effects of global outbreaks of pandemics or contagious diseases or fear of such outbreaks, such as the ongoing COVID-19 pandemic, including on the demand for our products, our ability to expand in new geographic markets, or the timing of such expansion efforts, and on overall economic conditions and software-as-a-service spending; other events in the markets for our solutions and alternatives to our solutions, as well as in the United States and global markets generally; future regulatory, judicial, and legislative changes in our industry; our ability to successfully and efficiently integrate Saba Software, Inc. into our business; the timing and amount of capital expenditures and share repurchases; and changes in the competitive environment in our industry and the markets in which we operate. In addition, forward-looking statements also consist of statements involving trend analyses and statements including such words as “may,” “believe,” “could,” “anticipate,” “would,” “might,” “plan,” “expect,” and similar expressions or the negative of such terms or other comparable terminology. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth below in Part II, Item 1A, “Risk Factors,” and in our other reports filed with the Securities and Exchange Commission. We assume no obligation to update the forward-looking statements to reflect events that occur or circumstances that exist after the date on which they were made.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

Overview

Cornerstone OnDemand, Inc. is a leading global provider of learning and people development solutions, delivered as software-as-a-service (“SaaS”). Unless the context requires otherwise, the words “Cornerstone,” “we,” “Company,” “us,” and “our” refer to Cornerstone OnDemand, Inc. and its wholly owned subsidiaries. We were founded with a passion for empowering people through learning and a conviction that people should be an organization’s greatest competitive advantage. We believe people can achieve anything when they have the right development and growth opportunities. We offer organizations the technology, content, expertise, and specialized focus to help them realize their potential. Cornerstone’s people development solutions feature comprehensive recruiting, personalized learning, modern content delivered in the flow of work, development-driven performance management, and holistic workforce data management and insights. On April 22, 2020, we acquired Saba Software, Inc. (“Saba”), a provider of talent experience solutions. We are actively engaged in integrating Saba. Together, the combined Company reaches over 6,000 customers of all sizes across over 180 countries and nearly 50 languages.

On August 5, 2021, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Sunshine Software Holdings, Inc., a Delaware corporation (“Sunshine Software”), and Sunshine Software Merger Sub, Inc., a Delaware corporation and an indirect wholly owned subsidiary of Sunshine Software (“Merger Sub”), providing for the merger of Merger Sub with and into Cornerstone (the “Merger”), with Cornerstone surviving the Merger as an indirect wholly owned subsidiary of Sunshine Software. Sunshine Software and Merger Sub were formed by affiliates of Clearlake Capital Partners V, L.P., Clearlake Capital Partners V (Offshore), L.P., Clearlake Capital Partners V (USTE), L.P., Clearlake Capital Partners VI, L.P., Clearlake Capital Partners VI (Offshore), L.P., Clearlake Capital Partners VI (USTE), L.P., and Clearlake Flagship Plus Partners (Master), L.P. (collectively, “Clearlake Capital”). We will call a special meeting of our stockholders to present the Merger Agreement to our stockholders for adoption.

Under the terms of the Merger Agreement, Sunshine Software will acquire all outstanding shares of our common stock in exchange for consideration of \$57.50 per share in cash. The Merger Agreement contains representations and warranties customary for transactions of this type. The closing of the Merger is subject to approval of our stockholders and the satisfaction or waiver of a number of closing conditions. The Merger Agreement provides Sunshine Software and us with certain termination rights and, under certain circumstances, may require that Sunshine Software or we pay a termination fee.

We work with customers across all geographies and markets. Our customers include multi-national corporations, large domestic and foreign-based enterprises, mid-market companies, public sector organizations, healthcare providers, higher education institutions, non-profit organizations, and small businesses. We sell our solutions domestically and internationally through both direct and indirect channels, including direct sales teams throughout North and South America, Europe, and Asia-Pacific and distributor relationships with payroll companies, human resource consultancies, and global system integrators.

Our enterprise people development solutions are composed of:

- Our Learning solutions, which provide robust, modern learning management software designed to scale with the organization and comprehensively support compliance, knowledge sharing, and employee-driven development training to close skills gaps;
- Our Content solution, which provides modern, personalized learning content from our own studios and a variety of quality partners in a streamlined, easy way;
- Our Performance solutions, which provide tools to manage goal setting, performance reviews, competency assessments, compensation management, and succession planning;
- Our Careers solution, which helps employees understand how to get from their current position to future strategic roles with continuous feedback, goal setting, development plans, career exploration, and engagement survey tools;
- Our Recruiting solutions, which help organizations to attract, hire, and onboard the right employees; and
- Our HR solution, which provides an aggregated view of employee data with workforce planning, self-service management, and compliance reporting capabilities resulting in more accurate data.

Our goal is to empower people, organizations, and communities to realize their potential with comprehensive people development solutions that are built to last. Our growth strategy since inception has been deliberate and focused on long-term success. This has allowed us to weather periods of economic turmoil and significant changes in the markets we serve without experiencing business contraction. We plan to continue with the same systematic approach in the future. Key elements of our strategy include:

Continue to Innovate and Extend Our Technological Leadership. Over the last 20 years, we believe we have developed a deep understanding of the people development challenges our customers face. We continually collaborate with our customers to build extensive functionality that addresses their specific needs and requests. We plan to continue to leverage our expertise in people development and customer relationships to develop new products, features, and functionality that will enhance our solutions and expand our addressable market. We plan to continue our policy of implementing best practices across our organization, expanding our technical operations, and investing in our network infrastructure and service capabilities in order to support continued future growth. We believe that continued innovation is key to success in expanding our business with existing customers and reaching new customers. We plan to continue to invest in research and development innovation initiatives, such as our Cornerstone Innovation Lab, to develop new products.

Retain and Expand Business with Existing Customers. We believe our existing installed base of customers offers a substantial opportunity for growth, and we plan to undertake initiatives to improve our customer retention as well as expand sales of new and existing products into our customer base.

- **Focus on Customer Success, Retention, and Growth.** We believe focusing on our customers' success leads to our own success. We have continued to build on our Customer Success Framework that governs our operating model. We strive to maximize our customer retention rates by continuing to invest in our global support resources and improving upon our delivery model by investing in training and support initiatives to ensure that service requirements are met with strong satisfaction.
- **Sell Additional Products to Existing Customers.** We believe there is a significant growth opportunity in selling additional functionality to our existing customers. Many customers have added functionality subsequent to their initial deployments as they recognize the benefits of our unified solutions. With our expanding product portfolio functionality, we believe significant upsell opportunity remains within our existing customer base. Furthermore, we believe the addition of customers acquired from Saba offers a significant cross-sell opportunity for products within our existing portfolio, including but not limited to, Content Anytime.

Focus on Growing Recurring Revenue. Our go-to-market strategy involves driving recurring revenue growth. We believe our primary growth drivers are as follows:

- **Continue to Invest in Direct Sales Initiatives Domestically.** We believe the market for people development is large and remains significantly underpenetrated. We plan to continue to invest resources in direct sales initiatives to acquire new customers. We believe concentrating sales resources in markets with higher win rates will provide us the flexibility and return on investment to test new markets for growth.
- **Continue to Invest in Our International Operations.** We believe a substantial opportunity exists to continue to grow sales of our solutions internationally. We intend to continue to grow our Europe, Middle East, and Africa ("EMEA") and Asia-Pacific and Japan ("APJ") operations. For the six months ended June 30, 2021, we generated approximately 39% of our total revenue from regions outside of the United States. We expect this percentage to grow in the future.
- **Continue to Grow and Develop Our Content Anytime Subscriptions.** We believe there is a significant market opportunity for developing employees throughout their careers with modern, fresh e-learning content. Our Content Anytime subscription solution provides access to industry leading content which we believe will increase user engagement with our solution. Our content partners for Content Anytime include industry leaders as well as regional, functional, and vertically-focused online training providers. In addition, we have agreements with providers of specific competency models for use by our customers directly in our people development solutions. We intend to enter into additional license agreements to continue providing the best content available for our customers. Furthermore, we plan to continue to invest in developing new Content Anytime subscriptions that focus on highly regulated industries, such as the public sector and healthcare, to meet demand from existing and new customers.

- **Expand the Ecosystem.** We have migrated a sizable portion of our implementation services to our partners, and have recently migrated Saba's legacy implementation services to our partners. In recent years, we have also expanded our relationships with various third-party consulting firms to deliver the successful implementation of our solutions and to optimize our customers' use of our solutions during the terms of their engagements. Our partner strategy and experience includes certifications and curricula developed to facilitate successful delivery by our partners and continued high customer satisfaction. We believe we have a significant opportunity to leverage these third-parties interested in building or expanding their businesses to increase our market penetration.

Increase Operating Income and Free Cash Flow. We are focused on managing our costs while making smart investments to scale our operations, which we believe will support growth in recurring revenue and our long-term success over time. We have been optimizing our network delivery operations for the long-term by transitioning our data center operations to the public cloud, which we believe will provide us the long-term flexibility to expand our solutions and enter new markets without having to invest in and develop new local data centers. We plan to continue to assess and execute on operational excellence initiatives to optimize our margin profile, which we believe will enable further leverage in our expense structure and growth in operating income and free cash flow.

Acquisitions and Strategic Investments. We may acquire or invest in additional businesses, products, or technologies that we believe will complement or expand our solutions, enhance our technical capabilities, or otherwise offer growth opportunities. Most recently, in April 2020, we acquired Saba, a provider of talent experience solutions. In January 2020, we acquired Clustree, a developer of a skills engine and skills ontology. We acquired Saba to expand our customer base and we acquired Clustree to accelerate the development of a skills engine.

Sources of Revenue and Revenue Recognition. We generate most of our revenue from the sale of our products pursuant to multi-year customer agreements. Customer agreements for our people development solutions generally have terms of three years. Our sales processes are typically competitive, and sales cycles generally vary in duration from two to nine months depending on the size of the potential customer. We generally price our people development solution based on the number of products purchased and the permitted number of users with access to each product.

We generally recognize revenue from subscriptions ratably over the term of the customer agreement and revenue from professional services as the services are performed. We normally invoice our customers annually in advance for subscription fees for multi-year subscriptions. Services are generally billed either upfront on a fixed rate basis, on a time and materials basis, or are included as part of the subscription fee. We record amounts invoiced for annual subscription periods that have not occurred or services that have not been performed as deferred revenue.

We have historically experienced seasonality in terms of when we enter into customer agreements. We usually sign a significantly higher percentage of agreements with new customers, as well as renewal agreements with existing customers, in the fourth quarter of each year. This seasonality is driven by customer purchasing patterns. As the terms of most of our customer agreements are full year increments, agreements initially entered into the fourth quarter or last month of any quarter will generally come up for renewal at that same time in subsequent years. This seasonality is reflected to a much lesser extent, and sometimes is not immediately apparent, in our revenue, due to the fact that we generally recognize subscription revenue ratably over the term of the customer agreement. In addition, this seasonality is reflected in changes in our deferred revenue balance, which generally is impacted by the timing of when we enter into agreements with new customers, invoice customers, and recognize revenue. We expect this seasonality to continue, which may cause fluctuations in certain of our operating results and financial metrics, and thus limit our ability to predict future results.

Our quarterly operating results have fluctuated in the past and may continue to fluctuate in the future based on a number of factors, many of which are beyond our control, including those described in the "Risk Factors" section of this Quarterly Report on Form 10-Q. One or more of these factors may cause our operating results to vary widely. As such, we believe our quarterly results of operations may vary significantly in the future and period-to-period comparisons of our operating results may not be meaningful and should not be relied upon as an indication of future performance.

COVID-19

The impact of the COVID-19 pandemic on the global economy and on our business continues to be fluid. After careful review of our operations, while the ongoing and developing circumstances related to the COVID-19 pandemic remain highly uncertain, we believe that we are well positioned to address challenges related to the COVID-19 pandemic and to continue to execute against our strategic priorities and financial goals. We are moving towards slowly re-opening some of our offices on a voluntary, region-to-region basis in accordance with local authority guidelines. We are closely monitoring the COVID-19 pandemic to ensure we protect the health and welfare of our employees and have plans in place for mitigating disruptions in our operations including maintaining high levels of uptime, service, and support to our customers. We continue to proactively assess, monitor, and respond to domestic and international developments related to the COVID-19 pandemic, including the progress of domestic and international vaccination efforts as well as the emergence of new virus variants, and we will implement risk-mitigation plans as needed to minimize the impact on our partner relationships and business operations. While our customer base spans a variety of industries and geographies, our customers have been and may continue to be negatively impacted by COVID-19. This has resulted in and may continue to result in delayed purchasing decisions from prospective customers, reduced customer demand, reduced customer spend (which had an impact on our net annual dollar retention rate in 2020), and delayed payments, all of which could affect our future revenues and cash flows. Because our near-term revenues are relatively predictable as a result of our subscription-based business model, the effect of the COVID-19 pandemic may not be fully reflected in our operating results and financial condition until future periods. See “*Risks Related to COVID-19*” in Item 1A Risk Factors of this Quarterly Report on Form 10-Q for a description of risks to us due to the COVID-19 pandemic.

Non-GAAP Financial Measures and Other Key Metrics

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

- *Revenue.* Revenue consists primarily of subscription revenue and professional services revenue. We generally recognize revenue over the delivery period. Because of the seasonality of our business and the timing of when we enter into new customer agreements, revenue from customer agreements signed in the current period may not be fully reflected in the current period.
- *Subscription Revenue.* Subscription revenue represents subscriptions to our people development solution, content subscriptions, and related support sold on a recurring basis.
- *Annual Recurring Revenue.* In order to assess our business performance with a metric that reflects our focus on a subscription-based (or recurring revenue) business model, we track annual recurring revenue, which we define as the annualized recurring value of all active contracts at the end of a reporting period. We believe this metric is useful to investors in evaluating our ongoing operational performance and trends, and in comparing our financial measures with other companies in the same industry. However, it is important to note that other companies, including companies in our industry, may calculate annual recurring revenue differently or not at all, which may reduce its usefulness as a comparative measure.
- *Free Cash Flow.* We define free cash flow, a non-GAAP financial measure, as cash provided by operating activities minus capital expenditures and capitalized software costs. We present this metric because it is a liquidity measure that provides useful information to management and investors about the amount of cash generated by our business that can be used for strategic opportunities, including investing in our business and strengthening our balance sheet.
- *Net Annual Dollar Retention Rate.* We define net annual dollar retention rate as the percentage of annual recurring revenue from all customers on the first day of a fiscal year that is retained from those same customers on the last day of that same fiscal year. This percentage excludes all annual recurring revenue from new customers added during the fiscal year. Incremental sales during the fiscal year to customers are included in the calculation solely for customers that existed as of the first day of the fiscal year. Therefore, it is possible for our net annual dollar retention rate to exceed 100% in a given fiscal year if incremental sales to existing customers exceed the churn in annual recurring revenue from those same customers during that year.

Prior to 2020, incremental sales were only included to the extent those sales offset any decrease in annual recurring revenue from the original amount on the first day of the fiscal year and therefore, the historical net annual dollar retention rate could never exceed 100%. Beginning in 2020, this ratio includes all customers. Previously, Cornerstone for Salesforce, Cornerstone PiiQ, Grovo, and Workpop customers were excluded from the calculation. We believe that our net annual dollar retention rate is an important metric to measure the long-term value of customer agreements and our ability to retain and incrementally sell to our customers.

- *Number of Customers.* We believe that our ability to expand our customer base is an indicator of our market penetration and the growth of our business as we continue to invest in our direct sales teams and distributors. Our customer count includes contracted customers for our enterprise people development solution as of the end of the period. During the second quarter of 2020, we adjusted our method of determining customer count to exclude customers that are sold through resellers that share one tenant or instance of our product. We continue to exclude customers from our Cornerstone for Salesforce, PiiQ, Grovo, Workpop, and Clustree products from our customer count metrics.

Key Components of Our Results of Operations

Sources of Revenue and Revenue Recognition

Our solutions are designed to enable organizations to meet the challenges they face in maximizing the productivity of their human capital. We generate revenue from the following sources:

- *Subscriptions to Our Products and Other Offerings on a Recurring Basis.* Customers pay subscription fees for access to our enterprise people development solution, other products, and support on a recurring basis. Fees are based on a number of factors, including the number of products purchased, which may include e-learning content, and the number of users having access to a product. We generally recognize revenue from subscriptions ratably over the term of the agreements beginning on the date the subscription service is made available to the customer. Subscription agreements are typically three years, billed annually in advance, and non-cancelable, with payment due within 30 days of the invoice date.
- *Professional Services and Other.* We offer our customers and implementation partners assistance in implementing our products and optimizing their use. Services are billed either upfront on a fixed rate basis, on a time and materials basis, or are included as part of the subscription fee. We generally recognize revenue from fixed fee professional services contracts as services are performed based on the proportion performed to date relative to the total expected services to be performed. Revenue associated with time-and-material contracts are recorded as such time and materials are incurred.

Our customer agreements generally include both subscriptions to access our products and related professional services. Our agreements generally do not contain any cancellation or refund provisions other than in the event of our default.

Cost of Revenue

Cost of revenue consists primarily of costs related to hosting our products and delivery of professional services, and includes the following:

- personnel and related expenses, including stock-based compensation;
- expenses for network-related infrastructure, third-party data center hosting facilities, and IT support;
- delivery of contracted professional services and on-going customer support and customer success initiatives;
- payments to external service providers contracted to perform implementation services;
- depreciation of data center assets and amortization of: capitalized software costs, developed technology software license rights, and technology-related intangible assets from acquisitions; and
- content and licensing fees and referral fees.

In addition, we allocate a portion of overhead, such as rent, IT costs, depreciation and amortization, and employee benefits costs, to cost of revenue based on headcount. The costs associated with providing professional services are significantly higher, as a percentage of revenue, than the costs associated with providing access to our products due to the labor costs to provide the consulting services.

Operating Expenses

Our operating expenses generally are as follows:

- *Sales and Marketing.* Sales and marketing expenses consist primarily of personnel and related expenses for our sales and marketing staff, including salaries, benefits, bonuses, stock-based compensation, and commissions; costs of marketing and promotional events, corporate communications, online marketing, product marketing, and other brand-building activities; amortization of customer-related intangible assets from acquisitions; and allocated overhead.
- *Research and Development.* Research and development expenses consist primarily of personnel and related expenses for our research and development staff, including salaries, benefits, bonuses, and stock-based compensation; the cost of certain third-party service providers; and allocated overhead. Research and development costs, other than software development costs qualifying for capitalization, are expensed as incurred.

- *General and Administrative.* General and administrative expenses consist primarily of personnel and related expenses for administrative, legal, finance, and human resource staff, including salaries, benefits, bonuses, and stock-based compensation; professional fees; insurance premiums; amortization of all other acquisition-related intangible assets; other corporate expenses; and allocated overhead.
- *Acquisition-Related and Integration.* Acquisition-related and integration expenses consist primarily of external professional services directly associated with acquisitions, such as advisory fees, accounting and legal costs, filing fees, due diligence, and integration costs.
- *Restructuring.* Restructuring expenses consist primarily of payroll-related and stock-based compensation costs associated with employee terminations as well as costs associated with vacated facilities.

Other Income (Expense)

- *Interest Expense.* Interest expense consists primarily of interest expense from our debt obligations, including our Term Loan Facility, Revolving Credit Facility, and Convertible Notes (each defined below). Interest expense is primarily composed of contractual interest, commitment fees on unused amounts available on the Revolving Credit Facility, accretion of debt discount, the impact of interest rate swap contracts, and amortization of debt issuance costs.
- *Other, Net.* Other, net consists of interest income, income and expense associated with fluctuations in foreign currency exchange rates, fair value adjustments to strategic investments, and other non-operating expenses. Interest income consists primarily of interest income from investment securities. We expect interest income to vary depending on the level of our investments in marketable securities, which may include corporate bonds, agency bonds, US treasury securities, and commercial paper. We expect other, net to vary primarily depending on the movement in foreign currency exchange rates and the related impact on our foreign exchange gain (loss).

Income Tax Provision

On a consolidated basis, we have historically incurred losses and have recorded a valuation allowance against our US, UK, and other deferred tax assets for all periods to date (except for the second quarter of 2020) and, accordingly, have not recorded an income tax benefit for any of the periods presented for these jurisdictions. Our provision is composed of certain foreign and state income taxes and a benefit for the three and six months ended June 30, 2021.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with US GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, provision for income taxes, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Changes in accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by our management. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

There have been no material changes to our critical accounting policies and estimates disclosed in “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates*” and “*Note 2 – Summary of Significant Accounting Policies*” in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 22, 2021.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to *Note 1 – Organization and Summary of Significant Accounting Policies* of the *Notes to Condensed Consolidated Financial Statements*.

Results of Operations

The following table sets forth our results of operations as a percentage of total revenue for each of the periods indicated. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Revenue	100.0	%	100.0	%	100.0	%	100.0	%
Cost of revenue	28.4	%	31.5	%	28.6	%	29.9	%
Gross profit	71.6	%	68.5	%	71.4	%	70.1	%
Operating expenses:								
Sales and marketing	31.6	%	35.2	%	32.5	%	36.0	%
Research and development	12.7	%	15.4	%	13.7	%	15.7	%
General and administrative	14.7	%	13.8	%	14.9	%	15.0	%
Acquisition-related and integration	0.6	%	10.9	%	0.7	%	8.0	%
Restructuring	2.2	%	5.3	%	2.6	%	2.9	%
Total operating expenses	61.8	%	80.6	%	64.4	%	77.6	%
Income (loss) from operations	9.8	%	(12.1)	%	7.0	%	(7.5)	%
Other income (expense):								
Interest expense	(7.6)	%	(9.9)	%	(8.3)	%	(7.1)	%
Loss on extinguishment of debt and related expenses	(1.5)	%	—	%	(0.7)	%	—	%
Other, net	0.2	%	(0.3)	%	(1.1)	%	(1.8)	%
Other expense, net	(8.9)	%	(10.2)	%	(10.1)	%	(8.9)	%
Income (loss) before income tax (provision) benefit	0.9	%	(22.3)	%	(3.1)	%	(16.4)	%
Income tax (provision) benefit	(1.1)	%	15.8	%	—	%	8.7	%
Net loss	(0.2)	%	(6.5)	%	(3.1)	%	(7.7)	%

Non-GAAP Financial Measures and Other Key Metrics

The following table sets forth our revenue and key metrics that we use to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections, and make strategic decisions:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	(dollars in thousands)							
Revenue	\$	214,343	\$	184,358	\$	423,616	\$	334,494
Subscription revenue	\$	206,821	\$	177,217	\$	407,405	\$	321,638
Income (loss) from operations	\$	20,918	\$	(22,368)	\$	29,969	\$	(25,107)
Net cash provided by operating activities	\$	45,316	\$	22,774	\$	123,427	\$	28,762
Free cash flow	\$	36,182	\$	15,335	\$	105,629	\$	12,963
Number of customers		6,035		6,308		6,035		6,308

Revenue increased \$30.0 million, or 16.3%, for the three months ended June 30, 2021 as compared to the same period in 2020. Revenue increased \$89.1 million, or 26.6%, for the six months ended June 30, 2021 as compared to the same period in 2020. The rate of our revenue increase was primarily impacted by the acquisition of Saba.

The following table sets forth our sources of revenue for each of the periods indicated:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
(dollars in thousands)								
Subscription revenue	\$	206,821	\$	177,217	\$	407,405	\$	321,638
Percentage of subscription revenue to total revenue		96.5	%	96.1	%	96.2	%	96.2
Professional services revenue	\$	7,522	\$	7,141	\$	16,211	\$	12,856
Percentage of professional services revenue to total revenue		3.5	%	3.9	%	3.8	%	3.8
Total revenue	\$	214,343	\$	184,358	\$	423,616	\$	334,494

Subscription revenue increased \$29.6 million, or 16.7%, for the three months ended June 30, 2021 as compared to the same period in 2020. Subscription revenue increased \$85.8 million, or 26.7%, for the six months ended June 30, 2021, as compared to the same period in 2020. The increases were primarily attributable to the acquisition of Saba as well as new business, which includes new customers, upsells, cross-sells, and renewals from existing customers.

Professional services revenue increased \$0.4 million, or 5.3%, for the three months ended June 30, 2021 as compared to the same period in 2020. Professional services revenue increased \$3.4 million, or 26.1%, for the six months ended June 30, 2021, as compared to the same period in 2020. The increases in professional services revenue for both periods were attributable to the acquisition of Saba.

Revenue by geography is generally based on the address of the customer as defined in our master subscription agreement with each customer. The following table sets forth our revenue by geographic area for each of the periods indicated:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
(dollars in thousands)								
United States	\$	129,461	\$	119,385	\$	256,653	\$	217,303
Percentage for United States		60.4	%	64.8	%	60.6	%	65.0
All other countries	\$	84,882	\$	64,973	\$	166,963	\$	117,191
Percentage for all other countries		39.6	%	35.2	%	39.4	%	35.0
Total revenue	\$	214,343	\$	184,358	\$	423,616	\$	334,494

Net Cash Provided By Operating Activities and Free Cash Flow

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
(dollars in thousands)								
Net cash provided by operating activities	\$	45,316	\$	22,774	\$	123,427	\$	28,762
Capital expenditures		(1,694)		(1,304)		(2,637)		(2,275)
Capitalized software costs		(7,440)		(6,135)		(15,161)		(13,524)
Free cash flow	\$	36,182	\$	15,335	\$	105,629	\$	12,963
Operating cash flow margin		21.1	%	12.4	%	29.1	%	8.6
Free cash flow margin		16.9	%	8.3	%	24.9	%	3.9

Net cash provided by operating activities for the three and six months ended June 30, 2021 was \$45.3 million and \$123.4 million, respectively, as compared to \$22.8 million and \$28.8 million during the same periods in 2020. The increases were primarily due to the timing of cash receipts from customers as a result of improved day sales outstanding from collections of receivables during 2021. The increases were also attributable to changes in net loss adjusted for non-cash items including depreciation and amortization, various working capital changes, and timing of disbursements to vendors as compared to the same periods in 2020.

Free cash flow for the three and six months ended June 30, 2021 was \$36.2 million and \$105.6 million, respectively, resulting in free cash flow margins of 16.9% and 24.9%, as compared to free cash flows of \$15.3 million and \$13.0 million and free cash flow margins of 8.3% and 3.9%, for the same periods in 2020.

Cost of Revenue, Gross Profit, and Gross Margin

	Three Months Ended June 30,				Six Months Ended June 30,				
	2021		2020		2021		2020		
(dollars in thousands)									
Cost of revenue	\$	60,775	\$	58,000	\$	121,311	\$	99,924	
Gross profit	\$	153,568	\$	126,358	\$	302,305	\$	234,570	
Gross margin		71.6	%	68.5	%	71.4	%	70.1	%

Cost of revenue increased \$2.8 million, or 4.8%, for the three months ended June 30, 2021 as compared to the same period in 2020. This increase was primarily due to increased amortization of developed technology intangible assets due to the timing of the acquisition of Saba in 2020. Amortization of developed technology intangible assets was \$7.5 million for the three months ended June 30, 2021, as compared to \$5.6 million for the same period in 2020. Cost of revenue increased \$21.4 million, or 21.4%, for the six months ended June 30, 2021, as compared to the same period in 2020. This increase was primarily due to the acquisition of Saba and was partially offset by decreased employee-related expenses, stock-based compensation, and external implementation professional service expenses.

Sales and Marketing

	Three Months Ended June 30,				Six Months Ended June 30,				
	2021		2020		2021		2020		
(dollars in thousands)									
Sales and marketing	\$	67,782	\$	64,942	\$	137,517	\$	120,272	
Percent of revenue		31.6	%	35.2	%	32.5	%	36.0	%

Sales and marketing expenses increased \$2.8 million, or 4.4% for the three months ended June 30, 2021 as compared to the same period in 2020. This increase was primarily due to increased amortization of customer-related intangible assets due to the timing of the acquisition of Saba in 2020. Sales and marketing expenses increased \$17.2 million, or 14.3%, for the six months ended June 30, 2021, as compared to the same period in 2020. This increase was primarily due to the acquisition of Saba and was partially offset by decreased employee-related expenses, travel and entertainment expenses in response to the ongoing COVID-19 pandemic, and certain marketing expenses which were delayed until the second half of 2021.

Research and Development

	Three Months Ended June 30,				Six Months Ended June 30,				
	2021		2020		2021		2020		
(dollars in thousands)									
Research and development	\$	27,227	\$	28,338	\$	57,997	\$	52,423	
Percent of revenue		12.7	%	15.4	%	13.7	%	15.7	%

Research and development expenses decreased \$1.1 million, or 3.9%, for the three months ended June 30, 2021, as compared to the same period in 2020. The decrease was primarily attributable to decreased employee-related expenses. Research and development expenses increased \$5.6 million, or 10.6%, for the six months ended June 30, 2021, as compared to the same period in 2020. The increase was primarily attributable to the acquisition of Saba and was partially offset by decreased employee-related expenses.

We capitalize a portion of our software development costs related to the development and enhancements of our products, which are then amortized to cost of revenue. The timing and levels of resources dedicated to our capitalizable development and enhancement projects may affect the amount of development costs expensed in any given period. We capitalized \$9.7 million and \$7.5 million of software development costs and amortized \$6.2 million and \$6.7 million during the three months ended June 30, 2021 and 2020, respectively. We capitalized \$18.3 million and \$15.1 million of software development costs and amortized \$13.2 million and \$13.9 million during the six months ended June 30, 2021 and 2020, respectively.

General and Administrative

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
(dollars in thousands)								
General and administrative	\$	31,536	\$	25,620	\$	63,098	\$	50,345
Percent of revenue		14.7	%	13.8	%	14.9	%	15.0

General and administrative expenses increased \$5.9 million, or 23.1%, for the three months ended June 30, 2021, as compared to the same period in 2020. The increase was primarily due to increased employee-related expenses and professional services expenses. General and administrative expenses increased \$12.8 million, or 25.3%, for the six months ended June 30, 2021, as compared to the same period in 2020. The increase was primarily due to the acquisition of Saba, as well as increased employee-related expenses and professional services expenses.

Acquisition-Related and Integration

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
(dollars in thousands)								
Acquisition-related and integration	\$	1,341	\$	20,093	\$	2,871	\$	26,904
Percent of revenue		0.6	%	10.9	%	0.7	%	8.0

Acquisition-related and integration expenses decreased \$18.8 million, or 93.3%, for the three months ended June 30, 2021 as compared to the same period in 2020. Acquisition-related and integration expenses decreased \$24.0 million, or 89.3%, as compared to the same period in 2020. The decrease in both periods was primarily due to reduced professional services directly associated with the acquisition of Saba as compared to the same periods in 2020. Acquisition-related and integration expenses consist primarily of external professional services directly associated with acquisitions, such as advisory fees, accounting and legal costs, filing fees, due diligence, and integration costs. We expect to continue to incur additional costs related to the integration of Saba during 2021.

Restructuring

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
(dollars in thousands)								
Restructuring	\$	4,764	\$	9,733	\$	10,853	\$	9,733
Percent of revenue		2.2	%	5.3	%	2.6	%	2.9

Restructuring expenses decreased \$5.0 million, or 51.1%, for the three months ended June 30, 2021, as compared to the same period in 2020. Restructuring expenses increased \$1.1 million, or 11.5%, for the six months ended June 30, 2021, as compared to the same period in 2020. The restructuring activities in both periods were primarily due to workforce reductions as part of our integration plan associated with the acquisition of Saba. We continue to evaluate other areas for synergies as part of our integration planning efforts in 2021. During the fourth quarter of 2020, we commenced the process to exit certain redundant facilities, the financial impact of which continued in 2021. For additional information refer to *Note 7 – Restructuring* of the *Notes to Condensed Consolidated Financial Statements*.

Other Income (Expense)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Interest expense	\$ (16,302)	\$ (18,219)	\$ (35,072)	\$ (23,720)
Loss on extinguishment of debt and related expenses	(3,108)	—	(3,108)	—
Other, net	388	(514)	(4,516)	(5,878)
Total	\$ (19,022)	\$ (18,733)	\$ (42,696)	\$ (29,598)

Interest expense decreased for the three months ended June 30, 2021, as compared to the same period in 2020, primarily due to the amendment of our Term Loan Facility to effectuate a Repricing (each defined in *Liquidity and Capital Resources* below) on April 23, 2021, resulting in a lower interest rate during a portion of 2021. As a result of the Repricing, we recognized a loss on extinguishment of debt of \$2.0 million and incurred third-party expenses of \$1.1 million. Refer to *Note 3 – Debt* of the *Notes to Condensed Consolidated Financial Statements* for additional information regarding the Repricing. Interest expense increased for the six months ended June 30, 2021 as compared to the same period in 2020, primarily due to additional interest costs as well as amortization and accretion resulting from the Term Loan Facility and the modification of our Convertible Notes (each defined in *Liquidity and Capital Resources* below), which were executed in April 2020. Refer to the section below titled *Liquidity and Capital Resources* for additional information regarding interest expense associated with our Term Loan Facility and Convertible Notes.

Other, net is primarily composed of foreign exchange gains and losses related to transactions denominated in foreign currencies, foreign exchange gains and losses related to our intercompany loans and certain cash accounts, changes in our non-marketable investments, and interest income. The increase in Other, net for the three months ended June 30, 2021 as compared to the same period in 2020 was primarily driven by foreign exchange gains from fluctuations in exchange rates between the euro and British pound due to the global nature of our operations and changes in our non-marketable investments accounted for using the equity method. The increase in Other, net for the six months ended June 30, 2021 as compared to the same period in 2020 was primarily driven by foreign exchange gains from fluctuations in exchange rates. The increase was partially offset by a write-down of \$6.9 million related to a non-marketable investment which was recorded in the first quarter of 2021, as well as lower interest income in 2021 as compared to the same period in 2020.

Income Tax (Provision) Benefit

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Income tax (provision) benefit	\$ (2,267)	\$ 29,114	\$ (96)	\$ 28,943

For the three months ended June 30, 2021, we recorded an income tax provision related to certain foreign and state income taxes. For the six months ended June 30, 2021, we recorded an income tax provision related to certain foreign and state income taxes. As a result of the acquisition of Saba in April 2020, we recorded excess deferred tax liabilities that provided a source of future income. This resulted in a partial change in judgment as to the realizability of our federal and state deferred tax assets. Consequently, we determined that a portion of our existing deferred tax assets were more likely than not to be realized and recognized a discrete tax benefit of approximately \$26.7 million during the three months ended June 30, 2020.

Liquidity and Capital Resources

At June 30, 2021, our principal sources of liquidity were \$147.0 million of cash and cash equivalents and \$140.8 million of accounts receivable, compared to \$153.2 million of cash and cash equivalents and \$221.5 million of accounts receivable at December 31, 2020. On April 22, 2020, we acquired Saba for an aggregate purchase price of approximately \$1.310 billion, consisting of \$1.277 billion in cash and 1,110,352 shares of our common stock. In connection with the acquisition, we incurred \$1.0047 billion of additional indebtedness as a senior term loan (the “Term Loan Facility”) for a purchase price equal to 97.5% of the principal amount. Principal payments are due quarterly at a rate of 0.25% of the original principal amount with the remaining outstanding principal balance due in April 2027. Interest is payable on a monthly or quarterly basis at our option. On April 23, 2021, we entered into an amendment to the Credit Agreement to effectuate a repricing of the Term Loan Facility (the “Repricing”). We also entered into a revolving credit facility (the “Revolving Credit Facility”) to borrow up to an additional \$150.0 million, of which \$150.0 million and \$102.5 million remained available at June 30, 2021 and December 31, 2020, respectively. The available borrowings under the Revolving Credit Facility are limited by indebtedness covenants with the holders of the Convertible Notes (defined below) and letters of credit issued under the Credit Agreement. The Revolving Credit Facility includes a letter of credit sub-facility of up to \$30.0 million. For additional information regarding our acquisition of Saba, including the consideration payable, and the related debt arrangements and subsequent refinancing, refer to *Note 2 – Business Combinations* and *Note 3 – Debt* of the *Notes to Condensed Consolidated Financial Statements*.

Additionally, in 2017, we issued \$300.0 million principal amount of 5.75% senior convertible notes (the “Convertible Notes”) for a purchase price equal to 98% of the principal amount, to certain entities affiliated with Silver Lake (a principal owner of Cornerstone) and LinkedIn. Holders of the Convertible Notes may convert their notes at any time prior to the close of business on the scheduled trading day immediately preceding the maturity date. On April 20, 2020, we amended the indenture to the Convertible Notes with US Bank National Association, as trustee (the “Supplemental Indenture”). Upon the completion of the acquisition of Saba on April 22, 2020, the Supplemental Indenture became effective, which permitted us to incur additional indebtedness and extended the maturity date of the Convertible Notes from July 1, 2021 to March 17, 2023. In connection with this amendment, we paid approximately \$3.4 million in consent and other fees to the holders of the Convertible Notes.

Our principal commitments consist of obligations for contractual debt payments, leases for our office space, software and cloud services, and other contractual obligations. In March 2020, we entered into an agreement with a provider of cloud computing services to provide services over approximately seven years. Refer to *Note 13 – Commitments and Contingencies* of the *Notes to Condensed Consolidated Financial Statements* for additional information regarding this agreement.

Based on our current level of operations and anticipated growth, we believe our future cash flows from operating activities, existing cash and cash equivalents, and access to the Revolving Credit Facility will provide adequate funds for our ongoing operations, debt service requirements, and general corporate purposes for at least the next twelve months. However, if the ongoing COVID-19 pandemic worsens or is prolonged, our customers may increasingly delay payments or request price concessions, which could adversely impact our operating cash flows. Our future capital requirements will depend on many factors, including our ability to achieve cost synergies from integrating Saba, our rate of revenue growth and collections, the level of our sales and marketing efforts, the timing and extent of spending to support product development efforts and expansion into new territories, the timing of introductions of new services and enhancements to existing services, the timing of general and administrative expenses as we grow our administrative infrastructure, and the continuing market acceptance of our products. To the extent that our cash from operations, existing cash and cash equivalents, and access to our Revolving Credit Facility are not sufficient to fund our future activities, we may need to raise additional funds. In addition, we may enter into agreements or letters of intent with respect to potential investments in, or acquisitions of, complementary businesses, services or technologies in the future, which could also require us to seek additional financing or utilize our cash resources.

The following table sets forth a summary of our cash flows:

	Six Months Ended June 30,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	\$ 123,427	\$ 28,762
Net cash used in investing activities	(17,798)	(1,062,217)
Net cash (used in) provided by financing activities	(112,625)	961,941

Our cash flows from operating activities are significantly influenced by our growth, ability to maintain our contractual billing and collection terms, and our investments in headcount and infrastructure to support anticipated growth. Given the seasonality and continued growth of our business, our cash flows from operating activities will vary from period to period.

Cash provided by operating activities was \$123.4 million for the six months ended June 30, 2021 compared to \$28.8 million for the same period in 2020. The increase in operating cash flows was primarily due to timing of cash receipts from customers as a result of improved day sales outstanding from collections of receivables during 2021. The increase was also attributable to changes in net loss adjusted for non-cash items including depreciation and amortization, various working capital changes, and timing of disbursements to vendors as compared to the same period in 2020.

Our primary investing activities have consisted of acquisitions, investments, capital expenditures to purchase software, computer equipment, leasehold improvements, and furniture and fixtures in support of expanding our infrastructure and workforce.

Cash used in investing activities was \$17.8 million for the six months ended June 30, 2021, compared to cash used in investing activities of \$1.062 billion for the same period in 2020. The change in investing cash flows was primarily due to cash paid to partially fund the acquisition of Saba on April 22, 2020.

Cash used in financing activities was \$112.6 million for the six months ended June 30, 2021, compared to cash provided by financing activities of \$961.9 million for the same period in 2020. The decrease in financing cash flows was primarily due to voluntary prepayments of our Term Loan Facility in the first and second quarters of 2021, compared to proceeds from our Term Loan Facility incurred in the second quarter of 2020 in connection with the acquisition of Saba.

Share Repurchase Program

In August 2019, the board of directors authorized a \$150.0 million share repurchase program (the “2019 Share Repurchase Program”), under which we have repurchased 416,761 shares of common stock at an average price per share of \$53.64 as of June 30, 2021. We did not repurchase any of our shares during the three and six months ended June 30, 2021 and 2020. At July 1, 2021, \$127.6 million was available for repurchase of shares under the 2019 Share Repurchase Program. For additional information on the 2019 Share Repurchase Program, refer to *Note 10 – Stockholders’ Equity* of the *Notes to Condensed Consolidated Financial Statements*.

Off-Balance Sheet Arrangements

As part of our ongoing business, we do not have any relationships with other entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are therefore not exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in those types of relationships.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We have operations in the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange, inflation, and counterparty risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. The ongoing COVID-19 pandemic has resulted in negative impacts on global economies and financial markets, which may increase our foreign currency exchange risk and interest rate risk. For further discussion of the potential impacts of the COVID-19 pandemic on our business, operating results, and financial condition, refer to “*Risk Factors*” included in Part II, Item 1A of this Quarterly Report on Form 10-Q. To reduce certain of these risks, we monitor the financial condition of our large customers and limit credit exposure by principally collecting payment from our customers in advance and setting credit limits as we deem appropriate. In addition, our investment strategy has been to invest in financial instruments, including corporate bonds, US treasury securities, agency securities, commercial paper, certificates of deposit, asset-backed securities, and money market funds backed by United States Treasury Bills within the guidelines established under our investment policy. We also make strategic investments in privately-held companies in the development stage.

Interest Rate Risk

At June 30, 2021, we had cash and cash equivalents of \$147.0 million, compared to \$153.2 million at December 31, 2020. We do not believe our cash equivalents have significant risk of default or illiquidity. While we believe these cash equivalents do not contain excessive risk, we cannot guarantee that in the future our investments will not be subject to adverse changes in market value. In addition, we maintain significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits. We cannot guarantee that we will not experience losses on these deposits.

At June 30, 2021, we had \$827.6 million principal outstanding under our Term Loan Facility, compared to \$952.2 million at December 31, 2020. Our Term Loan Facility bears interest at a variable rate. As a result, we are exposed to market risk associated with the variable interest rate payments on these borrowings. A hypothetical immediate increase of 100 basis points in interest rates would result in an increase of approximately \$2.1 million in quarterly interest payments, compared to \$2.4 million at December 31, 2020. We use interest rate swap contracts to manage our exposure to fluctuations in interest rates related to our Term Loan Facility. We had two interest rate swap contracts outstanding at June 30, 2021. These instruments effectively cap a portion of our interest rate exposure by converting \$596.7 million of our variable rate debt to a fixed interest rate. A hypothetical immediate increase of 100 basis points in interest rates would result in an increase of approximately \$11.3 million in the fair value of our interest rate swap contracts, compared to \$14.3 million at December 31, 2020. For additional information regarding our interest rate swap contracts, refer to *Note 9 – Fair Value of Financial Instruments* of the *Notes to Condensed Consolidated Financial Statements*. On April 23, 2021, we refinanced our Term Loan Facility. For additional information refer to *Note 3 – Debt* of the *Notes to Condensed Consolidated Financial Statements*.

At June 30, 2021 and December 31, 2020, we had no marketable investments. The primary objectives of our marketable investment activities are the preservation of capital, the fulfillment of liquidity needs, and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. We liquidated a significant portion of our investment portfolio during the first quarter of 2020 to partially fund the acquisition of Saba; we liquidated the remainder of our investment portfolio during the second quarter of 2020. We, therefore, do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates on interest-bearing investments.

Foreign Currency Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the US dollar, primarily euros and British pounds. Increases and decreases in our foreign-denominated revenue from movements in foreign exchange rates are often partially offset by the corresponding decreases or increases in our foreign-denominated operating expenses. Due to our legal structure, revenue and operating expenses denominated in currencies other than the US dollar primarily flow through subsidiaries with functional currencies of the British pound and euro. Our other income (expense) is also impacted by the remeasurement of US dollar denominated intercompany loans, cash accounts held by our overseas subsidiaries, accounts receivable denominated in foreign currencies, and accounts payable denominated in foreign currencies.

As our international operations grow, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk. In addition, currency fluctuations can increase the costs of our international expansion. The effect of a hypothetical immediate 10% adverse change in foreign exchange rates on foreign-denominated accounts at June 30, 2021 and December 31, 2020, including our intercompany loans with our subsidiaries, would result in a foreign currency loss of approximately \$5.3 million and \$4.7 million, respectively.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and results of operations.

Counterparty Risk

Our financial statements are subject to counterparty credit risk, which we consider as part of the overall fair value measurement. We are closely tracking counterparty risk and we will continue to attempt to mitigate this risk through credit monitoring procedures.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The term “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”), refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021, the end of the period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of such date.

Changes in Internal Control Over Financial Reporting

We acquired Saba in April 2020 and are in the process of integrating the acquired business into our overall internal control over financial reporting. Other than this ongoing integration, there was no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

From time to time, we are involved in a variety of claims, suits, investigations, and proceedings arising from the ordinary course of our business, including actions with respect to intellectual property claims, breach of contract and tort claims, labor and employment claims, tax, and other matters. Although claims, suits, investigations, and proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of our current pending matters will not have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense costs, diversion of management resources, and other factors. In addition, it is possible that an unfavorable resolution of one or more such proceedings could in the future materially and adversely affect our financial position, results of operations, or cash flows in a particular period.

ITEM 1A. Risk Factors

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. Please see page 23 of this Quarterly Report on Form 10-Q for a discussion of the forward-looking statements that are qualified by these risk factors. If any of the events or circumstances described in the following risk factors actually occurs, our business, operating results, and financial condition could be materially adversely affected.

Risks Related to the Acquisition of Cornerstone by Clearlake Capital

The announcement and pendency of our agreement to be acquired by Clearlake Capital may have an adverse effect on our business, operating results and our stock price, and may result in the loss of employees, customers, suppliers, and other business partners.

On August 5, 2021, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Sunshine Software Holdings, Inc., a Delaware corporation (“Sunshine Software”), and Sunshine Software Merger Sub, Inc., a Delaware corporation and an indirect wholly owned subsidiary of Sunshine Software (“Merger Sub”), providing for the merger of Merger Sub with and into Cornerstone (the “Merger”), with Cornerstone surviving the Merger as an indirect wholly owned subsidiary of Sunshine Software. Sunshine Software and Merger Sub were formed by affiliates of Clearlake Capital Partners V, L.P., Clearlake Capital Partners V (Offshore), L.P., Clearlake Capital Partners V (USTE), L.P., Clearlake Capital Partners VI, L.P., Clearlake Capital Partners VI (Offshore), L.P., Clearlake Capital Partners VI (USTE), L.P., and Clearlake Flagship Plus Partners (Master), L.P. (collectively, “Clearlake Capital”). We are subject to risks in connection with the announcement and pendency of the Merger, including, but not limited to, the following:

- market reaction to the announcement of the Merger;
- changes in our business, operations, financial position, and prospects;
- market assessments of the likelihood that the Merger will be consummated;

- the amount of cash offered per share will not be increased to account for positive changes in our business, assets, liabilities, prospects, outlook, financial condition, or results of operations during the pendency of the Merger, including any successful execution of our current strategy as an independent company or in the event of any change in the market price of, analyst estimates of, or projections relating to, our common stock;
- potential adverse effects on our relationships with our current customers, suppliers and other business partners, or those with which we are seeking to establish business relationships, due to uncertainties about the Merger;
- we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the Merger, and many of these fees and costs are payable by us regardless of whether the Merger is consummated;
- potential adverse effects on our ability to attract, recruit, retain, and motivate current and prospective employees who may be uncertain about their future roles and relationships with us following the completion of the Merger, and the possibility that our employees could lose productivity as a result of uncertainty regarding their employment following the Merger;
- the pendency and outcome of the legal proceedings that have been or may be instituted against us, our directors, executive officers and others relating to the transactions contemplated by the Merger Agreement; and
- the possibility of disruption to our business, including increased costs and diversion of management time and resources that could otherwise have been devoted to other opportunities that may have been beneficial to us.

While the Merger is pending, we are subject to contractual restrictions that could harm our business, operating results and our stock price.

The Merger Agreement includes restrictions on the conduct of our business prior to the completion of the Merger, generally requiring us to conduct our businesses in the ordinary course, consistent with past practice, and restricting us from taking certain specified actions absent Sunshine Software’s prior written consent. We may find that these and other obligations in the Merger Agreement may delay or prevent us from or limit our ability to respond effectively to competitive pressures, industry developments and future business opportunities that may arise during such period, even if our management and board of directors think they may be advisable. These restrictions could adversely impact our business, operating results and our stock price and our perceived acquisition value, regardless of whether the Merger is completed.

The failure to complete the Merger may adversely affect our business and our stock price.

The Merger with Sunshine Software is subject to a number of conditions, including, among other things, (i) adoption of the Merger Agreement by the holders of a majority of our outstanding common stock, (ii) expiration or termination of any waiting periods applicable to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and certain other governmental bodies, (iii) the absence of any “material adverse effect” on us occurring after the date of the Merger Agreement that is continuing, (iv) the absence of any legal restraints prohibiting the Merger, (v) the absence of certain legal proceedings brought by a governmental entity relating to the Merger, and (vi) subject to certain materiality qualifications, the continued accuracy of our representations and warranties, and our continued compliance with covenants and obligations (to be performed at or prior to the closing of the Merger). There can be no assurance that these conditions to the completion of the Merger will be satisfied, or that the Merger will be completed on the proposed terms, within the expected timeframe or at all. If the Merger is not completed, we may be subject to negative publicity or be negatively perceived by the investment or business communities and our stock price could fall to the extent that our current stock price reflects an assumption that the Merger will be completed. Furthermore, if the Merger is not completed, we may suffer other consequences that could adversely affect our business and results of our operations.

The Merger Agreement with Sunshine Software limits our ability to pursue alternative transactions which could deter a third party from proposing an alternative transaction.

The Merger Agreement contains provisions that, subject to certain exceptions, limit our ability to initiate, solicit, knowingly encourage, assist, knowingly induce or knowingly facilitate, or participate or engage in any negotiations or discussions regarding, or furnish information in response to inquiries with respect to, an alternative transaction. It is possible that these or other provisions in the Merger Agreement might discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of our outstanding common stock from considering or proposing an acquisition or might result in a potential competing acquirer proposing to pay a lower per share price to acquire our common stock than it might otherwise have proposed to pay.

Risks Related to the Nature of Our Business

Unfavorable conditions in our industry or the global markets, or reductions in information technology spending, could limit our ability to grow our business and negatively affect our operating results.

Our operating results may vary based on the impact of changes in our industry or the global economy on us or our customers. The US and other key international economies continue to experience events in connection with the COVID-19 pandemic that may result, and have at times in the past experienced cyclical downturns that have resulted, in a significant weakening of the economy, limited availability of credit, a reduction in business confidence and activity, and other difficulties that may affect one or more of the industries to which we sell our services. In addition to the COVID-19 pandemic, developments such as the UK's exit from the European Union (the "EU"), evolving trade policies between the US and international trade partners, and conflicts in the Middle East and elsewhere have created many economic and political uncertainties which have impacted worldwide markets. These global economic and political conditions may impact our business in a number of ways. The revenue growth and potential profitability of our business depends on demand for enterprise application software generally and for people development solutions in particular. We sell our people development solutions primarily to large, mid-sized, and small business organizations whose businesses fluctuate based on general economic and business conditions. In addition, a portion of our revenue is attributable to the number of users of our products at each of our customers, which in turn is influenced by the employment and hiring patterns of our customers and potential customers. To the extent that economic uncertainty or weak economic conditions, whether in connection with the ongoing COVID-19 pandemic or otherwise, cause our customers and potential customers to freeze or reduce their headcount, demand for our products may be negatively affected. In connection with the COVID-19 pandemic, we have experienced lengthening of sales cycles, delayed payments, and requests for extensions of payment terms from certain customers. Additionally, economic downturns have historically resulted in overall reductions in spending on information technology and people development solutions as well as pressure from customers and potential customers for extended billing terms. If economic, political, or market conditions deteriorate, or if there is uncertainty around these conditions, our customers and potential customers may elect to decrease their information technology and people development budgets by deferring or reconsidering product purchases, which would limit our ability to grow our business and negatively affect our operating results.

Our business depends substantially on the level of our customer satisfaction and specifically on customers renewing their agreements with us, purchasing additional products from us, or adding additional users. Any significant decline in our customer satisfaction rates, customer renewal rates, or the rates at which our customers purchase additional products or add additional users would harm our future operating results.

In order for us to improve our operating results, it is important that our customer satisfaction remains high, that our customers renew their agreements with us when the initial contract term expires, and that they also purchase additional products or add additional users. Our customers have no obligation to renew their subscriptions after the initial subscription period, and there is no assurance that our customers will renew their subscriptions at the same or a higher level of service, if at all. Every year, some of our customers elect not to renew their agreements with us. Moreover, certain of our customers have the right to cancel their agreements for convenience, subject to certain notice requirements and, in some cases, early termination fees. Our customer renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction or dissatisfaction with our products, our customer service, our pricing, the prices of competing products or services, mergers and acquisitions affecting our customer base and/or the acquired customer base, reduced hiring by our customers, or reductions in our customers' spending levels. If our customers do not renew their subscriptions, renew on less favorable terms, fail to purchase additional products, or fail to add new users, our revenue may decline and our operating results may be harmed.

The market in which we participate is intensely competitive, and if we do not compete effectively, our operating results could be harmed.

The market for people development solutions is highly competitive, rapidly evolving, and fragmented. Some of our competitors and potential competitors are larger and have greater brand name recognition, longer operating histories, larger marketing budgets, and significantly greater resources than we do. Further, if one or more of our competitors were to merge, acquire, or partner with another of our competitors, the change in the competitive landscape could adversely affect our business. Our competitors may also establish or strengthen cooperative relationships with our current or future strategic distributors, systems integrators, HR outsourcers, payroll services companies, third-party consulting firms, or other parties with whom we have relationships, thereby limiting our ability to promote our products and limiting the number of consultants available to implement our products. In addition, with the introduction of new technologies and market entrants, we expect competition to intensify in the future. Any of these events could disrupt our operations, reduce our revenue, or harm our business generally.

We face competition from desktop software tools and custom-built software that is designed to support the needs of a single organization, as well as from third-party talent and human resource application providers. These software vendors include, without limitation, iCIMS, Oracle Corporation, SAP America, Inc. (SuccessFactors), SkillSoft Limited (SumTotal), Talentsoft SA, Docebo, Degreed, Inc., Edcast Inc., LinkedIn Learning, and Workday, Inc. In addition, some of the parties with which we maintain business alliances offer, or may offer, products or services that compete with our products or services.

Many of our competitors are able to devote greater resources to the development, promotion, and sale of their products and services. In addition, many of our competitors have established marketing relationships, access to larger customer bases and major distribution agreements with consultants, system integrators, and distributors. Moreover, many software vendors can bundle human resource products or offer such products at a lower price as part of a larger product sale. In addition, some competitors may offer software that addresses one or a limited number of people development functions at a lower price point or with greater depth than our products. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements, and they may also be better able to respond to operational disruptions (such as in connection with the COVID-19 pandemic) than we are. Further, some potential customers, particularly large enterprises, may elect to develop their own internal products. For all of these reasons, we may not be able to compete successfully against our current and future competitors.

Because of how we recognize revenue, a significant downturn in our business may not be immediately reflected in our operating results.

Generally, we recognize revenue from subscription agreements ratably over the terms of these agreements, which is typically three years for our people development solutions. As a result, a significant portion of the revenue we report in each quarter is generated from customer agreements entered into during previous periods. Consequently, a decline in new subscriptions in any one quarter may not significantly impact our revenue and financial performance in that quarter, but will negatively affect our revenue, or rate of revenue growth, and financial performance in future quarters.

In addition, if subscription agreements expire and are not renewed in the same quarter, our revenue and financial performance in that quarter and subsequent quarters will be negatively affected. However, the revenue impact may not be immediately reflected in our operating results to the extent there is an offsetting increase in revenue from services contracts performed in that same quarter.

Finally, we may be unable to adjust our fixed costs in response to reduced revenue. Accordingly, the effect of significant declines in sales and market acceptance of our products may not be reflected in our short-term operating results.

Defects in our solutions could affect our reputation, result in significant costs to us, and impair our ability to sell our products and related services.

Defects in our solutions could adversely affect our reputation, result in significant costs to us, and impair our ability to sell our products in the future. The costs incurred in correcting any product defects may be substantial and could adversely affect our operating results. Although we continually test our products for defects and work with customers through our customer support organization to identify and correct errors, defects in our products are likely to occur in the future. Any defects that cause interruptions to the availability of our products could result in:

- lost or delayed market acceptance and sales of our products;
- early termination of customer agreements or loss of customers;
- credits or refunds to customers;
- product liability suits against us;
- diversion of development resources;
- injury to our reputation; and
- increased maintenance and warranty costs.

While our customer agreements typically contain limitations and disclaimers that purport to limit our liability for damages related to defects in our products, such limitations and disclaimers may not be enforced by a court or other tribunal or otherwise effectively protect us from such claims.

If for any reason we are not able to develop enhancements and new features, keep pace with technological developments, or respond to future disruptive technologies, our business will be harmed.

Our future success will depend on our ability to adapt and innovate. To attract new customers and increase revenue from existing customers, we will need to enhance and improve our existing products and introduce new features. The success of any enhancement or new feature depends on several factors, including timely completion, introduction, and market acceptance. If we are unable to enhance our existing products to meet customer needs or successfully develop or acquire new features or products, or if such new features or products fail to be successful, our business and operating results will be adversely affected.

In addition, because our products are designed to operate on a variety of network, hardware, and software platforms using Internet tools and protocols, we will need to continuously modify and enhance our products to keep pace with changes in internet-related hardware, software, communication, browser, and database technologies. If we are unable to respond in a timely and cost-effective manner to these rapid technological developments, our products may become less marketable and less competitive or obsolete, and our operating results may be negatively impacted.

Finally, our ability to grow is subject to the risk of future disruptive technologies. If new technologies emerge that are able to deliver a people development solutions at lower prices, more efficiently, or more conveniently, such technologies could adversely impact our ability to compete.

Even if demand for people development products and services increases generally, there is no guarantee that demand for SaaS products like ours will increase to a corresponding degree.

The widespread adoption of our products depends not only on strong demand for people development products and services generally, but also for products and services delivered via a SaaS business model in particular. There are still a significant number of organizations that have adopted no people development functions at all. It is unclear whether such organizations will ever adopt such functions and, if they do, whether they will desire a SaaS people development solution like ours. As a result, we cannot guarantee that our SaaS people development solutions will achieve and sustain the high level of market acceptance that is critical for the success of our business.

Integrated, comprehensive SaaS products such as ours represent a relatively recent approach to addressing organizations' people development challenges, and we may be forced to change the prices and billing terms for our products, or our pricing model generally, as the market for these types of products evolves.

Providing organizations with applications to address their people development challenges through integrated, comprehensive SaaS products is a developing market that is still evolving. Some of our current competitors offer their products or services at a lower price or on different billing terms, which has resulted in pressures on our pricing and billing terms. Additionally, competitive dynamics may cause pricing levels, as well as billing terms and pricing models generally, to change further as the market matures and as existing and new market participants introduce new types of products and different approaches to enable organizations to address their people development needs. As a result, we may be forced to reduce the prices we charge for our products or the pricing model on which they are based, and may be unable to renew existing customer agreements or enter into new customer agreements at the same prices and upon the same terms that we have historically. If we are unable to maintain our pricing levels, billing terms, or pricing model, our operating results could be negatively impacted. In addition, pricing pressures, increased competition, and macroeconomic factors and events generally could result in reduced sales, reduced margins, losses or the failure of our products to achieve or maintain more widespread market acceptance, any of which could harm our business.

Certain of our operating results and financial metrics are difficult to predict as a result of seasonality.

We have historically experienced seasonality in terms of when we enter into customer agreements for our products. We sign a significantly higher percentage of agreements with new customers, and renewal agreements with existing customers, in the fourth quarter of each year. Within a given quarter, often a significant portion of our agreements are signed during the last two months of the quarter. This seasonality is reflected to a much lesser extent and sometimes is not immediately apparent in our revenue, due to the fact that we generally recognize subscription revenue over the term of the customer agreement, which is generally three years. We expect this seasonality to continue, which may cause fluctuations in certain of our operating results and financial metrics, and thus difficulties in predictability.

If we fail to develop our brand, our business may suffer.

We believe that developing and maintaining awareness of the Cornerstone OnDemand brand 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 services at competitive prices. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brand. In addition, the Cornerstone OnDemand Foundation shares our company name and any negative perceptions of any kind about the Foundation could adversely affect our brand and reputation. 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 enough new customers or retain our existing customers to the extent necessary to realize a sufficient return on our brand-building efforts, and our business could suffer.

Our sales to government entities are subject to a number of additional challenges and risks.

We sell to US federal and state and foreign governmental agency customers, and we may increase sales to government entities in the future. The additional risks and challenges associated with doing business with governmental entities include, but are not limited to, the following:

- Selling to governmental entities can be more competitive, expensive, and time-consuming than selling to private entities, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale;
- Government certification requirements may change, or we may lose one or more government certifications, such as the Federal Risk and Authorization Management Program, and in doing so restrict our ability to sell into the government sector until we have attained revised certificates;
- Governmental entities may have significant leverage in negotiations, thereby enabling such entities to demand contract terms that differ from what we generally agree to in our standard agreements, including, for example, most favored nation clauses and terms allowing contract termination for convenience;
- Government demand and payment for our products may be influenced by public sector budgetary cycles and funding authorizations, with funding reductions or delays, resulting from the COVID-19 pandemic or otherwise, having an adverse impact on public sector demand for our products; and
- Government contracts are generally subject to audits and investigations, which we have limited experience with, potentially resulting in termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines, and suspensions or debarment from future government business.

To the extent that we become more reliant on contracts with government entities in the future, our exposure to such risks and challenges could increase, which, in turn, could adversely impact our business.

Risks Related to COVID-19

Our operations and employees face risks related to the ongoing COVID-19 pandemic, that could adversely affect our financial condition and operating results. The COVID-19 pandemic could materially affect our operations, including at our headquarters and/or anywhere else we operate, and the business or operations of our customers, suppliers, partners, or other third parties with whom we conduct business.

Our business has been and we expect will continue to be adversely impacted by the effects of the ongoing COVID-19 pandemic, which has and could continue to cause disruption in the operations of our customers and the suppliers, partners, and other third-parties upon whom we rely. Our headquarters and many of our employees are located in Los Angeles County, California, which had been severely impacted, and continues to be impacted, by the COVID-19 pandemic. Officials in Los Angeles County and elsewhere have issued multiple orders to implement various precautions intended to slow the spread of COVID-19, including directives related to mask wearing. Authorities in many other states and cities where our customers, suppliers, and partners are located have issued orders with similar and other goals and restrictions. While some of these restrictions have been lifted or relaxed in certain areas and while efforts to vaccinate the general population continue in California, across the US, and around the world, the COVID-19 pandemic continues to present serious health risks and there is no guarantee when or if all such restrictions will be eliminated, such that we and our customers, suppliers, and partners will be able to safely resume operations consistent with our pre-COVID-19 operations.

In response to the serious risk posed by the COVID-19 pandemic we have implemented changes that may negatively impact productivity and disrupt our business, such as asking our employees to work from home. Additionally, in connection with the COVID-19 pandemic, our suppliers and partners may be unable fulfill their obligations to us in a timely manner or at all. Further, to the extent our customers' operations have been and continue to be negatively impacted, they may delay payments to us, request payment or other concessions, elect not to renew their agreements with us in a timely manner or at all, or reduce their spending level on our products and services. While we have not had a material impact to date in connection with the COVID-19 pandemic, we have experienced, and may experience in the future, lengthening of sales cycles, reduced customer spending (which had an impact on our net annual dollar retention rate in 2020), delayed payments, and requests for extensions of payment terms from certain customers. The COVID-19 pandemic may have an impact on our revenue in the near term.

The extent of the effect of COVID-19, or any future health crisis, on our operational and financial performance, and on our relationships with suppliers, partners, and customers, will depend on future developments, including the duration, spread and intensity of the pandemic, the effect of approved vaccines, and the speed and extent to which they are distributed and taken, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on our business. If the pandemic continues to persist or increase as a severe worldwide health crisis, the pandemic could have a material adverse effect on our business, results of operations, financial condition, and cash flows.

Risks Related to Acquisitions

Failure to integrate our business and operations successfully with those of Saba in the expected time-frame or otherwise may adversely affect our operating results and financial condition.

We do not have a substantial history of acquiring other large companies and have never completed an acquisition of the size and complexity of Saba. The success of our acquisition of Saba will depend, in substantial part, on our ability to integrate Saba's business and operations successfully with ours and to realize fully the anticipated benefits and potential synergies from combining our companies, including, among others: cost savings from eliminating duplicative functions; operational efficiencies in research and development investments; and revenue growth resulting from the addition of Saba's product portfolio into our pre-acquisition product portfolio and "cross-selling" additional products to Saba customers. If we are unable to achieve these objectives, the anticipated benefits and potential synergies from the acquisition may not be realized fully or at all, or may take longer to realize than expected. Any failure to timely realize these anticipated benefits could have an adverse effect on our business, operating results, and financial condition.

We completed our acquisition of Saba in April 2020 and are still actively engaged in the integration process. In connection with the integration process, we could experience the loss of key employees, loss of key customers, decreases in revenues, and increases in operating costs, as well as the disruption of our ongoing businesses, any or all of which could limit our ability to achieve the anticipated benefits and potential synergies from the acquisition and have a material adverse effect on our business, operating results, and financial condition.

The additional scale of the combined company's operations, together with the complexity of the integration effort, including integration of critical information technology systems, as well as combining other financial, human resources, and administrative processes, may adversely affect our ability to report financial results on a timely basis. The acquisition may necessitate significant modifications to our internal control systems, processes, and information systems, both during the transition and over the longer-term as we fully integrate the combined company, particularly in light of the fact that Saba (as a private company) was not previously required to report on its internal control over financial reporting. Due to the complexity of the acquisition, we cannot be certain that our internal control over financial reporting will be effective for any period, or on an ongoing basis, nor can we be certain that changes to our internal controls or the design and implementation of new internal controls will not be required. If we are unable to accurately report our financial results in a timely manner or are unable to assert that our internal control over financial reporting is effective, our business, financial condition, and results of operations, and the market perception thereof, may be materially adversely affected.

As we have in the past, we may seek to acquire or invest in other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders, or otherwise disrupt our operations and harm our operating results.

As we have in the past, we may seek to acquire or invest in other businesses, products, or technologies that we believe could complement or expand our existing solutions, enhance our technical capabilities, lead to cost synergies, or otherwise offer growth opportunities. Most recently, in April 2020, we acquired Saba, a provider of talent experience solutions, for an aggregate purchase price of \$1.310 billion, consisting of \$1.277 billion in cash consideration (net of cash acquired) and 1,110,352 shares of our common stock with an aggregate value of \$32.9 million. The pursuit of other potential acquisitions, along with the work required to successfully integrate the businesses we acquire, may divert the attention of management, result in additional dilution, and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are ultimately consummated.

When acquiring other businesses, we may not be able to successfully integrate the personnel, operations, and technologies of any businesses that we have acquired or may acquire in the future or effectively manage the combined business following the acquisition. We may also not achieve the anticipated benefits from other acquired businesses due to a number of factors, including:

- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related and integration expenses or tax impacts, some or all of which might be unanticipated;
- ineffective or inadequate controls, procedures, or policies at the acquired company;
- diversion of management's attention from other business concerns;
- failure to realize synergies in a timely fashion or at all;
- harm to our existing relationships with customers, distributors, and partners, including as a result of competing in the markets in which such parties operate;
- inability to maintain relationships with key customers, distributors, and partners of the acquired business;
- the potential loss of key employees and customers;
- potential unknown liabilities or risks associated with the acquired businesses, including those arising from existing contractual obligations or litigation matters;
- exposure to claims and disputes by third parties, including intellectual property claims and disputes;
- the use of resources that might be used in other parts of our business; and
- the use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill or intangible assets which must be assessed for impairment at least annually or upon certain triggering events. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could harm our operating results.

Other future acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. For example, as noted above, in connection with the acquisition of Saba, we issued 1,110,352 shares of our common stock and incurred approximately \$1.0047 billion of indebtedness. In addition, if an acquired business fails to meet our expectations, our operating results, business, and financial condition may suffer.

Risks Related to Information Technology Upon Which We Rely

Our systems collect, access, use, and store personal and other customer proprietary information. As a result, we are subject to security risks and are required to invest significant resources to prevent, mitigate, or correct issues arising from potential or actual security breaches. If a security breach occurs, our reputation could be harmed, our business may suffer, and we could incur significant liability.

Our people development solutions involve the storage and transmission of customers' sensitive, proprietary, and confidential information, including personal information, over the Internet (including public networks). Our security measures may be breached as a result of efforts by individuals or groups of hackers and sophisticated organizations, including state-sponsored organizations or nation-states. Our security measures could also be compromised by employee error or malfeasance, which could result in someone obtaining unauthorized access to, or denying authorized access to our IT systems, our customers' data or our data, including our intellectual property and other confidential business information. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords, or other information to gain access to our customers' data, our data, or our IT systems. A security breach or other security incident of our IT systems, customer data, website, data or app, or those of one of our vendors, partners or other third parties, has occurred in the past, and may occur in the future. For example, in January 2021, an unauthorized party gained access to a separate, legacy application of ours and gained access to the names, email addresses, and training records of approximately three dozen customers. We took appropriate steps to respond to this incident and implemented remedial actions designed to protect against similar issues in the future.

Such breaches and other incidents can result in a risk of unauthorized, unlawful, or inappropriate access to, denial of access to, disclosure of, or loss of our customers' or our sensitive, proprietary, and confidential information, as well as damage to our IT systems and our ability to make required reporting and disclosures as a public company. An actual or perceived security breach or similar incident could adversely affect our operating results and financial condition due to loss of confidence in the security of our products, or result in damage to our reputation, early termination of contracts, decline in sales, disruption to our operations, litigation, regulatory investigations and penalties, or other liabilities.

In particular, federal, state, and foreign governments continue to adopt new, or modify existing, laws requiring companies and their service providers to maintain certain security measures or to report data breaches to government authorities or affected individuals. In turn, customers' expectations for the security measures we implement have increased. If we experience security breaches that could have been prevented by measures required by these laws or our customer contracts, or fail to report security breaches within timeframes mandated by law or our customer contracts, we could face significant liability.

Techniques to compromise IT systems have become more complex over time and are often not identified until they are exploited. As a result, we may be unable to anticipate or prevent such techniques. Our products operate in conjunction with and are dependent on a broad range of products, components, and third-party services, and a vulnerability in any of them can expose us to a security breach. In addition, our customers and their third-party service providers may not have adequate security measures in place to protect their data that is stored in our solutions, and because we do not control our customers or their service providers, we cannot prevent vulnerabilities in their security measures from being exploited.

Our efforts to detect, prevent, and remediate known or potential security vulnerabilities, including those arising from third-party hardware or software, may result in additional direct and indirect costs.

Finally, 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.

We rely on third-party computer hardware and software that may be difficult to replace or could cause errors or failures of our service.

In addition to the software we develop, we rely on computer hardware, purchased or leased, and software licensed from third parties in order to deliver our solutions. This hardware and software may not continue to be available on commercially reasonable terms, if at all. Any loss of the right to use any of this hardware or software could result in delays in our ability to provide our solutions until equivalent technology is either developed by us or, if available, identified, obtained, and integrated. In addition, errors or defects in third-party hardware or software used in our solutions could result in errors or a failure of our products, which could harm our business.

If we fail to manage our SaaS hosting network infrastructure capacity, our existing customers may experience service outages and our new customers may experience delays in the deployment of our people development solutions.

We have experienced significant growth in the number of users, transactions, and data that our hosting infrastructure supports. We seek to maintain sufficient excess capacity in our SaaS hosting network infrastructure to meet the needs of all of our customers. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. However, the provision of new hosting infrastructure requires significant lead time. If we do not accurately predict our infrastructure capacity requirements, our existing customers may experience service outages that may subject us to financial penalties, financial liabilities, and customer losses. If our hosting infrastructure capacity fails to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could harm our reputation and adversely affect our revenue growth.

Any significant disruption in our SaaS hosting network infrastructure could harm our reputation, require us to provide credits or refunds, result in early terminations of customer agreements or a loss of customers, and adversely affect our business.

Our SaaS hosting network infrastructure is a critical part of our business operations. Our customers access our people development solutions through a standard web browser and depend on us for fast and reliable access to our products. Our software is proprietary, and we currently rely on four third-party data center hosting facilities, which we lease, and the expertise of members of our engineering and software development teams for the continued performance of our solutions. We are in the process of migrating our solutions from our leased data center hosting facilities to public cloud third-party data center providers. After we complete this migration, we will rely extensively on these public cloud providers to provide our customers and their users with fast and reliable access to our products. Any disruption of or interference with our SaaS hosting network infrastructure, including the services and operations of the public cloud providers, could harm our reputation, business, and results of operations. We have experienced, and may in the future experience, disruptions in our computing and communications infrastructure. Factors that may cause such disruptions that may harm our reputation include:

- human error;
- security breaches;
- telecommunications outages from third-party providers;
- computer viruses;
- acts of terrorism, sabotage, or other intentional acts of vandalism, including cyber attacks;
- unforeseen interruption or damages experienced in moving hardware to a new location;
- fire, earthquake, flood, and other natural disasters; and
- power loss.

Although we generally back-up our customer databases hourly, store our data in more than one geographically distinct location at least weekly, and perform real-time mirroring of data to disaster recovery locations, we do not currently offer immediate access to disaster recovery locations in the event of a disaster or major outage. Thus, in the event of any of the factors described above, or certain other failures of our computing infrastructure, customers may not be able to access their data for 24 hours or more and there is a remote chance that customer data from recent transactions may be permanently lost or otherwise compromised. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. Moreover, some of our agreements include performance guarantees and service level standards that obligate us to provide credits, refunds or termination rights in the event of a significant disruption in our SaaS hosting network infrastructure or other technical problems that relate to the functionality or design of our solutions.

Risks Related to Our Reliance on Third Parties

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

We anticipate that we will continue to depend on various third-party relationships in order to grow our business. In addition to growing our indirect sales channels, we intend to pursue additional relationships with other third parties, such as technology and content providers and implementation consultants. Identifying, negotiating, and documenting relationships with third parties requires significant time and resources, as does integrating third-party content and technology. Our agreements with distributors and providers of technology, content, and consulting services are typically non-exclusive and do not prohibit them from working with our competitors or from offering competing services. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce subscriptions to our products. In addition, these distributors and providers may not perform as expected under our agreements, and we have had and may in the future have, disagreements or disputes with such distributors and providers, which could negatively affect our brand and reputation. A global economic slowdown could also adversely affect the businesses of our distributors and it is possible that they may not be able to devote the resources we expect to our relationships with such distributors.

If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results could suffer. Even if we are successful, we cannot guarantee that these relationships will result in improved operating results.

We rely significantly on implementation partners to deliver professional services to our customers, and if these implementation partners fail to deliver these professional services effectively, or if we are unable to incentivize new partners to service our customers, our operating results will be harmed.

We rely significantly on various partners to assist us in the successful implementation of our products and to optimize our customers' use of our products during the terms of their engagements. We provide our implementation partners with specific training and programs to assist them in servicing our customers, but there can be no assurance that these steps will be utilized or effective. If these partners fail to deliver these services to our customers in an effective and timely manner, we may suffer reputational harm and our results of operations may be adversely impacted. We also may not be able to incentivize new partners to service our customers. If we are unable to maintain our existing relationships or enter into new ones, we would have to devote substantially more resources to delivering our professional services. If we fail to effectively manage our implementation partners, our ability to sell our products and subscriptions and our operating results will be harmed.

Failure to effectively manage customer deployments by our third-party service providers could adversely impact our business.

In cases where our third-party service providers are engaged either by us or by a customer directly to deploy a product for a customer, our third-party service providers need to have a substantial understanding of such customer's business so they can configure the product in a manner that complements its existing business processes and integrates the product into its existing systems. It may be difficult for us to manage the timeliness of these deployments and the allocation of personnel and resources by our customers. Failure to successfully manage customer deployments by us or our third-party service providers could harm our reputation and cause us to lose existing customers, face potential customer disputes, or limit the rate at which new customers purchase our products.

Risks Related to Our Financial Results and Need for Additional Capital

Our financial results may fluctuate due to our long, variable and, therefore, unpredictable sales cycle and our focus on large and mid-market organizations.

We plan our expenses based on certain assumptions about the length and variability of our sales cycle. If our sales cycle becomes longer or more variable, our results may be adversely affected. Our sales cycle generally varies in duration from two to nine months and, in some cases, much longer depending on the size of the potential customer. Factors that may influence the length and variability of our sales cycle include among others:

- the need to educate potential customers about the uses and benefits of our products;
- the relatively long duration of the commitment customers make in their agreements with us;
- the discretionary nature of potential customers' purchasing and budget cycles and decisions;
- the competitive nature of potential customers' evaluation and purchasing processes;
- the lengthy purchasing approval processes of potential customers;
- the evolving functionality demands of potential customers;
- fluctuations in the people development needs of potential customers;

- announcements or planned introductions of new products by us or our competitors; and
- macroeconomic factors, such as the evolving COVID-19 pandemic.

The fluctuations that result from the length and variability of our sales cycle may be magnified by our focus on sales to large and mid-sized organizations. If we are unable to close an expected significant transaction with one or more of these companies in a particular period, or if an expected transaction is delayed until a subsequent period, our operating results for that period, and for any future periods in which revenue from such transaction would otherwise have been recognized, may be adversely affected.

Servicing our debt will require a significant amount of cash, which could adversely affect our business, financial condition, and results of operations.

Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, including our Convertible Notes due March 17, 2023 with an aggregate principal amount of \$300.0 million, and the Term Loan Facility due April 22, 2027 with an original aggregate principal amount of \$1.0047 billion, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. On April 23, 2021, we refinanced our Term Loan Facility to lower the interest rate by one percentage point resulting in a rate per annum equal to LIBOR plus an applicable margin of 3.25%. For additional information refer to *Note 3 – Debt* of the *Notes to Condensed Consolidated Financial Statements*. Our business may not generate cash flow from operations in the future sufficient to satisfy our obligations under the Term Loan Facility, the Convertible Notes, or any future indebtedness we may incur, or to 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 reducing or delaying investments or capital expenditures, selling assets, refinancing, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance the Convertible Notes, the Term Loan Facility, or 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 the Convertible Notes, the Term Loan Facility, or future indebtedness.

Further, with certain exceptions, upon a change of control the holders of our Convertible Notes may require that we repurchase all or part of such notes at a purchase price equal to the principal amount plus the total sum of all remaining scheduled interest payments through the remainder of the term of such notes. In such event we may not have enough cash available or be able to obtain financing to repurchase the Convertible Notes, and our ability to repurchase the Convertible Notes may be limited by law, regulatory authority, or agreements governing our other indebtedness.

We may require additional capital to support business growth, and this capital may not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may seek additional funds to respond to business challenges, including the need to develop new features or enhance our existing products, improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we may need to engage in additional equity or debt financings to secure additional funds. For example, we incurred \$1.0047 billion of additional indebtedness and issued 1,110,352 shares of our common stock to finance the acquisition of Saba, which was completed in April 2020. If we raise additional funds through issuances of equity or debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired.

Further, the indenture governing the Convertible Notes and the Term Loan Facility includes restrictive covenants that, subject to specified exceptions and parameters, limit our ability to incur additional debt, and the Term Loan Facility includes additional restrictive covenants that limit, subject to specific exceptions and parameters, our ability to make investments or acquisitions, declare dividends, or take certain other corporate actions. As a result, we may be unable to take advantage of strategic or business development opportunities as they arise, or we may not be able to react to market conditions, if we are restricted in our ability to raise debt financing, or we may be required to seek alternative means to generate cash, including by selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive, if available at all.

Our financial results may fluctuate due to various business factors, some of which may be beyond our control.

There are a number of other factors that may cause our financial results to fluctuate from period to period, including among others:

- changes in billing terms and collection cycles in customer agreements;

- the extent to which new customers are attracted to our products to satisfy their people development needs;
- the timing and rate at which we sign agreements with new customers;
- our access to service providers and partners when we outsource customer service projects;
- our ability to manage the quality and completion of the customer implementations performed by partners;
- the timing and duration of our customer implementations, which is often outside of our direct control;
- our ability to provide, or partner with effective partners to provide, resources for customer implementations and consulting projects;
- the extent to which we retain existing customers and satisfy their requirements;
- the extent to which existing customers renew their subscriptions to our products and the timing of those renewals;
- the extent to which existing customers purchase or discontinue the use of additional products and add or decrease the number of users;
- the extent to which our customers request enhancements to underlying features and functionality of our products, and the timing of our delivery of these enhancements to our customers;
- the addition or loss of large customers, including through acquisitions or consolidations;
- the number and size of new customers, as well as the number and size of renewal customers in a particular period;
- the mix of customers among large, mid-sized, and small organizations;
- changes in our pricing policies or those of our competitors;
- seasonal factors affecting demand for our products or potential customers' purchasing decisions;
- the financial condition and creditworthiness of our customers;
- the amount and timing of our operating expenses, including those related to the maintenance, expansion, and restructuring of our business, operations, and infrastructure;
- changes in the operational efficiency of our business;
- the timing and success of synergy realization resulting from integration of acquired companies, such as Saba;
- the timing and success of our new product and service introductions;
- the timing of expenses of the development of new products and technologies, including enhancements to our products;
- our ability to aggregate large data sets into meaningful insights to drive increased demand for our products;
- continued strong demand for people development in the US and globally;
- the success of current and new competitive products and services by our competitors;
- other changes in the competitive dynamics of our industry, including consolidation among competitors, customers, or strategic partners;
- our ability to manage our existing business and future growth, including in terms of additional headcount, additional customers, incremental users, and new geographic regions;
- expenses related to our network and data centers, and the expansion of such networks and data centers;
- the effects of, and expenses associated with, acquisitions of third-party technologies or businesses and any potential future charges for impairment of goodwill resulting from those acquisitions;
- equity issuances, including as consideration in acquisitions or due to the conversion of our outstanding Convertible Notes;
- business disruptions, costs, and events related to shareholder activism;
- legal or political changes in local or foreign jurisdictions that decrease demand for, or restrict our ability to sell or provide, our products;
- fluctuations in foreign currency exchange rates, including any fluctuation caused by uncertainties relating to UK's exit from the EU, commonly referred to as Brexit;
- general economic, industry, and market conditions, including in connection with the COVID-19 pandemic; and
- various factors related to disruptions in our SaaS hosting network infrastructure, defects in our products, privacy and data security considerations, and exchange rate fluctuations, each of which is described elsewhere in these risk factors.

In light of the foregoing factors, we believe that our financial results, including our revenue, operating income, and free cash flows may vary significantly from period-to-period. As a result, period-to-period comparisons of our operating results may not be meaningful and should not be relied on as an indication of future performance.

Because we generally recognize subscription revenue from our customers over the terms of their agreements but incur most costs associated with generating such agreements upfront, rapid growth in our customer base may put downward pressure on our operating margin in the short term.

The expenses associated with generating customer agreements are generally incurred up front but the resulting subscription revenue is generally recognized over the life of the agreements; therefore, increased growth in the number of our customers will result in our recognition of more costs than revenue during the early periods covered by such agreements, even in cases where the agreements are expected to be profitable for us over their full terms.

We have a history of losses, and we cannot be certain that we will achieve or sustain profitability.

We have historically incurred net losses. At June 30, 2021, our accumulated deficit was \$577.5 million and total stockholders' equity was \$308.6 million. It is possible that we may continue to incur operating losses in the future as a result of expenses associated with the continued development and expansion of our business as well as borrowing costs on our substantial indebtedness. Our expenses include among others, sales and marketing, research and development, consulting and support services, costs related to our acquisitions and the integration of businesses we acquire, and other costs related to the development, marketing, and sale and service of our products that may not generate revenue until later periods, if at all. Any failure to increase revenue or manage our cost structure as we implement initiatives to grow our business could prevent us from sustaining profitability. In addition, our ability to achieve sustained profitability is subject to a number of the risks and uncertainties discussed below, many of which are beyond our control. We cannot be certain that we will be able to sustain profitability on a quarterly or annual basis.

Risks Related to Compliance with Laws

Existing or future laws and regulations relating to privacy or data security could increase the cost of our products, limit their use and adoption, and subject us or our customers to litigation, regulatory investigations and penalties, and other potential liabilities.

Our people development solutions enable our customers to collect, manage, and store a wide range of data, including personal data, related to every phase of the employee performance and management cycle. The US and various state governments have adopted or proposed laws governing the collection, use, storage, sharing, and processing of personal data. Several foreign jurisdictions, including but not limited to the EU and its member states, the UK, Korea, Japan, Singapore, Australia, and India, have adopted legislation (including directives or regulations) that increase or change the requirements governing the personal data of individuals in these jurisdictions. In some cases, these laws impose obligations not only on many of our customers, but also directly on us. These laws and regulations are complex and change frequently, at times due to differing economic conditions and changes in political climate, with new laws and regulations proposed frequently and existing laws and regulations subject to different and conflicting interpretations. These laws have the potential to increase costs of compliance, risks of noncompliance and penalties for noncompliance, and the cost and complexity of selling and delivering our solutions.

For example, the EU's General Data Protection Regulation ("GDPR"), which took effect on May 25, 2018, imposes obligations on our customers and directly on us. Among other obligations under the GDPR, we are required to: give more detailed disclosure about how we collect, use, and share personal data; contractually commit to data protection measures in our contracts with customers; maintain adequate data security measures; notify regulators and affected individuals of certain personal data breaches; meet extensive privacy governance and documentation requirements; and honor individuals' expanded data protection rights, including their rights to access, correct, and delete their personal data. Companies that violate the GDPR can face fines of up to the greater of 20 million euros or 4% of their worldwide annual revenue, and restrictions on data processing. Our customers' failure to comply with the GDPR could lead to significant fines imposed by regulators or restrictions on our ability to process personal information as needed to provide our services. We may also be obligated to assist our customers with their own compliance obligations under the GDPR.

Further, the GDPR and other European data protection laws restrict the transfer of personal information from Europe to the United States and most other countries unless the parties to the transfer have implemented specific compliance mechanisms. One of the mechanisms on which we previously relied, the EU-US Privacy Shield Framework, was invalidated by the Court of Justice of the European Union in a July 2020 decision. The decision also called into question whether companies can lawfully use the European Commission's Standard Contractual Clauses as a compliance mechanism for transfers of personal data from Europe to the United States or most other countries. Authorities in Switzerland also have issued guidance calling the Swiss-U.S. Privacy Shield Framework inadequate and raising similar questions about the Standard Contractual Clauses. At present, there are few, if any, viable alternatives to the Standard Contractual Clauses, on which we have relied, including for transfers to India, where we maintain a significant support center. If we are unable to implement sufficient safeguards to ensure that our transfers of personal information from Europe are lawful, we will face increased exposure to regulatory actions, substantial fines, and injunctions against processing personal information from Europe. We also rely on the European Commission's recognition of Canada, Israel, and New Zealand, where we maintain significant support centers, as providing an "adequate" level of protection for personal data transferred from Europe to those countries. Loss of our ability to lawfully transfer personal data out of Europe to these or any other jurisdictions may cause reluctance or refusal by current or prospective European customers to use our products, and we may be required to increase our data processing capabilities in Europe at significant expense. Additionally, other countries outside of Europe have passed or are considering passing laws requiring local data residency, which could increase the cost and complexity of delivering our services.

Further, Brexit has created uncertainty with regard to data protection regulation in the UK, where our operations involve the processing of EU residents' personal data. In particular, as a result of Brexit, the UK has received a four-year adequacy decision from the EU. However, it is unclear how data transfers to and from the UK will be regulated after the four-year period expires. Thus, it is uncertain whether our operations in, and data transfers to and from, the UK will be able to comply with UK and EU law in the future.

Privacy and data security laws in the US are also increasingly complex and changing rapidly. Many states have enacted laws requiring companies to implement reasonable data security measures, and laws in all states and US territories require businesses to notify affected individuals and governmental entities of the occurrence of certain security breaches affecting personal information. These laws are not consistent, and compliance with them in the event of a widespread data breach may be complex and costly. States have also begun to introduce more comprehensive privacy legislation. Just over a month after the GDPR took effect, the California legislature passed the California Consumer Privacy Act of 2018 ("CCPA"), which took effect on January 1, 2020. The CCPA gives California residents certain rights similar to the individual rights given under the GDPR, including the right to access and delete their personal information, opt-out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA prohibits discrimination against individuals who exercise their privacy rights, provides for civil penalties for violations, and creates a private right of action for data breaches that is expected to increase data breach litigation. Since the enactment of the CCPA, new privacy and data security laws have been proposed in more than half of the US states and in the US Congress, reflecting a trend toward more stringent privacy legislation in the US. The CCPA itself will expand substantially when the California Privacy Rights Act of 2020 (the "CPRA"), which California voters approved in November 2020, takes effect on January 1, 2023. The CPRA will, among other things, restrict use of certain categories of sensitive personal information that we handle; further restrict the sharing of personal information; establish restrictions on the retention of personal information; expand the types of data breaches subject to the private right of action; and establish the California Privacy Protection Agency to implement and enforce the new law, as well as impose administrative fines.

The costs of compliance with, and other burdens imposed by, privacy and data security laws and regulations may limit the use and adoption of our services, lead to negative publicity, reduce overall demand for our services, make it more difficult to meet expectations of or commitments to customers, require us to take on more onerous obligations in our contracts with customers, lead to significant fines, penalties or liabilities for noncompliance, or slow the pace at which we close sales transactions, any of which could harm our business. These laws could also impact our ability to offer, or our customers' ability to deploy, our services in certain locations. The costs, burdens, and potential liabilities imposed by existing privacy laws could be compounded if other jurisdictions in the US or abroad begin to adopt similar laws.

In addition to government activity, privacy advocacy and other industry groups have established, or may establish, new self-regulatory standards that may place additional burdens on our ability to provide our services globally. Our customers expect us to meet voluntary certifications and other standards established by third parties, such as ISO 27001 and ISO 27701. If we are unable to earn and maintain these certifications or meet these standards, it could adversely affect our ability to provide our solutions to certain customers and could harm our business.

Furthermore, concerns regarding data privacy and security may cause our customers' customers, members, employees, or other stakeholders to resist providing the data necessary to allow our customers to use our services effectively. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our products or services and could limit adoption of our cloud-based solutions.

Any of these matters could materially adversely affect our business, financial condition, or operational results.

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

Our products are subject to export controls, including the Commerce Department's Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Controls, and exports of our products must be made in compliance with these laws. If we fail to comply with these US export control laws and import laws, including US Customs regulations, we and certain of our employees could be subject to: substantial civil or criminal penalties, including the possible loss of export or import privileges; fines, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. In addition, if our distributors fail to obtain appropriate import, export, or re-export licenses or authorizations, we may also be adversely affected through reputational harm and penalties. Obtaining the necessary authorizations, including any required license, for a particular sale may be time-consuming and is not guaranteed, and may result in the delay or loss of sales opportunities. Furthermore, the US export control laws and economic sanctions laws prohibit the shipment of certain products and services to US embargoed or sanctioned countries, governments, and persons. Even though we take precautions to prevent our products from being provided to US sanctions targets, our products and services could be delivered to those targets or provided by our distributors despite such precautions. Any such shipment could have negative consequences, including government investigations, penalties, and reputational harm. In addition, various countries regulate the import of certain encryption technology, including through import permitting or licensing requirements, and have enacted laws that could limit our ability to distribute our products or could limit our customers' ability to implement our products in those countries. Changes to our products or changes in export and import regulations may create delays in the introduction and sale of our products in international markets, prevent our customers with international operations from deploying our products or, in some cases, prevent the export or import of our products to certain countries, governments or persons altogether. Any change in export or import regulations, economic sanctions or related laws, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our products, or in our decreased ability to export or sell our products to existing or potential customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products would likely adversely affect our business, financial condition, and operating results.

Risks Related to International Operations

Fluctuations in the exchange rate of foreign currencies could result in foreign currency gains and losses.

We conduct our business in various countries across the world. As we continue to expand our international operations, we will become more exposed to the effects of fluctuations in currency exchange rates. This exposure is the result of selling in multiple currencies and operating in foreign countries where the functional currency is the local currency. Further, our overseas subsidiaries' results are also impacted by exchange rates affecting the carrying value of US dollar denominated intercompany loans with us. Because we conduct business in currencies other than US dollars, but report our results of operations in US dollars, fluctuations in the exchange rates of these foreign currencies, including any fluctuations caused by uncertainties following Brexit, may hinder our ability to predict our future results and earnings and materially impact our business, financial condition, and operating results. Due to our legal structure and the currencies in which we operate, any fluctuations in the exchange rates of the British pound may be particularly impactful. We may engage in foreign currency hedging. When we hedge our foreign currency exposure, we may not be able to completely eliminate the impact of fluctuations in the exchange rates.

We currently have a number of international offices and may expand our international operations. Doing business internationally has unique risks with respect to operational execution and regulatory compliance.

We currently have international offices in several countries, and we may expand our international operations into other countries in the future. If we invest substantial time and resources to expand our international operations and are unable to do so successfully, our business and operating results will suffer. Conducting our business internationally, particularly with expansion into countries in which we have limited experience, subjects us to a variety of risks that that we do not necessarily face to the same degree in the US. These risks may lead to a decreased demand for, or restrict our ability to sell or provide, our products, and include, among others:

- unexpected changes in regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties, or other trade restrictions;

- differing labor regulations;
- regulations relating to data security and the unauthorized use of, or access to, commercial and personal information;
- potential penalties or other adverse consequences for violations of anti-corruption, anti-bribery, and other similar laws and regulations, including the US Foreign Corrupt Practices Act (“FCPA”) and the UK Bribery Act;
- greater difficulty in supporting and localizing our products;
- unrest and/or changes in a specific country’s or region’s social, political, legal, health, or economic conditions, including in connection with the COVID-19 pandemic;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, controls, policies, benefits, and compliance programs;
- currency exchange rate fluctuations including any fluctuations caused by uncertainties following Brexit;
- limited or unfavorable intellectual property protection;
- competition with companies or other services that understand local markets better than we do;
- increased financial accounting and reporting burdens, and complexities associated with implementing and maintaining adequate internal controls; and
- restrictions on repatriation of earnings.

Our operations could be materially affected by changes in domestic and foreign economic, political, or legal conditions. For example, we are continuing to monitor developments related to Brexit, which occurred at the end of December 2020 and could have significant implications for our business. Lack of clarity about future UK laws and regulations as the UK determines which EU rules and regulations to replace or replicate, including financial laws and regulations, tax and free trade agreements, intellectual property rights, supply chain logistics, environmental, health and safety laws and regulations, immigration laws, and employment laws, could decrease foreign direct investment in the UK, increase costs, depress economic activity, and restrict access to capital. The political and economic instability created by Brexit has also caused and may continue to cause significant volatility in global financial markets and the value of the British pound currency or other currencies, including the euro, and due to our legal structure, any fluctuations in the exchange rates of the British pound may be particularly impactful.

Such a withdrawal from the EU is unprecedented. It is unclear how the UK’s access to the European single market for goods, capital, services, and labor within the EU, or single market, and the wider commercial, legal, and regulatory environment, will impact our UK operations and customers. Our UK operations service customers in the UK as well as in other countries in the EU and the European Economic Area (“EEA”), and these operations could be disrupted by Brexit, particularly if there is a change in the UK’s relationship to the single market.

We may also face new regulatory costs and challenges that could have an adverse effect on our operations. For example, the UK could lose the benefits of global trade agreements negotiated by the EU on behalf of its members, which may result in increased trade barriers that could make doing business in the EU and the EEA more difficult.

Risks Related to Intellectual Property

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

Our success is dependent, in part, upon protecting our proprietary 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 in our products and services. 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 and services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer, and disclosure of our licensed 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 US. To the extent we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information may increase. 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. These agreements may not 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. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. If we fail to secure, protect, and enforce our intellectual property rights, we may lose valuable assets, generate reduced revenue, and incur costly litigation to protect our rights, which could seriously harm our brand and adversely impact our business.

We may be sued by third parties for alleged infringement of their proprietary rights or may find it necessary to enter into licensing arrangements with third parties to settle or forestall such claims, either of which could have a material adverse effect on our operating results and financial condition.

There is considerable patent and other intellectual property development activity in our industry. Our success depends in part upon our not infringing the intellectual property rights of others. However, our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry or, in some cases, our technology or products. From time to time, such third parties may claim that we are infringing their intellectual property rights, and we may actually be found to be infringing such rights. Moreover, we may be subject to claims of infringement with respect to technology that we acquire or license from third parties. The risk that we could be subject to infringement claims is increasing as the number of products and companies competing with our solutions grows. Any claims or litigation could require the commitment of substantial time and resources and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty or licensing payments, indemnify our customers, distributors, or other third parties, modify or discontinue the sale of our products, or refund fees, any of which would deplete our resources and adversely impact our business. We have in the past obtained, and may in the future obtain, licenses from third parties to forestall or settle potential claims that our products and technology infringe the intellectual property rights of others. Discussions and negotiations with such third parties, whether successful or unsuccessful, could result in substantial costs and the diversion of management resources, either of which could seriously harm our business.

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 provisions under which we agree to indemnify 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 our products, services, or other contractual obligations. The term of these indemnity provisions generally survives termination or expiration of the applicable agreement. Large indemnity payments could harm our business, operating results, and financial condition. From time to time, we are requested by customers to indemnify them for breach of confidentiality with respect to personal data. Although we normally do not agree to, or contractually limit our liability with respect to, such requests, the existence of such a dispute with a customer may have adverse effects on our customer relationships and reputation.

We use open source software in our products, which could subject us to litigation or other actions.

We use open source software in our products and services and may use more open source software in the future. From time to time, companies that use open source software have faced claims challenging the use of such open source software and their compliance with the terms of the applicable open source license. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software, or claiming non-compliance with the applicable open source licensing terms. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition, or require us to devote additional research and development resources to change our products. In addition, some open source licenses require end-users who distribute or make available across a network products and services that include open source software to make available all or part of such software, which in some circumstances could include valuable proprietary code, at no cost, and/or license such code under the terms of the particular open source license. While we employ practices designed to monitor our compliance with the licenses of third-party open source software and protect our proprietary source code, we may inadvertently use third-party open source software in a manner that exposes us to claims of non-compliance with the applicable terms of such license, including claims for infringement of intellectual property rights or for breach of contract. Furthermore, there is an increasing number of open-source software license types, almost none of which has been tested in a court of law, resulting in a lack of guidance regarding the proper legal interpretation of such license types. If we inappropriately use open source software, we may be required to expend time and resources to re-engineer our products and services, discontinue the sale of our products, organize a legal defense against claims and allegations regarding our use of open source software, or take other remedial actions. In addition, the use of third-party open source software may expose us to greater risks than the use of third-party commercial software because open-source licensors generally do not provide warranties or controls on the functionality or origin of the software. Use of open source software may also present additional security risks because the public availability of such software may make it easier for hackers and other third-parties to determine how to compromise our platform. Any of the foregoing could be harmful to our business, financial condition, or operating results.

Risks Related to Reliance on Our Employees

If we fail to retain key employees or to recruit and retain qualified technical and sales personnel, our business could be harmed.

We believe that our success depends on the continued employment of our senior management and other key employees. From time to time, there may be changes in our management team resulting from the hiring or departure of executives. For example, during 2020: our founder, Adam Miller, transitioned from chief executive officer to co-chairperson of the board; Phil Saunders, the former chief executive officer of Saba, was appointed by the board to serve as Cornerstone's new chief executive officer; and, Brian Swartz resigned from his position as our chief financial officer. In January 2021, the board appointed Chirag Shah as our new chief financial officer effective February 1, 2021. Changes such as these could disrupt our business. In addition, because our future success is dependent on our ability to continue to enhance and introduce new software and services, we are heavily dependent on our ability to attract and retain qualified engineers with the requisite education, background, and industry experience. As we expand our business, our continued success will also depend, in part, on our ability to attract and retain qualified sales, marketing, and operational personnel capable of supporting a larger and more diverse customer base. The loss of the services of a significant number of our engineers or sales people could be disruptive to our development efforts or business relationships. In addition, if any of our key employees joins a competitor or decides to otherwise compete with us, we may experience a material disruption of our operations and development plans, which may cause us to lose customers or increase operating expenses as the attention of our remaining senior managers is diverted to recruit replacements for the departed key employees.

Furthermore, foreign nationals who are not US citizens or permanent residents constitute an important part of our US workforce, particularly in the areas of engineering and product development. Our ability to hire and retain these workers and their ability to remain and work in the US are impacted by laws and regulations, as well as by procedures and enforcement practices of various government agencies. Changes to US immigration and work authorization laws and regulations, including those recently implemented in the US, can be significantly affected by political forces and levels of economic activity. These and any further legislative or administrative changes to immigration or visa laws and regulations may impair our ability to hire or retain personnel who are not US citizens or permanent residents, increase our operating expenses, or negatively impact our ability to deliver our products and services, which may materially adversely affect our business or our ability to expand our operations, including internationally.

Failure to effectively retain, and continue to increase the productivity of, our direct sales teams will impede our growth.

We will need to continue to increase the productivity of and retain our sales and marketing infrastructure in order to grow our customer base and our business. We may engage additional third-party distributors, both domestically and internationally. Identifying, recruiting, and training these people and entities will require significant time, expense, and attention. If we are unable to achieve our expected productivity increases, we may not be able to significantly increase our revenue, profitability, and/or free cash flows.

Our business and operations are experiencing growth and organizational change. If we fail to effectively manage such growth and change in a manner that preserves the key aspects of our corporate culture, our business and operating results could be harmed.

Our corporate culture focuses on rapid innovation, teamwork, and attention to customer success, all of which we believe have been central to our growth so far. We have experienced, and may continue to experience, growth and organizational change, including growth and organizational change resulting from our acquisition of and subsequent integration with other businesses, such as Saba, as well as organizational change due to workforce reduction plans announced in 2020, which has placed, and may continue to place, significant demands on our operational, financial, and management resources. We may continue to expand our international operations into other countries in the future, either organically or through acquisitions. We have also experienced significant growth in the number of users, transactions, and data that our 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 corporate culture. 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 products may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers.

Restructuring activities could adversely affect our ability to execute our business strategy.

We have in the past implemented headcount-related restructuring measures, and in the future it may become necessary for us to continue to restructure our business due to worldwide market conditions or other factors that reduce the demand for our products and services, which could adversely affect our ability to execute our business strategy. For example, in 2020, we announced plans to reduce headcount as part of our phased integration with Saba to streamline the organization. Any future restructuring may have other consequences, such as attrition beyond the planned reduction in workforce, a negative effect on employee morale and productivity, or a reduction in our ability to attract and retain highly skilled employees.

Risks Related to Tax Issues

We are a multinational organization faced with increasingly complex tax issues in many jurisdictions, and we could be obligated to pay additional taxes in various jurisdictions.

As a multinational organization, we are 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 have a material adverse effect on our liquidity and operating results. 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 have a material impact on us and our operating results. If we are selected for future examinations that uncover incorrect tax positions, we could be subject to additional taxes, interest, and penalties.

Taxing authorities could reallocate our taxable income among our subsidiaries, which could increase our consolidated tax liability.

We conduct operations worldwide through subsidiaries in various tax jurisdictions pursuant to transfer pricing arrangements between our subsidiaries. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arms' length and that contemporaneous documentation is maintained to support the transfer prices. While we believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so, our transfer pricing procedures are not binding on applicable tax authorities. If tax authorities in any of these countries were to successfully challenge our transfer prices as not reflecting arm's length transactions, they could require us to adjust our transfer prices and thereby reallocate our income to reflect these revised transfer prices, which could result in a higher tax liability to us. In addition, if the country from which the income is reallocated does not agree with the reallocation, both countries could tax the same income, resulting in double taxation. If tax authorities were to allocate income to a higher tax jurisdiction, subject our income to double taxation or assess interest and penalties, it would increase our consolidated tax liability, which could adversely affect our financial condition, operating results, and cash flows.

Changes in tax laws or regulations that are applied adversely to us or our customers may have a material adverse effect on our business, cash flow, financial condition, or results of operations.

New income, sales, use, or other tax laws, statutes, rules, regulations, or ordinances could be enacted at any time, which could adversely affect our business operations and financial performance. Further, existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us. For example, US federal tax legislation enacted in 2017, informally titled the Tax Cuts and Jobs Act (the “Tax Act”), enacted many significant changes to the US tax laws. Future guidance from the US Internal Revenue Service and other tax authorities with respect to the Tax Act may affect us, and certain aspects of the Tax Act could be repealed or modified in future legislation. For example, legislation enacted on March 27, 2020, entitled the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), modified certain provisions of the Tax Act. In addition, it is uncertain if and to what extent various states will conform to the Tax Act, the CARES Act or any newly enacted federal tax legislation. Changes in corporate tax rates, the realization of net deferred tax assets relating to our operations, the taxation of foreign earnings, and the deductibility of expenses under the Tax Act or future reform legislation could have a material impact on the value of our deferred tax assets, could result in significant one-time charges, and could increase our future US tax expense.

Our ability to use net operating loss carryforwards and certain other tax attributes to reduce future tax payments may be subject to limitations.

Our US federal net operating loss carryforwards generated in taxable years beginning before January 1, 2018, may be carried forward to offset future taxable income, if any, until such net operating loss carryforwards expire. Under the Tax Act, as modified by the CARES Act, US federal net operating losses incurred in taxable years beginning after December 31, 2017 may be carried forward indefinitely, but the deductibility of such US federal net operating losses in taxable years beginning after December 31, 2020 is limited to 80% of taxable income. It is uncertain if and to what extent various states will conform to the Tax Act or the CARES Act.

In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change” (generally defined as a greater than 50 percentage point change (by value) in its equity ownership over a three-year period), the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes (such as research tax credits) to offset its post-change income may be limited. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership. We may therefore be limited in the portion of net operating loss carryforwards and other applicable tax attributes that we can use in the future to offset taxable income for US federal income tax purposes. In addition, at the state level, there may be periods during which the use of net operating losses is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

General Risk Factors

As a public company, we are obligated to maintain proper and effective internal control over financial reporting. If our internal control over financial reporting is ineffective, our financial reporting may not be accurate, complete, and timely and our auditors may be unable to attest to its effectiveness when required, thus adversely affecting investor confidence in our company.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. Our auditors also need to audit the effectiveness of our internal control over financial reporting, including disclosure of any material weaknesses in our internal control over financial reporting.

We have incurred and continue to incur significant costs assessing our system of internal control over financial reporting and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may discover, and may not be able to remediate, future significant deficiencies or material weaknesses, or we may be unable to complete our evaluation, testing or any required remediation in a timely fashion. Further, to the extent we acquire other businesses, such as Saba, a privately held company we acquired in April 2020, during the course of integration we may find that the acquired company did not have a sufficiently robust system of internal controls and we may discover significant deficiencies or material weaknesses, any of which could require us to implement changes to our existing system of internal control over financial reporting. Failure of our internal controls over financial reporting could cause our financial reporting to be inaccurate, incomplete, or delayed. Moreover, even if there is no inaccuracy, incompleteness, or delay of reporting results, if we identify one or more material weaknesses in our internal controls over financial reporting, we will be unable to assert, and our auditors will be unable to affirm, that our internal control environment is effective, in which case investors may lose confidence in the accuracy and completeness of our financial reports, which could have a material adverse effect on the price of our common stock and our ability to meet the applicable covenants in our credit agreement.

Additionally, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be 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, if any, have been detected. Failure of our control systems to prevent error could materially adversely impact us.

The trading price of our common stock may be volatile.

The trading price of our common stock has at times been volatile and could continue to be subject to significant fluctuations in response to various factors, some of which are beyond our control. In addition, the stock market in general, and the market for technology companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the companies operating in such markets. The market price of our common stock may be similarly volatile, and investors in our common stock may experience a decrease in the value of their shares, including as a result of factors unrelated to our operating performance and prospects. The market price of our common stock could be subject to wide fluctuations in response to a number of factors, including:

- our operating performance and the performance of other similar companies;
- the financial or non-financial metric projections we provide to the public, including the failure of the projections to meet the expectations of securities analysts or investors, and any changes in these projections or our failure to meet or exceed these projections;
- the overall performance of the equity markets;
- developments with respect to intellectual property rights;
- publication of unfavorable research reports about us or our industry or withdrawal of research coverage by securities analysts;
- speculation in the press or investment community;
- the size of our public float;
- natural disasters, outbreaks of pandemic diseases (such as COVID-19), or terrorist acts;
- actual or perceived data security incidents that we or our service providers may suffer;
- announcements by us or our competitors of significant contracts, new technologies, acquisitions, commercial relationships, joint ventures, or capital commitments; and
- global economic, legal, and regulatory factors unrelated to our performance.

In the past, some companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could harm our business.

The issuance of additional stock in connection with acquisitions, our stock incentive plans or otherwise will dilute all other stockholdings.

Our certificate of incorporation authorizes us to issue up to 1,000,000,000 shares of common stock and up to 50,000,000 shares of preferred stock with such rights and preferences as may be determined by our board of directors. Subject to compliance with applicable rules and regulations, we may issue all of these shares that are not already outstanding without any action or approval by our stockholders. We intend to continue to evaluate strategic acquisitions in the future. We may pay for such acquisitions, partly or in full, through the issuance of additional equity. For example, we issued 1,110,352 shares of our common stock in connection with our April 2020 acquisition of Saba. Any future issuance of shares in connection with our acquisitions, the exercise of stock options, the vesting of restricted stock units ("RSUs") or otherwise would dilute the percentage ownership held by existing investors.

Conversion of our Convertible Notes may dilute the ownership interest of existing stockholders, including holders who had previously converted their Convertible Notes, or may otherwise depress the price of our common stock.

The conversion of some or all of our Convertible Notes, to the extent we deliver shares upon conversion of the Convertible Notes, will dilute the ownership interests of existing stockholders. The Convertible Notes and the underlying shares issuable upon conversion of such notes may be sold in the public market upon issuance. Any sales of the Convertible Notes or our common stock issuable upon conversion of the Convertible Notes could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Notes may encourage short selling by market participants because the conversion of the Convertible Notes could be used to satisfy short positions, or anticipated conversion of the Convertible Notes into shares of our common stock could depress the price of our common stock.

Anti-takeover provisions in our charter documents and Delaware law may delay or prevent an acquisition of our company.

Our certificate of incorporation, our bylaws, and Delaware law contain provisions that may have the effect of delaying or preventing a change in control of us or changes in our management. Our certificate of incorporation and our bylaws include provisions that:

- authorize “blank check” preferred stock, which could be issued by the board of directors without stockholder approval and may contain voting, liquidation, dividend, and other rights superior to our common stock;
- eliminate the ability of stockholders to act by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of the board, the chief executive officer, or the president;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;
- provide that vacancies on our board of directors may be filled only by the vote of a majority of directors then in office, even though less than a quorum;
- specify that no stockholder is permitted to cumulate votes at any election of directors; and
- require supermajority votes of the holders of our common stock to amend specified provisions of our charter documents.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us.

Any provision of our certificate of incorporation, our bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

The nature of our business requires the application of complex revenue and expense recognition rules. Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported operating results.

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board (“FASB”), the Securities and Exchange Commission and various bodies formed to promulgate and interpret appropriate accounting principles. In addition, many companies’ accounting disclosures are being subjected to heightened scrutiny by regulators and the public. A change in accounting standards or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

We may invest in companies for strategic reasons and may not realize a return on our investments.

We sometimes invest in, advise, and collaborate with companies building innovative business applications that support the continued expansion of our market reach. We have made, and from time to time may continue to make, strategic investments in privately-held companies. The privately-held companies in which we may invest are inherently risky. The technologies and products these companies have under development are typically in the early stages and may never materialize, which could result in a loss of all or a substantial part of our initial investment in these companies. We have recorded impairment losses related to strategic investments in the past and may record further impairments in the future. The evaluation of privately-held companies is based on information that we request from these companies, which is not subject to the same disclosure regulations as US publicly traded companies, and as such, the basis for these evaluations is subject to the timing and accuracy of the data received from these companies.

Failure to comply with anti-bribery, anti-corruption, and anti-money laundering laws could subject us to penalties and other adverse consequences.

We are subject to the FCPA, the UK Bribery Act, and other anti-corruption, anti-bribery, and anti-money laundering laws in various jurisdictions both domestic and abroad. We leverage third parties, including channel partners, to sell subscriptions to our solutions and conduct our business abroad. We and our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, channel partners, and agents, even if we do not explicitly authorize such activities. While we have policies and procedures to address compliance with such laws, we cannot guarantee that all of our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. Any violation of the FCPA, the UK Bribery Act, or other applicable anti-bribery, anti-corruption laws, and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from US or other government contracts, all of which may have an adverse effect on our reputation, business, operating results, and prospects.

Our investment portfolio is subject to general credit, liquidity, counterparty, market, and interest rate risks, any of which could impair the market value of our investments and harm our financial results.

At June 30, 2021, we had \$147.0 million in cash and cash equivalents. Although we follow an established investment policy and set of guidelines to manage our investment portfolio, our investments are subject to general credit, liquidity, counterparty, market, and interest rate risks. We liquidated a significant portion of our investment portfolio during the first quarter of 2020 to partially fund the cash consideration we paid in connection with our April 2020 acquisition of Saba. We do not anticipate having a material investment portfolio for the foreseeable future.

Because the market value of fixed-rate debt securities may be adversely impacted by a rise in interest rates, our future investment income may fall short of expectations if interest rates rise. In addition, we may suffer losses if we are forced to sell securities that have experienced a decline in market value because of changes in interest rates. Currently, we use financial derivatives to hedge our interest rate exposure. For additional information refer to *Note 3 – Debt* and *Note 9 – Fair Value of Financial Instruments* of the *Notes to Condensed Consolidated Financial Statements*.

The fair value of our investments may change significantly due to events and conditions in the credit and capital markets. Any investment securities that we hold, or the issuers of such securities, could be subject to review for possible downgrade. Any downgrade in these credit ratings may result in an additional decline in the estimated fair value of our investments. Changes in the various assumptions used to value these securities and any increase in the perceived market risk associated with such investments may also result in a decline in estimated fair value.

In the event of adverse conditions in the credit and capital markets, and to the extent we make future investments, our investment portfolio may be impacted, and we could determine that some or all of our investments experienced an other-than-temporary decline in fair value, requiring impairment, which could adversely impact our financial position and operating results.

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

Not applicable.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

Number	Exhibit Description	Form	Incorporated by Reference		
			File No.	Exhibit	Filing Date
8-K	Statement of Work Order and Plan of Merger, dated as of August 5, 2021, by and among Sunshine Software Holdings, Inc., a Delaware corporation, and Sunshine Software Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Sunshine Software Holdings, Inc., and Cornerstone OnDemand, Inc., a Delaware corporation	8-K	001-35098	2.1	August 5, 2021
8-K	Amended and Restated Certificate of Incorporation of the Registrant and Restated Bylaws of the Registrant, as amended	8-K	001-35098	3.1	June 20, 2018
10-Q	Amendment to Credit Agreement, among Cornerstone OnDemand, Inc., the Lenders party thereto and Morgan Stanley Senior Funding, Inc., as Administrative Agent, Collateral Agent and an Issuing Bank, dated April 23, 2021	10-Q	001-35098	10.2	May 6, 2021
10-Q	Amendment of Control Severance Agreement between the Registrant and Phil Saunders, dated as of May 3, 2021	10-Q	001-35098	10.4	May 6, 2021
10-Q	Amendment of Control Severance Agreement between the Registrant and Chirag Shah, dated as of May 3, 2021	10-Q	001-35098	10.5	May 6, 2021
10-Q	Amendment of Control Severance Agreement between the Registrant and Jeffrey Lautenbach, dated as of May 4, 2021	10-Q	001-35098	10.6	May 6, 2021
10-Q	Amendment of Control Severance Agreement between the Registrant and Mark Goldin, dated as of May 3, 2021	10-Q	001-35098	10.7	May 6, 2021
10-Q	Amendment of Control Severance Agreement between the Registrant and Heidi Spirgi, dated as of May 3, 2021	10-Q	001-35098	10.8	May 6, 2021
	Certification of the Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002				
	Certification of the Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002				
	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002				
	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002				

†BRL Instance Document (this instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)

†BRL Taxonomy Extension Schema Document

†BRL Taxonomy Extension Calculation Linkbase Document

†BRL Taxonomy Extension Definition Linkbase Document

†BRL Taxonomy Extension Label Linkbase Document

†BRL Taxonomy Extension Presentation Linkbase Document

†BRL Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

- ^ We have omitted the schedules to this exhibit in accordance with Regulation S-K Item 601(b)(2). A copy of any omitted schedule will be furnished to the Securities and Exchange Commission upon its request.
- * Indicates a management contract or compensatory plan or arrangement
- + We have omitted the schedules to this exhibit in accordance with Regulation S-K Item 601(a)(5). A copy of any omitted schedule and/or exhibit will be furnished to the Securities and Exchange Commission upon its request.
- † The certifications attached as Exhibits 32.1 and 32.2 accompanying this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Cornerstone OnDemand, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.
- †† The financial information contained in these XBRL documents is unaudited.

SIGNATURE

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.

Cornerstone OnDemand, Inc.
(Registrant)

/s/ Chirag Shah

Chirag Shah

Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

Date: August 4, 2021

**AMENDMENT TO THE
AMENDED AND RESTATED BYLAWS OF CORNERSTONE ONDEMAND, INC.**

The Amended and Restated Bylaws (the “Bylaws”) of Cornerstone OnDemand, Inc., a Delaware corporation, are hereby amended as follows, effective as of August 5, 2021, by adding a new Article XI, which shall read in its entirety as follows:

ARTICLE XI – EXCLUSIVE FORUM

(i) Unless the corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) and any appellate court therefrom shall be the sole and exclusive forum for the following claims or causes of action under Delaware statutory or common law: (A) any derivative claim or cause of action brought on behalf of the corporation; (B) any claim or cause of action for breach of a fiduciary duty owed by any current or former director, officer or other employee of the corporation, to the corporation or the corporation’s stockholders; (C) any claim or cause of action against the corporation or any current or former director, officer or other employee of the corporation, arising out of or pursuant to any provision of the DGCL, these bylaws (as may be amended from time to time); (D) any claim or cause of action seeking to interpret, apply, enforce or determine the validity of these bylaws (as may be amended from time to time, including any right, obligation, or remedy thereunder); (E) any claim or cause of action as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware; and (F) any claim or cause of action against the corporation or any current or former director, officer or other employee of the corporation, governed by the internal-affairs doctrine or otherwise related to the corporation’s internal affairs, in all cases to the fullest extent permitted by law and subject to the court having personal jurisdiction over the indispensable parties named as defendants. This Article XI shall not apply to claims or causes of action brought to enforce a duty or liability created by the Securities Act of 1933, as amended (the “1933 Act”), or the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts have exclusive jurisdiction.

(ii) Unless the corporation consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the 1933 Act.

(iii) Any person or entity holding, owning or otherwise acquiring any interest in any security of the corporation shall be deemed to have notice of and consented to the provisions of these bylaws.

**AMENDED AND RESTATED BYLAWS OF
CORNERSTONE ONDEMAND, INC.**

(effective as of June 19, 2018)

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AMENDED AND RESTATED BYLAWS OF CORNERSTONE ONDEMAND, INC.

ARTICLE I - CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of Cornerstone OnDemand, Inc. shall be fixed in the corporation's certificate of incorporation. References in these bylaws to the certificate of incorporation shall mean the certificate of incorporation of the corporation, as amended from time to time, including the terms of any certificate of designations of any series of Preferred Stock.

1.2 OTHER OFFICES

The corporation's board of directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II - MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. The board of directors may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the General Corporation Law of the State of Delaware (the "DGCL"). In the absence of any such designation or determination, stockholders' meetings shall be held at the corporation's principal executive office.

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held on such date, at such time, and at such place (if any) within or without the State of Delaware as shall be designated from time to time by the board of directors and stated in the corporation's notice of the meeting. At the annual meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

(i) A special meeting of the stockholders, other than those required by statute, may be called at any time only by (A) the board of directors, (B) the chairperson of the board of directors, (C) the chief executive officer or (D) the president (in the absence of a chief executive officer). A special meeting of the stockholders may not be called by any other person or persons. The board of directors may cancel, postpone or reschedule any previously scheduled special meeting at any time, before or after the notice for such meeting has been sent to the stockholders.

(ii) The notice of a special meeting shall include the purpose for which the meeting is called. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting by or at the direction of the board of directors, the chairperson of the board of directors, the chief executive officer or the president (in the absence of a chief executive officer). Nothing contained in this Section 2.3(ii) shall be construed as limiting, fixing or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

2.4 ADVANCE NOTICE PROCEDURES

(i) *Advance Notice of Stockholder Business.* At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be brought: (A) pursuant to the corporation's proxy materials with respect to such meeting, (B) by or at the direction of the board of directors, or (C) by a stockholder of the corporation who (1) is a stockholder of record at the time of the giving of the notice required by this Section 2.4(i) and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has timely complied in proper written form with the notice procedures set forth in this Section 2.4(i). In addition, for business to be properly brought before an annual meeting by a stockholder, such business must

be a proper matter for stockholder action pursuant to these bylaws and applicable law. Except for proposals properly made in accordance with Rule 14a-8 under the Securities and Exchange Act of 1934, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations), and included in the notice of meeting given by or at the direction of the board of directors, for the avoidance of doubt, clause (C) above shall be the exclusive means for a stockholder to bring business before an annual meeting of stockholders.

(a) To comply with clause (C) of Section 2.4(i) above, a stockholder's notice must set forth all information required under this Section 2.4(i) and must be timely received by the secretary of the corporation. To be timely, a stockholder's notice must be received by the secretary at the principal executive offices of the corporation not later than the 45th day nor earlier than the 75th day before the one-year anniversary of the date on which the corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the preceding year's annual meeting; *provided, however*, that in the event that no annual meeting was held in the previous year or if the date of the annual meeting is advanced by more than 30 days prior to or delayed by more than 60 days after the one-year anniversary of the date of the previous year's annual meeting, then, for notice by the stockholder to be timely, it must be so received by the secretary not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of (i) the 90th day prior to such annual meeting, or (ii) the tenth day following the day on which Public Announcement (as defined below) of the date of such annual meeting is first made. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described in this Section 2.4(i)(a). "**Public Announcement**" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or any successor thereto (the "**1934 Act**").

(b) To be in proper written form, a stockholder's notice to the secretary must set forth as to each matter of business the stockholder intends to bring before the annual meeting: (1) a brief description of the business intended to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (2) the name and address, as they appear on the corporation's books, of the stockholder proposing such business and any Stockholder Associated Person (as defined below), (3) the class and number of shares of the corporation that are held of record or are beneficially owned by the stockholder or any Stockholder Associated Person and any derivative positions held or beneficially held by the stockholder or any Stockholder Associated Person, (4) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of such stockholder or any Stockholder Associated Person with respect to any securities of the corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, such stockholder or any Stockholder Associated Person with respect to any securities of the corporation, (5) any material interest of the stockholder or a Stockholder Associated Person in such business, and (6) a statement whether either such stockholder or any Stockholder Associated Person will deliver a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry the proposal (such information provided and statements made as required by clauses (1) through (6), a "**Business Solicitation Statement**"). In addition, to be in proper written form, a stockholder's notice to the secretary must be supplemented not later than ten days following the record date for notice of the meeting to disclose the information contained in clauses (3) and (4) above as of the record date for notice of the meeting. For purposes of this Section 2.4, a "**Stockholder Associated Person**" of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the corporation owned of record or beneficially by such stockholder and on whose behalf the proposal or nomination, as the case may be, is being made, or (iii) any person controlling, controlled by or under common control with such person referred to in the preceding clauses (i) and (ii).

(c) Without exception, no business shall be conducted at any annual meeting except in accordance with the provisions set forth in this Section 2.4(i) and, if applicable, Section 2.4(ii). In addition, business proposed to be brought by a stockholder may not be brought before the annual meeting if such stockholder or a Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Business Solicitation Statement applicable to such business or if the Business Solicitation Statement applicable to such business contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that business was not properly brought before the annual meeting and in accordance with the provisions of this Section 2.4(i), and, if the chairperson should so determine,

he or she shall so declare at the annual meeting that any such business not properly brought before the annual meeting shall not be conducted.

(ii) *Advance Notice of Director Nominations at Annual Meetings.* Notwithstanding anything in these bylaws to the contrary, only persons who are nominated in accordance with the procedures set forth in this Section 2.4(ii) shall be eligible for election or re-election as directors at an annual meeting of stockholders. Nominations of persons for election or re-election to the board of directors of the corporation shall be made at an annual meeting of stockholders only (A) by or at the direction of the board of directors or (B) by a stockholder of the corporation who (1) was a stockholder of record at the time of the giving of the notice required by this Section 2.4(ii) and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has complied with the notice procedures set forth in this Section 2.4(ii). In addition to any other applicable requirements, for a nomination to be made by a stockholder, the stockholder must have given timely notice thereof in proper written form to the secretary of the corporation.

(a) To comply with clause (B) of Section 2.4(ii) above, a nomination to be made by a stockholder must set forth all information required under this Section 2.4(ii) and must be received by the secretary of the corporation at the principal executive offices of the corporation at the time set forth in, and in accordance with, the final three sentences of Section 2.4(i)(a) above.

(b) To be in proper written form, such stockholder's notice to the secretary must set forth:

(1) as to each person (a "**nominee**") whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of the nominee, (B) the principal occupation or employment of the nominee, (C) the class and number of shares of the corporation that are held of record or are beneficially owned by the nominee and any derivative positions held or beneficially held by the nominee, (D) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of the nominee with respect to any securities of the corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit of share price changes for, or to increase or decrease the voting power of the nominee, (E) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, (F) a written statement executed by the nominee acknowledging that as a director of the corporation, the nominee will owe a fiduciary duty under Delaware law with respect to the corporation and its stockholders, and (G) any other information relating to the nominee that would be required to be disclosed about such nominee if proxies were being solicited for the election or re-election of the nominee as a director, or that is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation the nominee's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected or re-elected, as the case may be); and

(2) as to such stockholder giving notice, (A) the information required to be provided pursuant to clauses (2) through (5) of Section 2.4(i)(b) above, and the supplement referenced in the second sentence of Section 2.4(i)(b) above (except that the references to "business" in such clauses shall instead refer to nominations of directors for purposes of this paragraph), and (B) a statement whether either such stockholder or Stockholder Associated Person will deliver a proxy statement and form of proxy to holders of a number of the corporation's voting shares reasonably believed by such stockholder or Stockholder Associated Person to be necessary to elect or re-elect such nominee(s) (such information provided and statements made as required by clauses (A) and (B) above, a "**Nominee Solicitation Statement**").

(c) At the request of the board of directors, any person nominated by a stockholder for election or re-election as a director must furnish to the secretary of the corporation (1) that information required to be set forth in the stockholder's notice of nomination of such person as a director as of a date subsequent to the date on which the notice of such person's nomination was given and (2) such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as an independent director or audit committee financial expert of the corporation under applicable law, securities exchange rule or regulation, or any publicly-disclosed corporate governance guideline or committee charter of the corporation and (3) that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee; in the absence of the furnishing of such information if requested, such stockholder's nomination shall not be considered in proper form pursuant to this Section 2.4(ii).

(d) Without exception, no person shall be eligible for election or re-election as a director of the corporation at an annual meeting of stockholders unless nominated in accordance with the provisions set forth in this Section 2.4(ii). In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or if the Nominee Solicitation Statement applicable to such nominee contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that a nomination was not made in accordance with the provisions prescribed by these bylaws, and if the chairperson should so determine, he or she shall so declare at the annual meeting, and the defective nomination shall be disregarded.

(iii) Advance Notice of Director Nominations for Special Meetings.

(a) For a special meeting of stockholders at which directors are to be elected or re-elected, nominations of persons for election or re-election to the board of directors shall be made only (1) by or at the direction of the board of directors or (2) by any stockholder of the corporation who (A) is a stockholder of record at the time of the giving of the notice required by this Section 2.4(iii) and on the record date for the determination of stockholders entitled to vote at the special meeting and (B) delivers a timely written notice of the nomination to the secretary of the corporation that includes the information set forth in Sections 2.4(ii)(b) and (ii)(c) above. To be timely, such notice must be received by the secretary at the principal executive offices of the corporation not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which Public Announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected or re-elected at such meeting. A person shall not be eligible for election or re-election as a director at a special meeting unless the person is nominated (i) by or at the direction of the board of directors or (ii) by a stockholder in accordance with the notice procedures set forth in this Section 2.4(iii). In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or if the Nominee Solicitation Statement applicable to such nominee contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading.

(b) The chairperson of the special meeting shall, if the facts warrant, determine and declare at the meeting that a nomination or business was not made in accordance with the procedures prescribed by these bylaws, and if the chairperson should so determine, he or she shall so declare at the meeting, and the defective nomination or business shall be disregarded.

(iv) Other Requirements and Rights. In addition to the foregoing provisions of this Section 2.4, a stockholder must also comply with all applicable requirements of state law and of the 1934 Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.4. Nothing in this Section 2.4 shall be deemed to affect any rights of:

(a) a stockholder to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the 1934 Act; or

(b) the corporation to omit a proposal from the corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the 1934 Act.

2.5 NOTICE OF STOCKHOLDERS' MEETINGS

Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except as otherwise provided in the DGCL, the certificate of incorporation or these bylaws, the written notice of any meeting of stockholders shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting.

2.6 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. Where a separate vote by a class or series or classes or series is required, a majority of the outstanding shares of such class or series or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter, except as otherwise provided by law, the certificate of incorporation or these bylaws

If a quorum is not present or represented at any meeting of the stockholders, then either (i) the chairperson of the meeting, or (ii) the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the board of directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 213(a) of the DGCL and Section 2.11 of these bylaws, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

2.8 CONDUCT OF BUSINESS

The chairperson of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business. The chairperson of any meeting of stockholders shall be designated by the board of directors; in the absence of such designation, the chairperson of the board, if any, the chief executive officer (in the absence of the chairperson) or the president (in the absence of the chairperson of the board and the chief executive officer), or in their absence any other executive officer of the corporation, shall serve as chairperson of the stockholder meeting.

2.9 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to Section 217 (relating to voting rights of fiduciaries, pledgors and joint owners of stock) and Section 218 (relating to voting trusts and other voting agreements) of the DGCL.

Except as may be otherwise provided in the certificate of incorporation or these bylaws, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

Except as otherwise required by law, the certificate of incorporation or these bylaws, in all matters other than the election of directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise required by law, the certificate of incorporation or these bylaws, directors shall be elected by a plurality of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or series or classes or series is required, in all matters other than the election of directors, the affirmative vote of the majority of shares of such class or series or classes or series present in person or represented by proxy at the meeting shall be the act of such class or series or classes or series, except as otherwise provided by law, the certificate of incorporation or these bylaws.

2.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Subject to the rights of the holders of the shares of any series of Preferred Stock or any other class of stock or series thereof that have been expressly granted the right to take action by written consent, any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders.

2.11 RECORD DATES

In order that the corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If the board of directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the board of directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination.

If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however,* that the board of directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the provisions of Section 213 of the DGCL and this Section 2.11 at the adjourned meeting.

In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

2.12 PROXIES

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL. A written proxy may be in the form of a telegram, cablegram, or other means of electronic transmission which sets forth or is submitted with information from which it can be determined that the telegram, cablegram, or other means of electronic transmission was authorized by the person.

2.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of the corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting; *provided, however,* if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date. The stockholder list shall be arranged in alphabetical order and show the address of each stockholder and the number of shares registered in the name of each stockholder. The corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting for a period of at least 10 days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the corporation's principal place of business. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to

stockholders of the corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

2.14 INSPECTORS OF ELECTION

Before any meeting of stockholders, the board of directors shall appoint an inspector or inspectors of election to act at the meeting or its adjournment. The number of inspectors shall be either one (1) or three (3). If any person appointed as inspector fails to appear or fails or refuses to act, then the chairperson of the meeting may, and upon the request of any stockholder or a stockholder's proxy shall, appoint a person to fill that vacancy.

Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed and designated shall (i) ascertain the number of shares of capital stock of the corporation outstanding and the voting power of each share, (ii) determine the shares of capital stock of the corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the corporation represented at the meeting and such inspector or inspectors' count of all votes and ballots.

In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the corporation, the inspector or inspectors may consider such information as is permitted by applicable law. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all.

ARTICLE III - DIRECTORS

3.1 POWERS

The business and affairs of the corporation shall be managed by or under the direction of the board of directors, except as may be otherwise provided in the DGCL or the certificate of incorporation.

3.2 NUMBER OF DIRECTORS

The board of directors shall consist of one or more members, each of whom shall be a natural person. Unless the certificate of incorporation fixes the number of directors, the number of directors shall be determined from time to time solely by resolution of the board of directors. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon notice given in writing or by electronic transmission to the corporation; *provided, however*, that if such notice is given by electronic transmission, such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the director. A resignation is effective when the resignation is delivered unless the resignation specifies a later effective date or

an effective date determined upon the happening of an event or events. Acceptance of such resignation shall not be necessary to make it effective. A resignation which is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable. Unless otherwise provided in the certificate of incorporation or these bylaws, when one or more directors resign from the board of directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

Unless otherwise provided in the certificate of incorporation or these bylaws, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. If the directors are divided into classes, a person so elected by the directors then in office to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall have been duly elected and qualified.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board of directors (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the voting stock at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the DGCL as far as applicable.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board of directors.

3.7 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairperson of the board of directors, the chief executive officer, the president, the secretary or a majority of the authorized number of directors, at such times and places as he or she or they shall designate.

Notice of the time and place of special meetings shall be:

- (i) delivered personally by hand, by courier or by telephone;
- (ii) sent by United States first-class mail, postage prepaid;
- (iii) sent by facsimile; or
- (iv) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least 24 hours before the time of the holding of the meeting. If the notice is sent

by United States mail, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. Any oral notice may be communicated to the director. The notice need not specify the place of the meeting (if the meeting is to be held at the corporation's principal executive office) nor the purpose of the meeting.

3.8 QUORUM; VOTING

At all meetings of the board of directors, a majority of the total authorized number of directors shall constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board of directors, except as may be otherwise specifically provided by statute, the certificate of incorporation or these bylaws.

If the certificate of incorporation provides that one or more directors shall have more or less than one vote per director on any matter, every reference in these bylaws to a majority or other proportion of the directors shall refer to a majority or other proportion of the votes of the directors.

3.9 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board of directors or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board of directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

3.10 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors.

ARTICLE IV - COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors or in these bylaws, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the corporation.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

- (i) Section 3.5 (place of meetings and meetings by telephone);
- (ii) Section 3.6 (regular meetings);
- (iii) Section 3.7 (special meetings; notice);
- (iv) Section 3.8 (quorum; voting);
- (v) Section 3.9 (action without a meeting); and
- (vi) Section 7.5 (waiver of notice)

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members. *However:*

- (i) the time of regular meetings of committees may be determined by resolution of the committee;
- (ii) special meetings of committees may also be called by resolution of the committee; and

(iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

Any provision in the certificate of incorporation providing that one or more directors shall have more or less than one vote per director on any matter shall apply to voting in any committee or subcommittee, unless otherwise provided in the certificate of incorporation or these bylaws.

4.4 SUBCOMMITTEES

Unless otherwise provided in the certificate of incorporation, these bylaws or the resolutions of the board of directors designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

ARTICLE V - OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a president and a secretary. The corporation may also have, at the discretion of the board of directors, a chairperson of the board of directors, a vice chairperson of the board of directors, a chief executive officer, a chief financial officer or treasurer, one or more vice presidents, one or more assistant vice presidents, one or more assistant treasurers, one or more assistant secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS

The board of directors shall appoint the officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws, subject to the rights, if any, of an officer under any contract of employment. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in this Section 5 for the regular election to such office.

5.3 SUBORDINATE OFFICERS

The board of directors may appoint, or empower the chief executive officer or, in the absence of a chief executive officer, the president, to appoint, such other officers and agents as the business of the corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the board of directors or, except in the case of an officer chosen by the board of directors, unless otherwise delegated by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written or electronic notice to the corporation; *provided, however*, that if such notice is given by electronic transmission, such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the officer. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation shall be filled by the board of directors or as provided in Section 5.3.

5.6 REPRESENTATION OF SECURITIES OF OTHER ENTITIES

The chairperson of the board of directors, the president, any vice president, the treasurer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares or other security of any other corporation or corporations or entity or entities standing in the name of this corporation, including the right to act by written consent. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.7 AUTHORITY AND DUTIES OF OFFICERS

All officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the board of directors.

ARTICLE VI - STOCK

6.1 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of the corporation shall be represented by certificates, provided that the board of directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the corporation by any two officers of the corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The corporation shall not have power to issue a certificate in bearer form.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly-paid shares, or upon the books and records of the corporation in the case of uncertificated partly-paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully-paid shares, the corporation shall declare a dividend upon partly-paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

6.2 SPECIAL DESIGNATION ON CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; *provided, however*, that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this section 6.2 or Sections 156, 202(a) or 218(a) of the DGCL or with respect to this section 6.2 a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

6.3 LOST, STOLEN OR DESTROYED CERTIFICATES

Except as provided in this Section 6.3, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

6.4 DIVIDENDS

The board of directors, subject to any restrictions contained in the certificate of incorporation or applicable law, may declare and pay dividends upon the shares of the corporation's capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock, subject to the provisions of the certificate of incorporation.

The board of directors may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

6.5 TRANSFER OF STOCK

Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by an attorney duly authorized, and, if such stock is certificated, upon the surrender of a certificate or certificates for a like number of shares, properly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer; *provided, however*, that such succession, assignment or authority to transfer is not prohibited by the certificate of incorporation, these bylaws, applicable law or contract.

6.6 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

6.7 REGISTERED STOCKHOLDERS

The corporation:

(i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner;

(ii) shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares; and

(iii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII - MANNER OF GIVING NOTICE AND WAIVER

7.1 NOTICE OF STOCKHOLDERS' MEETINGS

Notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the corporation's records. An affidavit of the secretary or an assistant secretary of the corporation or of the transfer agent or other agent of the corporation that the notice has been given shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

7.2 NOTICE BY ELECTRONIC TRANSMISSION

Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the certificate of incorporation or these bylaws, any notice to stockholders given by the corporation under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any such consent shall be deemed revoked if:

(i) the corporation is unable to deliver by electronic transmission two consecutive notices given by the corporation in accordance with such consent; and

(ii) such inability becomes known to the secretary or an assistant secretary of the corporation or to the transfer agent, or other person responsible for the giving of notice.

(2) However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

(i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;

- (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and
- (iv) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

An “**electronic transmission**” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

7.3 NOTICE TO STOCKHOLDERS SHARING AN ADDRESS

Except as otherwise prohibited under the DGCL, without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the corporation under the provisions of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any stockholder who fails to object in writing to the corporation, within 60 days of having been given written notice by the corporation of its intention to send the single notice, shall be deemed to have consented to receiving such single written notice.

7.4 NOTICE TO PERSON WITH WHOM COMMUNICATION IS UNLAWFUL

Whenever notice is required to be given, under the DGCL, the certificate of incorporation or these bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

7.5 WAIVER OF NOTICE

Whenever notice is required to be given to stockholders, directors or other persons under any provision of the DGCL, the certificate of incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders or the board of directors, as the case may be, need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

ARTICLE VIII - INDEMNIFICATION

8.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS IN THIRD PARTY PROCEEDINGS

Subject to the other provisions of this Article VIII, the corporation shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a “**Proceeding**”) (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director of the corporation or an officer of the corporation, or while a director of the corporation or officer of the corporation is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person’s conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person’s conduct was unlawful.

8.2 INDEMNIFICATION OF DIRECTORS AND OFFICERS IN ACTIONS BY OR IN THE RIGHT OF THE CORPORATION

Subject to the other provisions of this Article VIII, the corporation shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the corporation, or while a director or officer of the corporation is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

8.3 SUCCESSFUL DEFENSE

To the extent that a present or former director or officer of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section 8.1 or Section 8.2, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection therewith.

8.4 INDEMNIFICATION OF OTHERS

Subject to the other provisions of this Article VIII, the corporation shall have power to indemnify its employees and its agents to the extent not prohibited by the DGCL or other applicable law. The board of directors shall have the power to delegate the determination of whether employees or agents shall be indemnified to such person or persons as the board of determines.

8.5 ADVANCED PAYMENT OF EXPENSES

Expenses (including attorneys’ fees) incurred by an officer or director of the corporation in defending any Proceeding shall be paid by the corporation in advance of the final disposition of such Proceeding upon receipt of a written request therefor (together with documentation reasonably evidencing such expenses) and an undertaking by or on behalf of the person to repay such amounts if it shall ultimately be determined that the person is not entitled to be indemnified under

this Article VIII or the DGCL. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems reasonably appropriate and shall be subject to the corporation's expense guidelines. The right to advancement of expenses shall not apply to any claim for which indemnity is excluded pursuant to these bylaws, but shall apply to any Proceeding referenced in Section 8.6(ii) or 8.6(iii) prior to a determination that the person is not entitled to be indemnified by the corporation.

8.6 LIMITATION ON INDEMNIFICATION

Subject to the requirements in Section 8.3 and the DGCL, the corporation shall not be obligated to indemnify any person pursuant to this Article VIII in connection with any Proceeding (or any part of any Proceeding):

(i) for which payment has actually been made to or on behalf of such person under any statute, insurance policy, indemnity provision, vote or otherwise, except with respect to any excess beyond the amount paid;

(ii) for an accounting or disgorgement of profits pursuant to Section 16(b) of the 1934 Act, or similar provisions of federal, state or local statutory law or common law, if such person is held liable therefor (including pursuant to any settlement arrangements);

(iii) for any reimbursement of the corporation by such person of any bonus or other incentive-based or equity-based compensation or of any profits realized by such person from the sale of securities of the corporation, as required in each case under the 1934 Act (including any such reimbursements that arise from an accounting restatement of the corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**"), or the payment to the corporation of profits arising from the purchase and sale by such person of securities in violation of Section 306 of the Sarbanes-Oxley Act), if such person is held liable therefor (including pursuant to any settlement arrangements);

(iv) initiated by such person against the corporation or its directors, officers, employees, agents or other indemnitees, unless (a) the board of directors authorized the Proceeding (or the relevant part of the Proceeding) prior to its initiation, (b) the corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the corporation under applicable law, (c) otherwise required to be made under Section 8.7 or (d) otherwise required by applicable law; or

(v) if prohibited by applicable law; *provided, however*, that if any provision or provisions of this Article VIII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article VIII (including, without limitation, each portion of any paragraph or clause containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article VIII (including, without limitation, each such portion of any paragraph or clause containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

8.7 DETERMINATION; CLAIM

If a claim for indemnification or advancement of expenses under this Article VIII is not paid in full within 90 days after receipt by the corporation of the written request therefor, the claimant shall be entitled to an adjudication by a court of competent jurisdiction of his or her entitlement to such indemnification or advancement of expenses. The corporation shall indemnify such person against any and all expenses that are incurred by such person in connection with any action for indemnification or advancement of expenses from the corporation under this Article VIII, to the extent such person is successful in such action, and to the extent not prohibited by law. In any such suit, the corporation shall, to the fullest extent not prohibited by law, have the burden of proving that the claimant is not entitled to the requested indemnification or advancement of expenses.

8.8 NON-EXCLUSIVITY OF RIGHTS

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the certificate of incorporation or any statute, bylaw, agreement, vote of stockholders or disinterested directors or

otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advancement of expenses, to the fullest extent not prohibited by the DGCL or other applicable law.

8.9 INSURANCE

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of the DGCL.

8.10 SURVIVAL

The rights to indemnification and advancement of expenses conferred by this Article VIII shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

8.11 EFFECT OF REPEAL OR MODIFICATION

Any amendment, alteration or repeal of this Article VIII shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to such amendment, alteration or repeal.

8.12 CERTAIN DEFINITIONS

For purposes of this Article VIII, references to the "**corporation**" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "**other enterprises**" shall include employee benefit plans; references to "**finances**" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "**servicing at the request of the corporation**" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "**not opposed to the best interests of the corporation**" as referred to in this Article VIII.

ARTICLE IX - GENERAL MATTERS

9.1 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

Except as otherwise provided by law, the certificate of incorporation or these bylaws, the board of directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute any document or instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

9.2 FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

9.3 SEAL

The corporation may adopt a corporate seal, which shall be adopted and which may be altered by the board of directors. The corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

9.4 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term “**person**” includes both an entity and a natural person.

ARTICLE X - AMENDMENTS

These bylaws may be adopted, amended or repealed by the stockholders entitled to vote; *provided, however*, that the affirmative vote of the holders of at least 70% of the total voting power of outstanding voting securities, voting together as a single class, shall be required for the stockholders of the corporation to alter, amend or repeal, or adopt any bylaw inconsistent with, the following provisions of these bylaws: Article II, Sections 3.1, 3.2, 3.4 and 3.11 of Article III, Article VIII and this Article X (including, without limitation, any such Article or Section as renumbered as a result of any amendment, alteration, change, repeal, or adoption of any other Bylaw). The board of directors shall also have the power to adopt, amend or repeal bylaws; *provided, however*, that a bylaw amendment adopted by stockholders which specifies the votes that shall be necessary for the election of directors shall not be further amended or repealed by the board of directors.

**CERTIFICATION OF 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**

I, Phil S. Saunders, certify that:

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

/s/ Phil S. Saunders

Phil S. Saunders

Chief Executive Officer

Date: August 4, 2021

**CERTIFICATION OF 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**

I, Chirag Shah, certify that:

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

/s/ Chirag Shah

Chirag Shah

Chief Financial Officer

Date: August 4, 2021

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Phil S. Saunders, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report On Form 10-Q of Cornerstone OnDemand, Inc. for the fiscal quarter ended June 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Cornerstone OnDemand, Inc.

/s/ Phil S. Saunders

Phil S. Saunders

Chief Executive Officer

Date: August 4, 2021

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chirag Shah, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Cornerstone OnDemand, Inc. for the fiscal quarter ended June 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Cornerstone OnDemand, Inc.

/s/ Chirag Shah

Chirag Shah

Chief Financial Officer

Date: August 4, 2021