As filed with the Securities and Exchange Commission on August 15, 2019. Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
Under
The Securities Act of 1933

Cloudflare, Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

7372
(Primary Standard Industrial Classification Code Number)

Cloudflare, Inc.
101 Townsend Street
San Francisco, CA 94107
(888) 993-5273
(Address, including zip code, and telephone number, including area code, of Registrant’s principal executive offices)

Matthew Prince
Chief Executive Officer
Cloudflare, Inc.
101 Townsend Street
San Francisco, CA 94107
(888) 993-5273
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Steven E. Bochner, Esq.
Douglas J. Kramer, Esq.
Gordon K. Davidson, Esq.
Allison B. Spinner, Esq.
Chad A. Skinner, Esq.
James D. Evans, Esq.
Bryan D. King, Esq.
Cloudflare, Inc.
Ran D. Ben-Tzur, Esq.
101 Townsend Street
Fenwick & West LLP
San Francisco, CA 94107
601 California Street
(888) 993-5273
Mountain View, CA 94041
(650) 493-9300
(650) 988-8500

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☒ Smaller reporting company ☐
Emerging growth company ☒

If an emerging growth company, indicate by check mark if Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐
<table>
<thead>
<tr>
<th>Title of Each Class of Securities to be Registered</th>
<th>Proposed Maximum Aggregate Offering Price (1)(2)</th>
<th>Amount of Registration Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A common stock, par value $0.001 per share</td>
<td>$100,000,000</td>
<td>$12,120.00</td>
</tr>
</tbody>
</table>

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended.

(2) Includes the aggregate offering price of additional shares that the underwriters have the option to purchase.

Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until Registrant will file a further amendment which specifically states that this registration statement will thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement will become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.
This is an initial public offering of shares of Class A common stock of Cloudflare, Inc.

Prior to this offering, there has been no public market for our Class A common stock. It is currently estimated that the initial public offering price per share will be between $ and $ . We have applied to list the Class A common stock on the New York Stock Exchange under the symbol “NET.”

We have two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are substantially identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Following the completion of this offering, each share of Class B common stock will be entitled to 10 votes per share and will be convertible at any time into one share of Class A common stock. Following this offering, outstanding shares of Class B common stock will represent approximately % of the voting power of our outstanding capital stock.

We are an “emerging growth company” as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, may elect to comply with certain reduced public company reporting requirements in future reports after the completion of this offering.

See “Risk Factors” beginning on page 16 to read about factors you should consider before buying shares of our Class A common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

<table>
<thead>
<tr>
<th>Description</th>
<th>Per share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial public offering price</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Underwriting discount (1)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Proceeds, before expenses, to Cloudflare</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

(1) See the section titled “Underwriting” for a description of the compensation payable to the underwriters.

To the extent that the underwriters sell more than shares of Class A common stock, the underwriters have the option to purchase up to an additional shares from Cloudflare, Inc. at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York, on or about , 2019.

Goldman Sachs & Co. LLC Morgan Stanley J.P. Morgan
Jefferies Wells Fargo Securities RBC Capital Markets
JMP Securities Evercore ISI Needham & Company Oppenheimer & Co. BTIG
SunTrust Robinson Humphrey

Prospectus dated , 2019
Internet Properties as of August 15, 2019: 20M

10% of Fortune 1,000 are Paying Customers as of August 15, 2019

98% Internet Users in the Developed World within 100ms as of August 15, 2019

44B Cyber Threats Blocked per Day, approximate average over three months ended June 30, 2019

77% GAAP Gross Margin six months ended June 30, 2019

51% Revenue Growth (F16–F18 CAGR) see "Prospectus Summary—Summary Consolidated Financial and Other Data"
TABLE OF CONTENTS

Prospectus

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROSPECTUS SUMMARY</td>
<td>1</td>
</tr>
<tr>
<td>THE OFFERING</td>
<td>10</td>
</tr>
<tr>
<td>SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA</td>
<td>13</td>
</tr>
<tr>
<td>RISK FACTORS</td>
<td>16</td>
</tr>
<tr>
<td>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</td>
<td>64</td>
</tr>
<tr>
<td>INDUSTRY AND MARKET DATA</td>
<td>66</td>
</tr>
<tr>
<td>USE OF PROCEEDS</td>
<td>67</td>
</tr>
<tr>
<td>DIVIDEND POLICY</td>
<td>67</td>
</tr>
<tr>
<td>CAPITALIZATION</td>
<td>68</td>
</tr>
<tr>
<td>DILUTION</td>
<td>71</td>
</tr>
<tr>
<td>SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA</td>
<td>74</td>
</tr>
<tr>
<td>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</td>
<td>76</td>
</tr>
<tr>
<td>A LETTER FROM MATTHEW PRINCE AND MICHELLE ZATLYN</td>
<td>112</td>
</tr>
<tr>
<td>BUSINESS</td>
<td>115</td>
</tr>
<tr>
<td>MANAGEMENT</td>
<td>148</td>
</tr>
<tr>
<td>EXECUTIVE COMPENSATION</td>
<td>157</td>
</tr>
<tr>
<td>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</td>
<td>171</td>
</tr>
<tr>
<td>PRINCIPAL STOCKHOLDERS</td>
<td>174</td>
</tr>
<tr>
<td>DESCRIPTION OF CAPITAL STOCK</td>
<td>178</td>
</tr>
<tr>
<td>SHARES ELIGIBLE FOR FUTURE SALE</td>
<td>185</td>
</tr>
<tr>
<td>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK</td>
<td>188</td>
</tr>
<tr>
<td>UNDERWRITING</td>
<td>193</td>
</tr>
<tr>
<td>LEGAL MATTERS</td>
<td>199</td>
</tr>
<tr>
<td>EXPERTS</td>
<td>199</td>
</tr>
<tr>
<td>WHERE YOU CAN FIND ADDITIONAL INFORMATION</td>
<td>199</td>
</tr>
</tbody>
</table>

Through and including       , 2019 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers’ obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotment or subscriptions.

Neither we nor any of the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. Neither we nor any of the underwriters take responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or of any sale of our Class A common stock.

For investors outside the United States: Neither we nor any of the underwriters have done anything that would permit our initial public offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our Class A common stock and the distribution of this prospectus outside the United States.
PROSPECTUS SUMMARY

This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Class A common stock. You should read this entire prospectus carefully, including the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, the terms “Cloudflare,” “the Company,” “we,” “us,” and “our” in this prospectus refer to Cloudflare, Inc. and its consolidated subsidiaries, and references to our “common stock” include our Class A common stock and Class B common stock.

Cloudflare, Inc.

Overview

Cloudflare’s mission is to help build a better Internet.

Today, the Internet is the lifeblood of business and the primary vehicle of commerce and communication for people around the world. While it was brilliantly architected to deliver fault tolerance and robust connectivity, it was not designed to deliver the security, millisecond performance, and reliability required for businesses today.

For decades, a number of vendors have looked to address the core limitations and vulnerabilities of the Internet for businesses that operate online. These vendors built a range of standalone hardware boxes to address the emerging requirements for security, performance, and reliability. These boxes could be deployed in on-premise data centers to deliver functions such as virtual private network (VPN), firewall, routing, traffic optimization, load balancing, and other network services. While they created massive complexity, cost, technical debt, and a tangled web of dependencies for the organizations that deployed them, the approach generally worked and these on-premise “band-aid boxes” were able to alleviate some of the Internet’s fundamental security, performance, and reliability problems.

And then the cloud happened.

In recent years, the technology industry has undergone a massive transition from on-premise hardware and software that customers buy, to services in the cloud that they rent. This transition has swept through the application, compute, and storage layers of enterprise computing architectures.

Organizations now exist in a complex, heterogeneous infrastructure environment which exacerbates the fundamental problems of the Internet more than ever, and the on-premise band-aid boxes that they once relied upon to solve these problems were never designed to work in such an environment. An on-premise box will not solve the problems organizations now face. Nor can a business ship a band-aid box to a cloud vendor. Even if they wanted to, there is literally no place to install such a box in the cloud.

The result is that a major architectural shift at the network layer is now underway. Cloudflare is leading this transition.

We have built a global cloud platform that delivers a broad range of network services to businesses of all sizes and in all geographies—making them more secure, enhancing the performance of their
business-critical applications, and eliminating the cost and complexity of managing individual network hardware. Our platform serves as a scalable, easy-to-use, unified control plane to deliver security, performance, and reliability across on-premise, hybrid, cloud, and software-as-a-service (SaaS) applications. Today, approximately 10% of the Fortune 1,000 are paying Cloudflare customers. Additionally, across the broader Internet, approximately 10% of the top million, 17% of the top 100,000, and 18% of the top 10,000 websites use at least one product on our platform on a paid or free basis. (1)

We started by building an efficient, scalable network. This network forms the foundation of our platform on which we can rapidly develop and deploy our products for our customers. Together, the development of our network and products create the interconnected flywheels that drive our business and have allowed us to achieve our market position.

- **Network Flywheel**: We have created a network architecture that is flexible, scalable, and becomes more efficient as it expands.
- **Product Flywheel**: We have leveraged this network to deploy products that are easy to use, continuously improved, and can be delivered without adding significant incremental cost.

We have experienced significant growth, with our revenue increasing from $84.8 million in 2016 to $134.9 million in 2017 and to $192.7 million in 2018, increases of 59% and 43%, respectively. As we continue to invest in our business, we have incurred net losses of $17.3 million, $10.7 million, and $87.2 million for 2016, 2017, and 2018, respectively. For the six months ended June 30, 2018 and 2019, our revenue increased from $87.1 million to $129.2 million, an increase of 48%, and we incurred net losses of $32.5 million and $36.8 million, respectively.

**Our Industry**

The Internet was not built for what it has become.

Originally conceived as a decentralized, wired network to interconnect academic institutions, the Internet has evolved into a global platform for business and communications, hosting a wide variety of often mission-critical applications. While the Internet was brilliantly architected to deliver fault tolerance and robust connectivity, it was not designed to deliver the security, millisecond performance, and reliability required now that it has become the lifeblood for business and the primary vehicle of commerce and communication for humanity.

Despite the Internet’s limitations, businesses relying on it must meet customer expectations for always-on access to their services, low latency, total reliability, and high levels of security and privacy. Furthermore, businesses are accountable for the delivery of these requirements end-to-end, to every customer and employee’s desktop or mobile device, forcing them to address security, performance, and reliability globally and well beyond what they once thought of as the perimeter of their own infrastructure.

**Band-Aid Boxes**

To meet evolving expectations and navigate the limitations of the Internet, businesses have traditionally relied on a broad array of hardware devices deployed in on-premise data centers to deliver

---

(1) These percentages are derived from Datanyze, Market Share, from January 2019, based on the average percentage market share for website optimization, domain name system, security, and content delivery network solutions for websites in the Alexa top million, top 100,000, and top 10,000. Refer to the section titled “Industry and Market Data.”
functions such as VPN, firewall, routing, traffic optimization, load balancing, and other network services. These band-aid boxes were meant to patch the Internet and address its core limitations. While the band-aid boxes added some security, performance, and reliability benefits, they contributed to massive complexity, cost, technical debt, and a tangled web of dependencies.

In spite of the drawbacks, the band-aid boxes were sufficient to ensure the safety, functionality, and resilience required by businesses that could afford them in the on-premise paradigm.

But these band-aid boxes were never designed to work in the cloud.

**Shift to the Cloud**

In recent years, the technology industry has been undergoing a transition from on-premise hardware and software that customers buy, to services in the cloud that they rent. Application vendors led this transition as companies like Salesforce, Workday, and NetSuite provided cloud-based, multi-tenant solutions that disrupted legacy, on-premise software from companies like SAP, Oracle, and Microsoft. Compute and storage followed, with public cloud vendors such as Amazon Web Services, Microsoft Azure, Google Cloud Platform, and Alibaba Cloud disrupting server and storage vendors like HP, Dell, Lenovo, and Sun Microsystems.

**The Network Layer Transitions to the Cloud**

The rise of cloud computing architectures alongside the massive increase in mobile devices vastly complicates the already difficult task of securing and optimizing applications. Organizations exist in a complex, heterogeneous infrastructure environment of public cloud, on-premise, and hybrid deployments. The threat landscape, functional requirements, and scale of business applications are evolving faster than ever before, and the volume and sophistication of network attacks can strain the defensive capabilities of even the most advanced enterprises.

The hardware-based, inflexible, on-premise band-aid boxes that organizations once relied upon to meet these challenges were never designed to work in an environment like this. And even if the band-aid boxes could scale to meet the challenges of the modern enterprise, a business cannot simply ship a band-aid box to a cloud vendor. There is literally no place to install such a box in the cloud.

This is forcing a major architectural shift in how enterprises address security, performance, and reliability at the network layer. The functionality provided by companies such as Cisco Systems, Juniper Networks, F5 Networks, Check Point Software, Palo Alto Networks, FireEye, Riverbed Technology, and others is being elevated, abstracted, and unified into the cloud.

Cloudflare is leading this transition.

**Our Platform**

We have built a global cloud platform that delivers a broad range of network services to businesses of all sizes around the world—making them more secure, enhancing the performance of their business-critical applications, and eliminating the cost and complexity of managing and integrating individual network hardware. We provide businesses a scalable, easy-to-use, unified control plane to deliver security, performance, and reliability across their on-premise, hybrid, cloud, and SaaS applications.

Previously, enterprises would often string together a diverse set of on-premise band-aid boxes from different vendors to solve their network challenges. As these solutions move to the cloud, the network
latency, support complexity, and cost of overhead makes stringing together multiple point-cloud solutions that only address a specific network need untenable. Customers are therefore looking to consolidate behind a single platform. We offer this unified control plane. Customers who join our platform using one product can adopt our other seamlessly integrated products with a single click. We serve comprehensive customer needs across security, performance, and reliability. Our platform and business model are designed to make rolling out our new products fast and efficient. We believe that platforms with the broadest catalogue of products will ultimately beat point-cloud solutions.

To achieve what we have, we started by building an efficient, scalable network. This network forms the foundation of our platform on which we can develop and deploy our products for our customers. Together the development of our network and products create the interconnected flywheels that drive our business and have allowed us to achieve our market position.

**Network Flywheel**

We have created a network architecture that is flexible, scalable, and gets more and more efficient as it expands. We designed and built our network to be able to grow capacity quickly and inexpensively; to allow for every server, in every city, to run every Cloudflare service; and to allow us to shift customers and traffic across our network efficiently. We refer to this architecture as “serverless” because it means we can deploy standard, commodity hardware, and our product developers and customers do not need to worry about the underlying servers. Our software automatically manages the deployment and execution of our product developers’ code and our customers’ code across our network. Because we manage the execution and prioritization of code running across our network, it means that we are both able to optimize the performance of our highest paying customers and also effectively leverage idle capacity across our network. We have chosen to utilize this idle capacity to create a free tier of service—which has generated substantial global scale for us. In turn, this scale makes us attractive partners for Internet Service Providers (ISPs) globally, which reduces our co-location and bandwidth costs. As our network grows, these dynamics become even more powerful.

Today, our network spans 193 cities in over 90 countries and interconnects with over 8,000 networks globally, including major ISPs, cloud services, and enterprises. We estimate that we operate within 100 milliseconds of 98% of the Internet-connected population in the developed world, and 93% of the Internet-connected population globally (for context, the blink of an eye is 300-400 milliseconds). And, we have built this powerful network while achieving U.S. GAAP gross margin of 77% in the year ended December 31, 2018 and the six months ended June 30, 2019, demonstrating the cost and capital efficiency of our model.

**Product Flywheel**

We began with the idea of serving the broadest possible market. To do this, we made our products easy to use and affordable and were able to provide our entry level plan for free in part because of the cost advantage of our network. We leverage the resulting customer scale and diversity to continuously make our products better. Our machine learning systems improve our products with every customer’s request, optimizing our security, performance, and reliability globally. The over 20 million Internet properties (e.g., domains, websites, application programming interfaces, and mobile applications) that use our platform comprise a global sensor network, which functions like an immune system for the Internet—routing around congestion, optimizing for traffic conditions, and using data on cyber attacks

---

(2) These percentages are derived from our observed round-trip time for all unique IP addresses sending or receiving traffic through our network in the Organisation for Economic Co-operation and Development countries and in all countries, respectively.
against any one of our customers to better protect them all. We leverage these insights to block cyber threats every day, which in the three months ended June 30, 2019 averaged approximately 44 billion per day.

Feedback from our diverse, global customer base helps us expand into new, adjacent product areas. Since our customers’ traffic is already passing through our network, our serverless architecture means we can add products on our platform to solve new network challenges without significantly increasing our incremental costs. This allows us to provide new products at competitive prices and further expand the overall market.

Market Opportunity

We believe our platform disrupts several large and well-established IT markets. The key markets that are addressed by our platform include VPN, internal and external firewalls, web security (including web application firewalls and content filtering), distributed denial of service (DDoS) prevention, intrusion detection and prevention, application delivery controls, content delivery networks, domain name systems, advanced threat prevention (ATP), and wide area network (WAN) technology. From our analysis based on IDC data, $31.6 billion was spent on those products in 2018, which is expected to grow to $47.1 billion in 2022, representing a compound annual growth rate of 10.5%. We also are actively developing new products to address adjacent markets including compute, storage, 5G, and Internet of Things (IoT) that are not included in the estimate of our addressable market.

Why We Win

We have six distinct advantages that uniquely position us to win:

1. **Disruptive Business Model**. Our business model is designed for efficiency. Our network and product flywheels create a virtuous cycle that has driven down our unit costs over time while we increase the diversity and quality of our products. We believe that our serverless platform’s flexibility, as well as our aligned interests with our ISP partners, allows us to continue to become more efficient as we expand our network. At the same time, this architecture allows us to add new products and features across our platform without significant additional operating costs.

2. **Ease of Use**. A new customer can sign up in minutes, regardless of its technical ability or budget. The ease of use of our products significantly increases our total addressable market and has also allowed our enterprise customers, which consist of customers that sign up for our Enterprise plan, to simplify and streamline their network operations.

3. **Efficient Go-to-Market Model**. Our go-to-market strategy is designed to efficiently address the broad market we serve. Our self-serve offering, coupled with our attractive pricing, allows customers to easily adopt our products. We augment our self-serve offering with a highly productive sales force to serve larger customers.

4. **Product Innovation and Velocity**. We drive product innovation by continuously improving our platform through machine learning and diverse customer feedback. Our systems learn from every request that passes through our network. This allows us to automatically mitigate new attacks, optimize protocols for the best performance, and reroute traffic to avoid network outages. Many of our free customers volunteer to test new features early in the development cycle, which allows us to ensure product excellence before deploying to our paying customers.
5. **Integrated, Global Offering**. Our network spans 193 cities in over 90 countries, and this flexible, serverless platform offers the same set of core features in every city and country. This gives our customers a unified control plane—whether they are running on-premise, with SaaS vendors, in hybrid environments, or solely in the public cloud. Additionally, because we offer an integrated solution, we do not force our customers to choose between safer, faster, or stronger—our solution offers security, performance, and reliability by design.

6. **Trust and Neutrality**. As businesses move to the cloud, there are increasing concerns over interoperability and avoiding being locked into any one public cloud vendor. We empower customers to overcome these concerns through our independence and neutrality. Moreover, unlike some public cloud providers, our business model aligns with the interests of our customers. We do not sell user data. Nor do we aim to compete with our customers.

### Growth Strategy

Key elements of our growth strategy include:

- **Acquire New Customers**: We believe that any person or business that relies on the Internet to deliver products, services, or content can be a Cloudflare customer. We will continue to grow our customer base across all of our service offerings—free, self-serve, and enterprise.

- **Expand Our Relationships with Existing Customers**: Today, approximately 10% of the Fortune 1,000 are paying Cloudflare customers. Additionally, across the broader Internet, approximately 10% of the top one million, 17% of the top 100,000, and 18% of the top 10,000 websites use at least one product on our platform on a paid or free basis. Customers expand their relationships with us by upgrading to premium plans, increasing their usage of our platform, or adding products. Once a customer has adopted one product on our platform, it can easily add additional products with a single click. Over 70% of our enterprise customers already leverage four or more of our products.

- **Develop New Products**: We continue to invest in new product development, and as we onboard more customers and more traffic on our network, our ability to identify promising new avenues for innovation improves.

- **Extend Our Serverless Platform Strategy**: We have opened our serverless platform to outside developers with a product called Cloudflare Workers. This enables our customers to write and deploy their own code in seconds directly onto our global cloud platform and have it run close to their users. We have seen a growing number of customers bring applications to market using Cloudflare Workers. This opens up an entirely new market for us: compute and storage.

### Risk Factors Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled “Risk Factors” immediately following this prospectus summary. These risks include, but are not limited to, the following:

- We have a history of net losses and may not be able to achieve or sustain profitability in the future.
- We have experienced rapid revenue growth, which may not be indicative of our future performance.
• If we are unable to attract new paying and free customers, our future results of operations could be harmed.
• Our business depends on our ability to retain and upgrade paying customers and, to a lesser extent, convert free customers to paying customers, and any decline in renewals, upgrades, or conversions could adversely affect our future results of operations.
• Problems with our internal systems, networks, or data, including actual or perceived breaches or failures, could cause our network or products to be perceived as insecure, underperforming, or unreliable, our reputation to be damaged, and our financial results to be negatively impacted.
• Activities of our paying and free customers or the content of their websites and other Internet properties could subject us to liability.
• Activities of our paying and free customers or the content of their websites or other Internet properties, as well as our responses to those activities, could cause us to experience adverse political, business, and reputational consequences with customers, employees, suppliers, government entities, and others.
• Although offering a free self-serve plan for certain of our products is an important part of our business strategy, we may not be able to realize all of the expected benefits of this strategy and the costs and other detriments associated with our free plan could outweigh the benefits we receive from our free customers.
• The actual or perceived failure of our products to block malware or prevent a security breach could harm our reputation and adversely impact our business, results of operations, and financial condition.
• If our global network that delivers our products or the core co-location facilities we use to operate our network are damaged or otherwise fail to meet the requirements of our business, our ability to provide access to our platform and products to our customers and maintain the performance of our network could be negatively impacted, which could cause our business, results of operations, and financial condition to suffer.
• If our customers’ or channel partners’ access to our platform and products is interrupted or delayed for any reason, our business could suffer.
• Detrimental changes in, or the termination of, any of our co-location relationships, ISP partnerships, or our other interconnection relationships with ISPs could adversely impact our business, results of operations, and financial condition.
• The dual-class structure of our common stock will have the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of this offering, and it may depress the trading price of our Class A common stock.

Channels for Disclosure of Information
Investors, the media, and others should note that, following the completion of this offering, we intend to announce material information to the public through filings with the Securities and Exchange Commission (the SEC), the investor relations page on our website, press releases, public conference calls, webcasts, our company news site at https://www.cloudflare.com/press, and our corporate blog at https://blog.cloudflare.com.
The information disclosed by the foregoing channels could be deemed to be material information. As such, we encourage investors, the media, and others to follow the channels listed above and to review the information disclosed through such channels.

Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website.

**Corporate Information**

We were incorporated in the state of Delaware in July 2009. Our principal executive offices are located at 101 Townsend Street, San Francisco, California 94107, and our telephone number is (888) 993-5273. Our website address is www.cloudflare.com and our corporate blog's address is https://blog.cloudflare.com. Information contained on, or that can be accessed through, our website or blog does not constitute part of this prospectus and inclusions of our website and blog addresses in this prospectus are inactive textual references only.

“Cloudflare,” our logo, and our other registered or common law trademarks, service marks, and trade names appearing in this prospectus are the property of Cloudflare, Inc. Other trademarks and trade names referred to in this prospectus are the property of their respective owners.

**Implications of Being an Emerging Growth Company**

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). An emerging growth company may take advantage of specified reduced reporting requirements that are otherwise applicable generally to public companies. These reduced reporting requirements include:

- an exemption from compliance with the auditor attestation requirement on the effectiveness of our internal control over financial reporting;
- reduced disclosure about our executive compensation arrangements;
- an exemption from the requirements to obtain a non-binding advisory vote on executive compensation or stockholder approval of any golden parachute arrangements; and
- extended transition periods for complying with new or revised accounting standards.

We may take advantage of these provisions until we are no longer an emerging growth company. We would cease to be an “emerging growth company” upon the earliest to occur of: (i) the last day of the fiscal year in which we have greater than $1.07 billion in annual revenue; (ii) the date we qualify as a “large accelerated filer,” with at least $700 million of equity securities held by non-affiliates; (iii) the date on which we have, in any three-year period, issued greater than $1.0 billion in non-convertible debt securities; and (iv) the last day of the fiscal year ending after the fifth anniversary of this offering. We may choose to take advantage of some but not all of these reduced reporting burdens. We have taken advantage of certain reduced reporting burdens in this prospectus. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

The JOBS Act permits an emerging growth company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to use this extended transition period until we are no longer an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period. As a result,
our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

See the section titled “Risk Factors—Risks Related to Ownership of Our Class A Common Stock—We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.”
# The Offering

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A common stock offered by us</td>
<td></td>
</tr>
<tr>
<td>Class A common stock to be outstanding after this offering</td>
<td></td>
</tr>
<tr>
<td>Class B common stock to be outstanding after this offering</td>
<td></td>
</tr>
<tr>
<td>Total Class A common stock and Class B common stock to be outstanding after this offering</td>
<td></td>
</tr>
<tr>
<td>Underwriters’ option to purchase additional shares of Class A common stock from us</td>
<td></td>
</tr>
</tbody>
</table>

We estimate that the net proceeds to us from the sale of shares of our Class A common stock in this offering will be approximately $\text{[estimate]}$ (or approximately $\text{[estimate]}$ if the underwriters’ option to purchase additional shares of our Class A common stock from us is exercised in full), based upon the assumed initial public offering price of $\text{[price]}$ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our Class A common stock, and enable access to the public equity markets for us and our stockholders. We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses, and capital expenditures. Additionally, we may use a portion of the net proceeds we receive from this offering to acquire businesses, products, services, or technologies. However, we do not have agreements or commitments for any material acquisitions at this time. See "Use of Proceeds" for additional information.

Voting rights

Shares of our Class A common stock are entitled to one vote per share.

Following the completion of this offering, shares of our Class B common stock will be entitled to 10 votes per share.

Holders of our Class A common stock and Class B common stock will generally vote together as a single class, unless otherwise required by law or our amended and restated
The holders of our outstanding Class B common stock will hold approximately % of the voting power of our outstanding capital stock following this offering and will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change in control transaction. Additionally, our executive officers, directors, and holders of 5% or more of our common stock will hold, in the aggregate, approximately % of the voting power of our outstanding capital stock following this offering. See “Principal Stockholders” and “Description of Capital Stock” for additional information.

New York Stock Exchange symbol

“NET”

The number of shares of our Class A common stock and Class B common stock that will be outstanding after this offering is based on 46,360,728 shares of our Class A common stock and 211,982,959 shares of our Class B common stock outstanding as of June 30, 2019, and reflects:

• 31,381,152 shares of redeemable convertible preferred stock that will automatically convert into shares of Class A common stock immediately prior to the completion of this offering pursuant to the terms of our amended and restated certificate of incorporation;

• 14,979,576 shares of our Class B common stock held by former employees that will automatically convert into shares of Class A common stock immediately prior to the completion of this offering pursuant to the terms of our amended and restated certificate of incorporation; and

• 134,276,690 shares of redeemable convertible preferred stock that will automatically convert into shares of Class B common stock immediately prior to the completion of this offering pursuant to the terms of our amended and restated certificate of incorporation, which together with the conversion of redeemable convertible preferred stock and shares of Class B common stock into Class A common stock, we refer to as the Capital Stock Conversions.

The shares of our Class A common stock and Class B common stock outstanding as of June 30, 2019 exclude the following:

• 23,558,731 shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock outstanding as of June 30, 2019, with a weighted-average exercise price of $2.27 per share;

• No shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock granted after June 30, 2019;

• 177,410 shares of our Class B common stock issuable pursuant to warrants to purchase an aggregate of 177,410 shares of our redeemable convertible preferred stock outstanding as of June 30, 2019, with a weighted-average exercise price of $0.34 per share;

• 4,148,564 shares of our Class B common stock subject to restricted stock units (RSUs) outstanding as of June 30, 2019;
• 1,421,526 shares of our Class B common stock subject to RSUs granted after June 30, 2019; and
• shares of our Class A common stock reserved for future issuance under our equity compensation plans, consisting of:
  • shares of our Class A common stock to be reserved for future issuance under our 2019 Equity Incentive Plan (our 2019 Plan), which will become effective prior to the completion of this offering;
  • shares of our Class B common stock reserved for future issuance under our 2010 Equity Incentive Plan (our 2010 Plan), and upon the termination of such 2010 Plan in connection with the effectiveness of our 2019 Plan, an equivalent number of shares of our Class A common stock to be added to the shares reserved for future issuance under our 2019 Plan above; and
  • shares of our Class A common stock to be reserved for future issuance under our 2019 Employee Stock Purchase Plan (our ESPP), which will become effective prior to the completion of this offering.

Our 2019 Plan and ESPP provide for annual automatic increases in the number of shares of our Class A common stock reserved thereunder, and our 2019 Plan also provides for increases to the number of shares of our Class A common stock that may be granted thereunder based on shares under our 2010 Plan that expire, are forfeited, or otherwise repurchased by us, as more fully described in the section titled “Executive Compensation—Employee Benefits and Stock Plans.”

Except as otherwise indicated, all information in this prospectus assumes:
• the Capital Stock Conversions will occur immediately prior to the completion of this offering;
• the filing and effectiveness of our amended and restated certificate of incorporation in Delaware and the effectiveness of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering;
• no exercise of outstanding stock options or warrants, or settlement of outstanding RSUs, subsequent to June 30, 2019; and
• no exercise by the underwriters of their option to purchase up to an additional 12 shares of our Class A common stock from us.
**Summary Consolidated Financial and Other Data**

The following summary consolidated financial and other data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Consolidated Financial and Other Data," and the consolidated financial statements and related notes thereto included elsewhere in this prospectus. The summary consolidated statements of operations data for the years ended December 31, 2016, 2017, and 2018 (except for the pro forma share and pro forma net loss per share information) are derived from our audited consolidated financial statements that are included elsewhere in this prospectus. The summary consolidated statements of operations data presented below for the six months ended June 30, 2018 and 2019 and the consolidated balance sheet data as of June 30, 2019 are derived from our unaudited interim consolidated financial statements that are included elsewhere in this prospectus. In management’s opinion, the unaudited interim consolidated financial statements include all adjustments necessary to state fairly our financial position as of June 30, 2019 and the results of operations and cash flows for the six months ended June 30, 2018 and 2019. Our historical results are not necessarily indicative of our future results and our results for the six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2019 or any other period. The summary consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes thereto included elsewhere in this prospectus.

### Consolidated Statements of Operations Data:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016 (in thousands, except per share data)</td>
<td>2017</td>
</tr>
<tr>
<td>Revenue</td>
<td>$84,791</td>
<td>$134,915</td>
</tr>
<tr>
<td>Cost of revenue (1)</td>
<td>23,962</td>
<td>28,788</td>
</tr>
<tr>
<td>Gross profit</td>
<td>60,829</td>
<td>106,127</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing (1)</td>
<td>40,122</td>
<td>61,899</td>
</tr>
<tr>
<td>Research and development (1)</td>
<td>23,663</td>
<td>33,650</td>
</tr>
<tr>
<td>General and administrative (1)</td>
<td>14,073</td>
<td>20,308</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>77,858</td>
<td>115,857</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(17,029)</td>
<td>(9,730)</td>
</tr>
<tr>
<td>Non-operating income (expense):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>626</td>
<td>762</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(654)</td>
<td>(862)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>(208)</td>
<td>115</td>
</tr>
<tr>
<td>Total non-operating income (expense), net</td>
<td>(236)</td>
<td>15</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(17,265)</td>
<td>(9,715)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>69</td>
<td>1,033</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(17,334)</td>
<td>$(10,748)</td>
</tr>
<tr>
<td>Net loss per share attributable to common stockholders, basic and diluted (2)</td>
<td>$(0.23)</td>
<td>$(0.14)</td>
</tr>
<tr>
<td>Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted (2)</td>
<td>75,721</td>
<td>77,147</td>
</tr>
<tr>
<td>Year Ended December 31,</td>
<td>Six Months Ended June 30,</td>
<td></td>
</tr>
<tr>
<td>------------------------</td>
<td>---------------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td><strong>Pro forma net loss per share, basic and diluted (2)</strong></td>
<td>$ (0.37)</td>
<td>$ (0.15)</td>
</tr>
<tr>
<td><strong>Weighted-average shares used in computing pro forma net loss per share, basic and diluted (2)</strong></td>
<td>237,322</td>
<td>261,085</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td><strong>Cost of revenue</strong></td>
<td>$ 64</td>
</tr>
<tr>
<td><strong>Sales and marketing</strong></td>
<td>381</td>
</tr>
<tr>
<td><strong>Research and development</strong></td>
<td>1,043</td>
</tr>
<tr>
<td><strong>General and administrative</strong></td>
<td>4,212</td>
</tr>
<tr>
<td><strong>Total stock-based compensation expense</strong></td>
<td>$5,700</td>
</tr>
</tbody>
</table>

(2) Refer to Note 11 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate our basic and diluted net loss per share attributable to common stockholders, our basic and diluted pro forma net loss per share attributable to common stockholders, and the weighted-average number of shares used in the computation of the per share amounts.

**Consolidated Balance Sheet Data:**

<table>
<thead>
<tr>
<th>June 30, 2019</th>
<th>Actual</th>
<th>Pro Forma (1)</th>
<th>Pro Forma As Adjusted (2)(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash, cash equivalents, and marketable securities</strong></td>
<td>$ 124,688</td>
<td>$124,688 $</td>
<td></td>
</tr>
<tr>
<td><strong>Working capital (4)</strong></td>
<td>$ 88,518</td>
<td>$88,518 $</td>
<td></td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td>$ 84,640</td>
<td>$84,640 $</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 286,859</td>
<td>$286,859</td>
<td></td>
</tr>
<tr>
<td><strong>Deferred revenue, current and noncurrent</strong></td>
<td>$ 27,764</td>
<td>$27,764</td>
<td></td>
</tr>
<tr>
<td><strong>Redeemable convertible preferred stock</strong></td>
<td>$ 331,521</td>
<td>$ —</td>
<td></td>
</tr>
<tr>
<td><strong>Accumulated deficit</strong></td>
<td>$(232,698)</td>
<td>$(247,361)</td>
<td></td>
</tr>
<tr>
<td><strong>Total stockholders’ (deficit) equity</strong></td>
<td>$(145,435)</td>
<td>$186,086</td>
<td></td>
</tr>
</tbody>
</table>

(1) The pro forma column above reflects (i) the Capital Stock Conversions, as if such conversions had occurred on June 30, 2019, (ii) stock-based compensation expense associated with outstanding qualified event options and RSUs subject to a performance condition of $14.7 million for the qualified event options service period rendered from the date of grant through June 30, 2019 and for the qualified event RSUs for which the service-based condition was satisfied as of June 30, 2019, which we will recognize in connection with this offering, as further described in Note 2 to our consolidated financial statements included elsewhere in this prospectus, and (iii) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware that will become effective immediately prior to the completion of this offering. The pro forma adjustment related to stock-based compensation expense of $14.7 million has been reflected as an increase to additional paid-in capital and accumulated deficit. Payroll tax expenses and other withholding obligations have not been included in the pro forma adjustments, as further described in Note 2 to our consolidated financial statements included elsewhere in this prospectus.

(2) The pro forma as adjusted column above gives effect to (i) the pro forma adjustments set forth above and (ii) the receipt of $____ million in net proceeds from the sale and issuance by us of ____ shares of our Class A common stock in this offering, based upon the assumed initial public offering price of $____ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses.
Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the amount of our pro forma as adjusted cash, cash equivalents, and marketable securities, working capital, total assets, and total stockholders' (deficit) equity by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting underwriting discounts and commissions. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the amount of our pro forma as adjusted cash, cash equivalents, and marketable securities, working capital, total assets, and total stockholders' (deficit) equity by $ million, assuming the assumed initial public offering price remains the same, and after deducting underwriting discounts and commissions.

Working capital is defined as current assets less current liabilities.

Key Business Metrics and Non-GAAP Financial Measures

We review a number of operating and financial metrics, including the following key metrics and non-GAAP financial measures to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions. Refer to the section titled "Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Business Metrics and Non-GAAP Financial Measures" for additional information and reconciliations of our non-GAAP financial measures to the most directly comparable financial measures stated in accordance with U.S. GAAP.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th>Six Months Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$60,829</td>
<td>$106,127</td>
</tr>
<tr>
<td>Gross margin</td>
<td>72%</td>
<td>79%</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>$(17,029)</td>
<td>$(9,730)</td>
</tr>
<tr>
<td>Non-GAAP loss from operations</td>
<td>$(11,291)</td>
<td>$(6,513)</td>
</tr>
<tr>
<td>Operating margin</td>
<td>(20%)</td>
<td>(7%)</td>
</tr>
<tr>
<td>Non-GAAP operating margin</td>
<td>(13%)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>$(13,318)</td>
<td>$3,167</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>$(15,256)</td>
<td>$9,544</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>$418</td>
<td>$(149)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$(31,876)</td>
<td>$(19,808)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities (as a percentage of revenue)</td>
<td>(16%)</td>
<td>2%</td>
</tr>
<tr>
<td>Free cash flow margin</td>
<td>(38%)</td>
<td>(15%)</td>
</tr>
<tr>
<td>Paying customers</td>
<td>35,002</td>
<td>49,309</td>
</tr>
<tr>
<td>Paying customers (&gt; $100,000 Annualized Billings)</td>
<td>95</td>
<td>184</td>
</tr>
</tbody>
</table>
RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this prospectus, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, before making a decision to invest in our Class A common stock. Our business, results of operations, financial condition, or prospects could also be harmed by risks and uncertainties that are not presently known to us or that we currently believe are not material. If any of the risks actually occur, our business, results of operations, financial condition, and prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business and Our Industry

We have a history of net losses and may not be able to achieve or sustain profitability in the future.

We have incurred net losses in all periods since we began operations and we expect we will continue to incur net losses for the foreseeable future. We experienced net losses of $10.7 million and $87.2 million for the years ended December 31, 2017 and 2018, respectively, and $32.5 million and $36.8 million for the six months ended June 30, 2018 and 2019, respectively. Because the markets for our products are rapidly evolving, it is difficult for us to predict our future results of operations. We expect our operating expenses to increase over the next several years as we continue to hire additional personnel, expand our operations and infrastructure both domestically and internationally, and continue to develop our products. In addition to the expected costs to grow our business, we also expect to incur significant additional legal, accounting, and other expenses as we transition to a public company, as described in greater detail in the risk factors below. If we fail to increase our revenue to offset the increases in our operating expenses, we may not achieve or sustain profitability in the future.

We have experienced rapid revenue growth, which may not be indicative of our future performance.

We have experienced rapid revenue growth in recent periods, with revenue of $134.9 million and $192.7 million for the years ended December 31, 2017 and 2018, respectively, and $87.1 million and $129.2 million for the six months ended June 30, 2018 and 2019, respectively. You should not consider our recent growth in revenue as indicative of our future performance. In particular, our revenue growth rates may decline in the future and may not be sufficient to achieve and sustain profitability, as we also expect our costs to increase in future periods. We believe that historical comparisons of our revenue may not be meaningful and should not be relied upon as an indication of future performance. Accordingly, you should not rely on our revenue and other growth for any prior quarter or year as an indication of our future revenue or revenue growth.

Our rapid growth may also make it difficult to evaluate our future prospects. Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are not able to accurately forecast future growth, our business, results of operations, and financial condition could be harmed.

If we are unable to attract new paying and free customers, our future results of operations could be harmed.

The success of our business principally depends on our ability to attract new paying and free customers. To do so, we must persuade decision makers at potential customers that our products offer
significant advantages over those of our competitors. Other factors, many of which are out of our control, may now or in the future impact our ability to add new paying and free customers, including:

- potential customers’ commitments to existing equipment or vendors;
- potential customers’ greater familiarity and/or comfort with on-premises, appliance-based products;
- actual or perceived switching costs;
- our failure to obtain or maintain government or industry security certifications for our network and products;
- negative media, industry, or financial analyst commentary regarding our products and the identities and activities of some of our paying and free customers;
- the adoption of new, or amendment of existing, laws, rules, or regulations that negatively impact the utility of our network and products;
- our failure to expand, retain, and motivate our sales and marketing personnel;
- our failure to develop or expand relationships with existing channel partners or to attract new channel partners;
- our failure to help our customers to successfully deploy and use our products;
- our failure to educate our customers about our platform and products;
- the perceived risk, commencement, or outcome of litigation; and
- deteriorating general economic conditions.

If our efforts to attract new paying customers are not successful, our revenue and rate of revenue growth may decline, we may not achieve profitability, and our future results of operations could be materially harmed. If our efforts to attract new free customers are not successful, the benefits to our network and product development cycles from our strategy of providing a free subscription plan will be diminished.

**Our business depends on our ability to retain and upgrade paying customers and, to a lesser extent, convert free customers to paying customers, and any decline in renewals, upgrades, or conversions could adversely affect our future results of operations.**

Our business is subscription-based and it is important for our business and financial results that our paying customers renew their subscriptions for our products when existing contract terms expire. Our self-serve paying customers pay with a credit card on a monthly basis and can terminate their subscriptions at will with little advance notice. Because self-serve customers that subscribe to our basic subscription plans are an important source of revenue, this ease of termination could cause our results of operations to fluctuate significantly from quarter to quarter. Our enterprise customers, which consist of customers that sign up for our Enterprise plan, enter into longer term agreements ranging from one to three years, and they generally have no obligation to renew their subscriptions for our products after the expiration of their contractual period and are allowed to cancel their subscriptions in the case of an uncured material breach of the agreement. Some enterprise customers also have agreements that allow them to terminate the agreement without cause upon little or no advance written notice, or upon our failure to meet certain service level commitments, or to obtain and maintain industry security certifications within a specified time frame. Due to our varied customer base and short average subscription periods, it is difficult to accurately predict our long-term customer retention rate. Our customer retention and expansion may decline or fluctuate as a result of a number of factors, including our customers’ satisfaction with the security, performance, and reliability of our products, our prices
and subscription plans, our customers’ budgetary restrictions, mergers, acquisitions, joint ventures, and business partnerships and relationships involving our customers, the perception that competitive products provide better or less expensive options, negative public perception of us or our free and paying customers, and deteriorating general economic conditions.

Our future financial performance also depends in part on our ability to continue to upgrade paying customers to higher-tier subscriptions or additional paid products and, to a lesser extent, to convert free customers into paying customers. Conversely, our paying customers may convert to lower-cost or free plans if they do not see the marginal value in paying for our higher-cost plans, thereby impacting our ability to increase revenue. Moreover, our free customers have no obligation to transition to paying customers at any point. In order to expand our commercial relationship with our customers, existing paying and free customers must decide that the incremental cost associated with such an upgrade is justified by the additional functionality. For example, some of our paying customers may decide that our enterprise offerings do not provide sufficient incremental value to upgrade from our self-serve offering. Our customers’ decision whether to upgrade their subscription is driven by a number of factors, including customer satisfaction with the security, performance, and reliability of our platform and products, customer security and networking issues and requirements, general economic conditions, and customer reaction to the price for additional products. If our efforts to expand our relationship with our existing paying and free customers are not successful, our financial condition and results of operations may materially suffer.

**Problems with our internal systems, networks, or data, including actual or perceived breaches or failures, could cause our network or products to be perceived as insecure, underperforming, or unreliable, our reputation to be damaged, and our financial results to be negatively impacted.**

We face security threats from malicious third parties that could obtain unauthorized access to our internal systems, networks, and data, including the equipment at our network and core co-location facilities. It is virtually impossible for us to entirely mitigate the risk of these security threats and the security, performance, and reliability of our platform and products may be disrupted by third parties, including nation-states, competitors, hackers, disgruntled employees, former employees, or contractors. We also face the possibility of security threats from other sources, such as employee or contractor errors, or malfeasance. For example, hostile third parties, including nation-states, may seek to bribe, extort, or otherwise manipulate our employees or contractors to compromise our platform and products. While we have implemented security measures internally and have integrated security measures into our platform and products, these measures may not function as expected and may not detect or prevent all unauthorized activity, prevent all security breaches, mitigate all security breaches, or protect against all attacks or incidents. Because the equipment in our network co-location facilities is designed to run all of our products, any insertion of malicious code on, unauthorized access to, or other security breach with respect to, this equipment could potentially impact all of our products running on this equipment. We may also experience security breaches and other incidents that may remain undetected for an extended period and, therefore, may have a greater impact on our products and the networks and systems used in our business, and the proprietary and other confidential data contained on our platform or otherwise stored or processed in our operations, and ultimately on our business. We expect to incur significant costs in our efforts to detect and prevent security breaches and other security-related incidents, and we may face increased costs in the event of an actual or perceived security breach or other security-related incident. Our internal systems are exposed to the same cybersecurity risks and consequences of a breach as our customers and other enterprises, any of which could have an adverse effect on our business or reputation. These cybersecurity risks pose a particularly significant risk to a business like ours that is focused on providing highly secure products to customers.

Unauthorized access to, other security breaches of, or security incidents affecting, systems, networks, and data used in our business, including those of our vendors, contractors, or those with which we
have strategic relationships, even if not resulting in an actual or perceived breach of our customers' networks, systems, or data, could result in the loss, compromise or corruption of data, loss of business, reputational damage adversely affecting customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, penalties for violation of applicable laws or regulations, significant costs for remediation, and other liabilities.

Additionally, in the absence of malicious actions, our platform and products may experience errors, failures, vulnerabilities, or bugs that cause our products not to perform as intended. For example, from time to time we are subject to “route leaks” that involve the accidental or, less commonly, illegitimate advertisement of prefixes, or blocks of IP addresses, which propagate across networks such as ours and can lead to incorrect routing of traffic across our network, taking traffic offline, or in extreme cases, potential interception of customers’ traffic by attackers. In June 2019, a route leak spread by a major telecommunications services provider caused significant disruption to our traffic and that of many other providers. Although events like this are outside our control, they could materially harm our reputation and diminish the confidence of our current and potential customers in our platform and products. In addition, deployment of our platform and products into other computing environments may expose these errors, failures, vulnerabilities, or bugs in our products. Any such errors, failures, vulnerabilities, or bugs may not be found until after they are deployed to our customers and may create the perception that our platform and products are insecure, underperforming, or unreliable. In July 2019, we deployed an update to our web application firewall and certain aspects of the related software code resulted in excessive consumption of computing resources across our network, resulting in an outage on our network. While we continue to monitor the impact of the June 2019 route leak and July 2019 outage, we do not expect that they will have a material impact on our results of operations or financial condition. We also provide frequent updates and fundamental enhancements to our platform and products, which increase the possibility of errors. Our quality assurance procedures and efforts to report, track, and monitor issues with our network may not be sufficient to ensure we detect any such defects in a timely manner. For example, in February 2017, a bug in our software code that processes computer information requests was identified. Instead of the requested data, in certain circumstances this bug, which became known as “Cloudbleed,” caused our servers to output data that was not requested. The erroneous data output by our system included, but was not limited to, a portion of our customers’ secure data. There can be no assurance that our software code is or will remain free from actual or perceived errors, failures, vulnerabilities, or bugs, or that we will accurately route or process all requests and traffic on our network. Given the trillions of Internet requests that route through our network on a monthly basis and the large array of Internet properties (e.g., domains, websites, application programming interfaces (APIs), and mobile applications) we service, the impact of any such error, failure, vulnerability, or bug can be large in terms of absolute numbers of affected requests and customers.

Problems with our network or systems, or those of our vendors, contractors, or those with which we have strategic relationships, could result in actual or perceived breaches of our or our customers’ networks and systems or data. Actual or perceived breaches or other security incidents from these or other causes could lead to claims and litigation, indemnity obligations, regulatory audits, proceedings, and investigations and significant legal fees, significant costs for remediation, the expenditure of significant financial resources in efforts to analyze, correct, eliminate, remediate, or work around errors or defects, to address and eliminate vulnerabilities, and to address any applicable legal or contractual obligations relating to any actual or perceived security breach. They could damage our relationships with our existing customers and have a negative impact on our ability to attract and retain new customers. Because our business is focused on providing secure and high performing network services to our customers, we believe that our products and the networks and systems we use in our business could be targets for hackers and others, and that an actual or perceived breach of, or security incident affecting, our networks, systems, or data, could be especially detrimental to our reputation, customer and channel partner confidence in our solution, and our business. Additionally, our products
are designed to operate without interruption, including up to a 100% uptime guarantee for our Business and Enterprise plans. If a breach or security incident were to impact the availability of our platform and products, our business, results of operations, and financial condition, as well as our reputation, could be adversely affected.

Any cybersecurity insurance that we carry may be insufficient to cover all liabilities incurred by us in connection with any privacy or cybersecurity incidents or may not cover the kinds of incidents for which we submit claims. For example, insurers may consider cyberattacks by a nation-state as an “act of war” and any associated damages as uninsured. We also cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, results of operations, and financial condition, as well as our reputation.

Activities of our paying and free customers or the content of their websites and other Internet properties could subject us to liability.

Through our network, we provide a wide variety of products that enable our customers to exchange information, conduct business, and engage in various online activities both domestically and internationally. Our customers represent more than 20 million Internet properties, many of which utilize our free self-serve plan. Our customers may use our platform and products in violation of applicable law or in violation of our terms of service or the customer’s own policies. The existing laws relating to the liability of providers of online products and services for activities of their users are highly unsettled and in flux both within the United States and internationally. We may be subject to lawsuits, regulatory enforcement actions, and/or liability arising from the conduct of our customers. For example, we have been named as a defendant in a number of lawsuits, both in the United States and abroad, alleging copyright infringement based on content that is made available through our customers’ websites. There can be no assurance that we will not face similar litigation in the future or that we will prevail in any litigation we may face. An adverse decision in one or more of these lawsuits could materially and adversely affect our business, results of operations, and financial condition.

Several U.S. federal statutes may apply to us with respect to various activities of our customers, including: the Digital Millennium Copyright Act (the DMCA), which provides recourse for owners of copyrighted material who believe their rights under U.S. copyright law have been infringed on the Internet; and section 230 of the Communications Decency Act (the CDA), which addresses blocking and screening of content on the Internet. Although these and other similar legal provisions provide limited protections from liability for service providers like us, those protections may not be interpreted in a way that applies to us, may be amended in the future, or may not provide us with complete protection from liability claims. If we are found not to be protected by the safe harbor provisions of the DMCA, CDA or other similar laws, or if we are deemed subject to laws in other countries that may not have the same protections or that may impose more onerous obligations on us, we may face claims for substantial damages and our brand, reputation, and financial results may be harmed. Such claims may result in liability that exceeds our ability to pay or our insurance coverage. Even if claims against us are ultimately unsuccessful, defending against such claims will increase our legal expenses and divert management’s attention from the operation of our business, which could materially and adversely impact our business and results of operations.

Policies and laws in this area remain highly dynamic, and we may face additional theories of intermediary liability in various jurisdictions. For example, the European Union (the EU) recently
approved a copyright directive that could expose online platforms to liability. And recent laws in Germany (extremist content), Australia (violent content), and Singapore (online falsehoods), as well as other new laws like them, may also expose Internet companies like us to significant liability. We may incur additional costs to comply with these new laws, which may have an adverse effect on our business, results of operations, and financial condition.

Activities of our paying and free customers or the content of their websites or other Internet properties, as well as our response to those activities, could cause us to experience significant adverse political, business, and reputational consequences with customers, employees, suppliers, government entities, and others.

Activities of our paying and free customers or the content of their websites and other Internet properties could cause us to experience significant adverse political, business, and reputational consequences with customers, employees, suppliers, government entities, and other third parties. Even if we comply with legal obligations to remove or disable customer content, we may maintain relationships with customers that others find hostile, offensive, or inappropriate. For example, we experienced significant negative publicity in connection with the use of our network by The Daily Stormer, a neo-Nazi, white supremacist website, around the time of the 2017 protests in Charlottesville, Virginia. We also received negative publicity in connection with the use of our network by 8chan, a forum website that served as inspiration for the recent attacks in El Paso, Texas and Christchurch, New Zealand. We are aware of some potential customers that have indicated their decision to not subscribe to our products was impacted, at least in part, by the actions of certain of our paying and free customers. We may also experience other adverse political, business and reputational consequences with prospective and current customers, employees, suppliers, and others related to the activities of our paying and free customers, especially if such hostile, offensive, or inappropriate use is high profile.

Conversely, actions we take in response to the activities of our paying and free customers, up to and including banning them from using our products, may harm our brand and reputation. Following the events in Charlottesville, Virginia, we terminated the account of The Daily Stormer. Similarly, following the events in El Paso, Texas, we terminated the account of 8chan. We received significant adverse feedback for these decisions from those concerned about our ability to pass judgment on our customers and the users of our platform, or to censor them by limiting their access to our products, and we are aware of potential customers who decided not to subscribe to our products because of this.

Although offering a free self-serve plan for certain of our products is an important part of our business strategy, we may not be able to realize all of the expected benefits of this strategy and the costs and other detriments associated with our free plan could outweigh the benefits we receive from our free customers.

We have historically offered a free self-serve plan for certain of our products. We believe that this strategy is valuable to us and it is an important part of our overall business strategy. However, to the extent that we do not achieve the expected benefits of this strategy, our business may be adversely affected by the costs and detriments of making certain of our products available on a free, self-serve basis to our free customers. While we do not receive any revenue from our free customers, we bear incremental expenses and other liabilities as a result of our free customers’ continuing free access to our platform and certain of our products. Adverse political, business, and reputational consequences associated with Internet properties we serve that are perceived as hostile, offensive, or inappropriate may also be disproportionately common among our free customers. The vast majority of our customers do not pay for our products. In addition, a substantial majority of our free customers historically have not converted to paying customers and we expect this will continue in the future.
The actual or perceived failure of our products to block malware or prevent a security breach could harm our reputation and adversely impact our business, results of operations, and financial condition.

Our security products are designed to reduce the threat to our customers posed by malware and other Internet security threats. Our security products may fail to detect or prevent malware or security breaches for any number of reasons. Even where our security products perform as intended, the performance of our security products can be negatively impacted by our failure to enhance, expand, or update our network and products; improper classification of websites by our employees, automated systems, and partners which identify and track malicious websites; improper deployment or configuration of our products; and many other factors.

Companies are increasingly subject to a wide variety of attacks on their networks and systems, including traditional computer hackers; malicious code, such as viruses and worms; distributed denial-of-service attacks; sophisticated attacks conducted or sponsored by nation-states; advanced persistent threat intrusions; ransomware; phishing attacks and other forms of social engineering; employee, vendor, or contractor errors or malfeasance; and theft or misuse of intellectual property or business or personal data, including by disgruntled employees, former employees, or contractors. No security solution, including our products, can address all possible security threats or block all methods of penetrating a network or otherwise perpetrating a security incident. Accordingly, our security products may be unable to detect or prevent a threat until after our customers are impacted. As our products are adopted by an increasing number of enterprises, it is possible that the individuals and organizations behind cyber threats will focus on identifying ways to circumvent or defeat our security products. If our network is targeted by attacks specifically designed to disrupt it, it could create the perception that our security products are not capable of providing adequate security. As a provider of security products, any perceived lack of security to our network or any of our products could erode our customers’ and potential customers’ trust in our platform and products. Moreover, a high-profile security breach of another cloud services provider could cause our customers and potential customers to lose trust in cloud solutions generally, and cloud-based products like ours in particular. Any such loss of trust could materially and adversely impact our ability to retain existing customers or attract new customers.

Our customers must rely on complex network and security infrastructures, which include products and services from multiple vendors, to secure their networks. If any of our customers becomes infected with malware, or experiences a security breach, they could be disappointed with our products, regardless of whether our security products are intended to block the attack or would have blocked the attack if the customer had properly configured our products or their network, or taken other steps within their control. For example, in April 2017, we published details of a web cache deception attack method that exploits the misconfiguration of websites to circumvent reverse-proxy systems such as ours. While the vulnerability associated with this attack method relates to misconfiguration of websites outside of our control, a customer experiencing a security event related to this vulnerability may nevertheless blame us or become dissatisfied with our products as a result. Additionally, if any enterprises that are publicly known to use our platform and products are the subject of a cyberattack that becomes publicized, this could harm our reputation and our current or potential customers may look to our competitors for alternatives to our platform and products.

From time to time, industry or financial analysts and research firms test our platform and related security products against other security products. Our products may fail to detect or prevent threats in any particular test for a number of reasons, including misconfiguration. To the extent potential customers, industry or financial analysts, or testing firms believe that the occurrence of a failure to detect or prevent any particular threat is a flaw or indicates that our products do not provide significant value or provide less value than competitive solutions, our reputation and business could be materially harmed.
Any real or perceived flaws in our network, or any actual or perceived security breaches of our customers, could result in:

- a loss of existing or potential customers or channel partners;
- delayed or lost sales and harm to our financial condition and results of operations;
- a delay in attaining, or the failure to attain, market acceptance of our products;
- the expenditure of significant financial resources in efforts to analyze, correct, eliminate, remediate, or work around errors or defects, to address and eliminate vulnerabilities, and to address any applicable legal or contractual obligations relating to any actual or perceived security breach;
- negative publicity and damage to our reputation and brand; and
- legal claims and demands (including for stolen assets or information, repair of system damages, and compensation to customers and business partners), litigation, regulatory audits, proceedings or investigations, and other liability.

Any of the above results could materially and adversely affect our business, results of operations, and financial condition.

If our global network that delivers our products or the core co-location facilities we use to operate our network are damaged or otherwise fail to meet the requirement of our business, our ability to provide access to our platform and products to our customers and maintain the performance of our network could be negatively impacted, which could cause our business, results of operations and financial condition to suffer.

We currently host our global network and serve our customers from co-location and ISP-partner facilities located in 193 cities and over 90 countries around the world. In addition to these global facilities, much of the infrastructure for our global network and for our business and operations is maintained through a core co-location facility located in the U.S. Pacific Northwest, a second core co-location facility located in Luxembourg that provides certain redundancy to the U.S. core facility, and through a limited number of other U.S. co-location facilities that provide limited subsets of our network support. While we have electronic and, to a lesser extent, physical access to the components and infrastructure of our network and co-location facilities that are hosted by third parties—including ISP-partner facilities—we do not control the operation of these third-party facilities. Consequently, we may be subject to service disruptions as well as failures to provide adequate support for reasons that are outside of our direct control. All of our co-location and ISP-partner facilities and network infrastructure are vulnerable to damage or interruption from a variety of sources including earthquakes; floods; fires; power loss; system failures; computer viruses; physical or electronic break-ins; human error; malfeasance; or interference, including by disgruntled employees, former employees, or contractors; terrorism; and other catastrophic events. Co-location facilities housing our network infrastructure may also be subject to local administrative actions, changes to legal or permitting requirements, labor disputes, and litigation to stop, limit, or delay operations. Despite precautions taken at these facilities, such as disaster recovery and business continuity arrangements, the occurrence of a natural disaster or an act of terrorism, a decision to close the co-location facilities without adequate notice, or other unanticipated problems at these facilities could result in interruptions or delays in the availability of our network and products, impede our ability to scale our operations, or have other adverse impacts upon our business, results of operations, and financial condition.

The components of our global network are interrelated, such that disruptions or outages affecting one or more of our network co-location facilities may increase the strain on other components of our network. Concurrent disruptions or outages at a number of our network co-location facilities may lead
to a cascading effect in which heightened strain on our network causes further disruptions or outages, particularly within the regions where the disruptions and outages occur. In addition, the failure of any of our core co-location facilities for any significant period of time, particularly our U.S. core co-location facility, could place a significant strain upon the ongoing operation of our business, as we have only limited redundant functionality for these facilities. Such a failure of a core co-location facility could degrade and slow down our network, reduce the functionality of our products for our customers, impact our ability to bill our customers, and otherwise materially and adversely impact our business, reputation, and results of operations.

**If our customers’ or channel partners’ access to our platform and products is interrupted or delayed for any reason, our business could suffer.**

Any interruption or delay in our customers’ or channel partners’ access to our platform and products will negatively impact our customers. Our customers depend on the continuous availability of our network for the delivery and use of our products, and our products are designed to operate without interruption, including up to 100% uptime guarantee for our Business and Enterprise plans. If all or a portion of our network were to fail, our customers and partners could lose access to the Internet until such disruption is resolved or they deploy disaster recovery options that allow them to bypass our network. The adverse effects of any network interruptions on our reputation and financial condition may be heightened due to the nature of our business and our customers’ expectation of continuous and uninterrupted Internet access and low tolerance for interruptions of any duration. While we do not consider them to have been material, we have experienced, and may in the future experience, network disruptions and other performance problems due to a variety of factors.

The following factors, many of which are beyond our control, can affect the delivery, performance, and availability of our platform and products:

- the development, maintenance, and functioning of the infrastructure of the Internet as a whole;
- the performance and availability of third-party telecommunications services with the necessary speed, data capacity, and security for providing reliable Internet access and services;
- decisions by the owners and operators of the co-location and ISP-partner facilities where our network infrastructure is deployed or by global telecommunications service provider partners who provide us with network bandwidth to terminate our contracts, discontinue services to us, shut down operations or facilities, increase prices, change service levels, limit bandwidth, declare bankruptcy, or prioritize the traffic of other parties;
- the occurrence of earthquakes, floods, fires, power loss, system failures, physical or electronic break-ins, acts of war or terrorism, human error or interference (including by disgruntled employees, former employees, or contractors), and other catastrophic events;
- cyberattacks targeted at us, facilities where our network infrastructure is located, our global telecommunications service provider partners, or the infrastructure of the Internet;
- errors, defects, or performance problems in the software we use to operate our platform and provide our related products to our customers;
- our customers’ or channel partners’ improper deployment or configuration of our customer’s access to our platform and products;
- the maintenance of the APIs in our systems that our partners use to interact with us;
- the failure of our redundancy systems, in the event of a service disruption at one of the facilities hosting our network infrastructure, to redistribute load to other components of our network; and
- the failure of our disaster recovery and business continuity arrangements.
The occurrence of any of these factors, or our inability to efficiently and cost-effectively fix such errors or other problems that may be identified, could damage our reputation, negatively impact our relationship with our customers, or otherwise materially harm our business, results of operations, and financial condition.

**Detrimental changes in, or the termination of, any of our co-location relationships, ISP partnerships, or our other interconnection relationships with ISPs could adversely impact our business, results of operations, and financial condition.**

Our relationships with ISP partners and other vendors that provide co-location services for our network infrastructure and the pricing and other material contract terms we have with these vendors are important for the maintenance, development, and expansion of our global network. If any of our co-location agreements were to expire or the pricing and other material terms of these agreements were to worsen, our business, results of operations, and financial condition would be adversely affected unless we were able to find a substitute vendor for the impacted facility on comparable or better terms. Moreover, a significant number of our important co-location agreements are with a single company and if our arrangements with this company were to change in a manner adverse to us, we could face difficulty in maintaining or growing our network on commercially viable terms. In addition, as part of our arrangements with some of our ISP partners, the ISP partner has agreed to host our equipment for free or at a discount to the partner’s customary rate. There can be no assurances that these ISP partners will continue to provide these types of favorable equipment hosting arrangements in the future.

The efficient and effective operation of our network also relies upon a series of mutually beneficial arrangements with other Internet infrastructure companies. These arrangements are often referred to as “peering” or “interconnection” agreements, and allow us and our ISP partners to reduce bandwidth costs related to operating our respective networks. If the underlying competitive, business, or operational incentives supporting these arrangements were to change, we or our partners might terminate these agreements or allow them to expire. Many of our peering or interconnection agreements have a term of three years or less, after which such agreements auto-renew on an annual basis. Changes to the underlying incentive structure of peering arrangements may result from parties seeking to take advantage of an essential position or enter into exclusive arrangements, changes to U.S. or international laws, regulations, policies, or changes in the norms governing the relationships among Internet infrastructure providers. Without favorable peering arrangements, we would incur significantly increased costs to continue to provide our products at their current levels and such increased costs could adversely impact our business, results of operations, and financial condition. To the extent that other countries begin to regulate peering with outside networks, our costs may increase and our business and results of operations could be adversely impacted.

**Abuse or misuse of our internal network services tools could cause significant harm to our business and reputation.**

In order to provide real-time support to our customers, we have created internal network services tools that are used by our employees to diagnose and correct customer security, performance, and reliability issues. If our employees were to intentionally abuse these tools by interfering with or altering our customers’ Internet properties, our customers could be significantly harmed. Our employees’ inadvertent misuse of these tools could similarly harm our customers. For example, third parties have in the past attempted to induce our employees to use their administrative access to reveal, remove, or disable our customers’ information and content, including by submitting fraudulent law enforcement requests, copyright takedown requests, or other content-based complaints. Any such improper disclosure or removal could significantly and adversely impact our business and reputation. While our tools have been developed only for authorized use by our employees, any unauthorized release of
these tools to third parties would represent a significant vulnerability in our products. Accordingly, any abuse or misuse of our network services tools could significantly harm our business and reputation. If it became necessary to further restrict the availability or use of our network services tools by our employees in response to any abuse or misuse, our ability to deliver high-quality and timely customer support could be harmed.

**Our network presence within China is dependent upon our commercial relationship with Baidu, and any detrimental changes in, or the termination of, that relationship could jeopardize our ability to offer an integrated global network that includes China.**

We believe our offering of an integrated global network that includes facilities in China is important to our existing and potential future customers. Our ability to continue to offer an integrated network presence that includes China currently is dependent on our commercial relationship with an affiliate of Baidu. Regulation of Internet infrastructure and traffic by the Chinese government creates challenges to the peering of Chinese and non-Chinese networks. We have a strategic agreement with Baidu to provide a solution that accommodates the requirements imposed by Chinese regulations through Baidu’s development and operation of facilities in China that are included as part of our network. We have needed to periodically negotiate extensions to our existing agreement with Baidu and there can be no assurance that future extensions will be available on comparable terms. The term of our current agreement with Baidu expires at the end of 2020, but is subject to earlier termination by Baidu at the end of 2019 if notice is delivered before September 2019 or by either party under certain circumstances such as the other party’s material breach. In addition, the agreement with Baidu can be terminated by Baidu under certain circumstances if necessary Chinese governmental approvals are revoked or become limited or impaired or if public law or regulatory action by the Chinese or U.S. government expressly prohibits or materially restricts the collaboration contemplated by the agreement. The risk of such an early termination event may have increased during the current environment of economic trade negotiations and tensions between the Chinese and U.S. governments. Although we have been successful in negotiating extensions of this agreement in the past, we cannot provide any assurance that we will continue to be able to do so in the future if we determine that we would like to continue to extend the agreement. If our commercial relationship with Baidu were terminated, identifying an alternative solution in China could be difficult, time-consuming, and expensive. Even if an alternative solution is identified, we cannot be certain that the economic terms or performance of any such alternative arrangement will be comparable to our existing relationship with Baidu, which could materially negatively impact our financial results and customer satisfaction with such alternative arrangement. A lack of network presence in China would represent a significant loss of utility to many of our customers and could materially harm our business.

Our customers that use our network presence in China through our Baidu commercial relationship are subject to Chinese laws and regulations of Internet infrastructure, traffic, and content. Under our agreement with Baidu, in some circumstances, these customers’ use of our Chinese network presence can be terminated if they violate these laws and regulations. The removal of our customers from our Chinese network presence could result in these customers deciding to terminate their overall relationship with us. In addition, any adverse publicity associated with the removal of some or all of our customers from our Chinese network presence as a result of the application of Chinese laws and regulations could cause us to experience adverse reputational and business consequences.

**Our international operations expose us to significant risks, and failure to manage those risks could materially and adversely impact our business.**

Historically, we have derived a significant portion of our revenue from outside the United States. We derived 52% of our revenue from our international customers for each of the years ended December 31, 2017 and 2018 and 53% and 50% for the six months ended June 30, 2018 and 2019,
respectively. We are continuing to adapt to and develop strategies to address international markets and our growth strategy includes expansion into geographies around the world, but there is no guarantee that such efforts will be successful. In addition, our global network includes co-location facilities located in 193 cities and over 90 countries around the world. We expect that our international sales and network activities will continue to grow in the future, as we continue to pursue opportunities in international markets and further grow our network around the world. These international operations will require significant management attention and financial resources and are subject to substantial risks, including:

- political, economic, and social uncertainty, including the potential nationalization of key peering partners by foreign governments, or terrorist activities;
- changes in a specific country’s or region’s political or economic conditions, including in the United Kingdom as a result of its pending withdrawal from the EU (i.e., Brexit);
- unexpected costs for the localization of our products, including translation into foreign languages and adaptation for local practices and regulatory requirements;
- greater difficulty in enforcing contracts and accounts receivable collection, and longer collection periods;
- reduced or uncertain protection for intellectual property rights in some countries;
- greater risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties, including with respect to our business in China;
- greater risk of a failure of foreign employees and channel partners to comply with both U.S. and foreign laws, including antitrust regulations, anti-bribery laws, export and import control laws, and any applicable trade regulations ensuring fair trade practices;
- heightened security risks associated with our co-location facilities in high-risk countries and the software code and systems access shared with our service providers located in such countries;
- greater risks associated with third-party contractors that we use to install and maintain our hardware in co-location facilities in foreign countries and the limited background checks and screening that we can perform on such service providers;
- regulations related to privacy, data protection, security requirements, data localization, or content restriction that could pose risks to our intellectual property, increase the cost of doing business in a country, or create other disadvantages to our business;
- potential changes in laws, regulations, and costs affecting our U.K. operations and local employees due to Brexit;
- increased expenses incurred in establishing and maintaining office space and equipment for our international operations;
- greater difficulty in identifying, attracting, and retaining local qualified personnel and the costs and expenses associated with such activities;
- differing employment practices and labor relations issues;
- increased regulatory requirements and litigation risk related to the presence of our physical infrastructure in countries around the world;
- difficulties in managing and staffing international offices and increased travel, infrastructure, and legal compliance costs associated with operating multiple international locations; and
- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business, particularly the United Kingdom and Singapore where we have large offices and pay employees in local currency.
The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources. Our failure to successfully manage our international operations and the associated risks could limit the future growth of our business. In particular, we are exposed to risks in China, which amounts to a significant part of both our short-term and long-term revenue growth plans. Our Chinese operations are substantially dependent on our relationship with Baidu, and due to economic and political challenges in servicing the Chinese market, the loss of this arrangement could have a significant adverse effect on our business and results of operations.

Geo-political events such as Brexit may increase the likelihood of certain of these risks materializing or heighten their impact on us in affected regions. In particular, it is possible that the level of economic activity in the United Kingdom and the rest of Europe will be adversely impacted and that we will face increased regulatory and legal complexities, including those related to tax, trade, data privacy, security, and employee relations, as a result of Brexit. Given the significance of our presence in the United Kingdom, such changes could be particularly costly and disruptive to our operations and business relationships. In addition, heightened use of trade restrictions such as tariffs or prohibitions on technology transfers to achieve diplomatic ends, including with respect to the current environment of economic trade negotiations and tensions between the Chinese and U.S. governments, could impact our ability to conduct our business as planned.

Our business could be adversely impacted by the decision of foreign governments, Internet service providers, or others, to block transmission from Cloudflare IP addresses in order to enforce certain Internet content blocking efforts.

Some of our security products involve making origin IP addresses and other operational assets of our customers more difficult for cyberattackers to target. The evolving design of our platform and products may create challenges for various organizations, including governments, that seek to block certain content based on IP address “black lists” or other mechanisms. This problem is exacerbated by the fact that a single Cloudflare IP address may be used for a number of Internet properties, and the Cloudflare IP used for any one Internet property may change over time. This means that efforts by ISPs to block a single domain name may end up blocking a number of other domains that share that Cloudflare IP address or domains that use that same Cloudflare IP address previously or subsequently. If these challenges become too difficult for those organizations to overcome, they could make the decision to block content in an overbroad manner or block completely websites and other Internet properties that are using our network and/or transmitted using known Cloudflare IP addresses. Some of these blocking efforts would be out of our control once they have been put in place and may limit our ability to provide our products on a fully global basis, which could reduce demand for our products among current or potential customers that are focused on the impacted regions or could otherwise adversely impact our business, results of operations, and financial condition.

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

Our business activities are subject to various economic and trade sanctions regulations administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) and U.S. export control and similar foreign laws and regulations, including the U.S. Department of Commerce’s Export Administration Regulations (EAR). We incorporate encryption technology into certain of our products, and the encryption products and the underlying technology may be exported outside the United States only with the required export authorizations, including by license, a license exception or other appropriate government authorizations, including the filing of classification requests or self-classification reports. Further, the U.S. economic sanctions laws and export control laws include
restrictions or prohibitions on the sale or supply of most products and services to U.S. embargoed or sanctioned countries, governments, persons, and entities. Even though we take precautions and have implemented policies and practices to assist in compliance, there is a risk that we may not be in full compliance with these laws.

In 2019, we learned that we may have failed to comply with certain U.S. export-related filing and reporting requirements and may have submitted incorrect information to the U.S. government in connection with certain hardware exports. Upon learning of these potential violations and associated export control requirements, we promptly initiated a voluntary internal review and are taking remedial measures to prevent similar export control anomalies from occurring in the future. In May 2019, we submitted a voluntary self-disclosure to the Bureau of Industry and Security regarding potential violations of EAR and a voluntary self-disclosure to the Census Bureau regarding potential violations of the Foreign Trade Regulations. These voluntary self-disclosures are under review by the respective agencies.

In 2019, we learned that we may have failed to comply with certain U.S. export-related filing and reporting requirements and may have submitted incorrect information to the U.S. government in connection with certain hardware exports. Upon learning of these potential violations and associated export control requirements, we promptly initiated a voluntary internal review and are taking remedial measures to prevent similar export control anomalies from occurring in the future. In May 2019, we submitted a voluntary self-disclosure to the Bureau of Industry and Security regarding potential violations of EAR and a voluntary self-disclosure to the Census Bureau regarding potential violations of the Foreign Trade Regulations. These voluntary self-disclosures are under review by the respective agencies.

In May 2019, we submitted a voluntary self-disclosure to OFAC related to our non-compliance with certain economic and trade sanctions programs. Specifically, we identified that our products were used by, or for the benefit of, certain individuals and entities included in OFAC’s Specially Designated Nationals and Blocked Persons List (the SDN List), including entities identified in OFAC’s counter-terrorism and counter-narcotics trafficking sanctions programs, or affiliated with governments currently subject to comprehensive U.S. sanctions. A small number of these parties made payments to us in connection with their use of our platform. Although we have implemented, and are working to implement additional controls and screening tools designed to prevent similar activity from occurring in the future, there is no guarantee that we will not inadvertently provide our products to additional individuals, entities, or governments prohibited by U.S. sanctions in the future. The voluntary self-disclosure is under review by OFAC.

Additionally, we currently provide products to certain OFAC-sanctioned regions based upon general licenses issued by OFAC to engage in such activity. We continue to review the OFAC sanctions and our practices to verify compliance.

These efforts related to export controls and OFAC sanctions could result in negative consequences for us, including costs related to government investigations, financial penalties and harm to our reputation. The impact on us related to these matters could be substantial.

In addition, various countries regulate the import of certain technologies and have enacted or could enact laws that could limit our ability to provide our products and operate our network or could limit our customers’ ability to access or use our platform and products in those countries.

If we are found to have violated the U.S. or foreign laws and regulations, we and certain of our employees could be subject to civil or criminal penalties, including the possible loss of export privileges and fines. We may be materially and adversely affected through penalties, reputational harm, loss of access to certain markets, or otherwise. Obtaining the necessary authorizations, including any required license, for a particular transaction may be time-consuming, is not guaranteed, and may result in the delay or loss of sales opportunities. In addition, changes in our platform, products, or screening process, or changes in export, sanctions, and import laws, could delay the introduction and sale of subscriptions to our products in international markets, prevent customers in certain countries from accessing our platform and products or, in some cases, prevent the provision of our platform and products to certain countries, governments, persons, or entities altogether. Any decrease in our ability to sell our products could materially and adversely affect our business, results of operations, and financial condition.
We face intense and increasing competition, which could adversely affect our business, financial condition, and results of operations.

The markets for our platform and products are intensely competitive and characterized by rapid changes in technology, customer requirements, industry standards, and frequent introductions of new, and improvements of, existing products. Our broad portfolio of products exposes us to competition from a large number of competitors in a number of different markets, including companies and their product and services offerings in, among others, virtual private networks, internal and external firewalls, web security (including web application firewalls and content filtering), distributed denial of service prevention, intrusion detection and prevention, application delivery controls, content delivery networks, domain name systems, advanced threat prevention, and wide area network (WAN) technology.

Our competitors provide both on-premises, appliance-based solutions, and cloud-based services that have functionality similar to our platform and products. We expect competition to increase as other established and emerging companies and start-ups enter the markets for products and solutions for security, performance, and reliability, in particular with respect to cloud-based solutions, as customer requirements evolve and as new products, services, and technologies are introduced. If we are unable to anticipate or effectively react to these competitive challenges, our competitive position could weaken, and we could experience a decline in revenue or our growth rate that could materially and adversely affect our business and results of operations.

Our potential competitors include large companies with substantial infrastructure, such as global telecommunications services provider partners and public cloud providers. These companies could choose to enter the markets for products and solutions for security, performance, and reliability, including by acquiring existing companies, developing their own internal solutions, or establishing cooperative relationships with businesses that may allow them to offer more comprehensive solutions or to adapt more quickly than us to new technologies and customer needs. Additionally, if an increasing portion of web content is housed on another company’s platform or portions of the Internet are otherwise privatized, it could reduce the demand for our products and increase competitive pressure on us. These competitive pressures in our markets or our failure to compete effectively may result in price reductions, fewer subscriptions, reduced revenue and gross margin, increased net losses, and loss of market share.

Our current and potential future competitors include a number of different types of companies, including:

- point-cloud solution vendors, including cloud security vendors such as Zscaler, Inc. and Cisco Systems Inc. through Umbrella (formerly known as OpenDNS), content delivery network vendors such as Akamai Technologies, Inc., Limelight Networks, Inc., Fastly, Inc., and Verizon Communications Inc. through Edgecast, domain name system vendors services such as Oracle Corporation through DYN, Neustar, Inc., and UltraDNS Corporation, and cloud SD-WAN vendors; and
- traditional public cloud vendors, such as Amazon.com, Inc. through Amazon Web Services, Alphabet Inc. through Google Cloud Platform, Microsoft Corporation through Azure, and Alibaba Group Holding Limited through Alibaba Cloud.

Many of our existing and potential competitors have or could have substantial competitive advantages including, among others:

- greater name recognition;
longer operating histories and larger customer bases;
larger sales and marketing budgets and capital resources;
broader distribution and established relationships with partners and customers;
greater customer support resources;
greater resources to make acquisitions and enter into strategic partnerships;
lower labor and research and development costs;
larger and more mature intellectual property rights portfolios;
control of significant technologies, standards, or networks, including operating systems, with which our products must interoperate;
higher or more difficult to obtain security certifications than we possess; and
substantially greater financial, technical, and other resources.

In particular, some of our larger competitors have substantially broader and more diverse product and services offerings, which may allow them to leverage existing commercial relationships, incorporate functionality into existing products, sell products and services with which we compete at zero or negative margins, offer fee waivers and reductions or other economic and non-economic concessions, bundle products, maintain closed technology platforms, or render our products unable to interoperate with such platforms. If they were to engage in predatory practices, it could harm our existing product offerings or prevent us from creating viable products in other segments of the markets in which we participate. If our competitors are able to exploit their advantages or are able to persuade our customers or potential customers that their products are superior to ours, we may not be able to compete effectively and our business, financial condition, and results of operations may be materially affected.

Our policies regarding user privacy could cause us to experience adverse business and reputational consequences with customers, employees, suppliers, government entities, and other third parties.

As a company, we strive to protect our customers’ privacy consistent with applicable law. Consequently, we generally do not provide personal information about our customers without legal process. From time to time, government entities may also seek our assistance with obtaining information about our customers or could request that we modify our platform and products in a manner to permit access or monitoring. In light of our privacy commitments, we may legally challenge law enforcement requests to provide a feed of content transiting our network, to obtain encryption keys, or to modify or weaken encryption. We may face complaints from individuals who assert we have provided their information improperly to law enforcement or in response to third-party abuse complaints, despite policies we have in place to protect that information. To the extent that we do not provide assistance to or comply with requests from government entities or challenge those requests publicly or in court, we may experience adverse political, business, and reputational consequences. We may also face such adverse political, business, and reputational consequences to the extent that we provide, or are perceived as providing, assistance to government entities that exceeds our legal obligations. For example, we periodically receive requests for information purportedly originating from law enforcement agencies or pursuant to legal process, but which are fraudulent or improper attempts to cause us to reveal customer information. Any such disclosure could significantly and adversely impact our business and reputation.

We publish a transparency report on a semi-annual basis to provide details of law enforcement and government requests we receive. Our transparency report also includes a list of certain actions we
have not taken in response to law enforcement requests. If we are ever required by law enforcement to take one or more of the actions covered by those disclosures, then we would have to remove the applicable disclosures from our transparency report. Both the publishing of our transparency report and, conversely, the potential narrowing of the list of actions we have not taken in response to law enforcement requests could damage our business and reputation.

If we do not effectively expand, train, and retain our sales force, we may be unable to add new Enterprise plan customers, or increase sales to our existing customers and our business would be adversely affected.

A majority of our revenue in the year ended December 31, 2018 and the six months ended June 30, 2019 was from Enterprise plan customers that were acquired through our inside and field sales teams. We expect this trend will continue for the foreseeable future. As a result, our financial condition and results of operations are dependent to a significant degree on the ability of our dedicated sales personnel to acquire new enterprise customers and expand our relationships with our existing enterprise customers. Our sales representatives typically engage in direct interaction with our prospective enterprise customers. Increasing our customer base and achieving broader market acceptance of our platform and products will depend, to a significant extent, on our ability to expand and further invest in our sales and marketing operations and activities. There is significant competition for sales personnel with the advanced sales skills and technical knowledge we need. We believe that selling subscriptions to our products requires particularly talented sales personnel that understand both cloud-based and appliance-based solutions, as well as the key differences between them. Our ability to achieve significant growth in revenue in the future will depend, in large part, on our success in recruiting, training, and retaining sufficient numbers of these talented sales personnel in both the United States and international markets. New sales hires require significant training and may take significant time before they achieve full productivity. As a result, our new sales hires and planned sales hires may not become as productive as we would like or as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals. As a result of our rapid growth, a large percentage of our sales and marketing team is new to our company and inexperienced in selling subscriptions to our products, and therefore these personnel may be less effective than our more seasoned employees. Experienced sales personnel are particularly sought after in our industry and we may have to expend significant resources to retain our most productive sales employees. Even with considerable effort, we may be unsuccessful at retaining our experienced sales employees, which would adversely impact our business, results of operations, and financial condition.

Furthermore, hiring sales personnel in new countries, or expanding our existing presence in the countries in which we currently operate, requires upfront and ongoing expenditures that we may not recover if the sales personnel fail to achieve full productivity or that may be recovered on a more delayed basis than expected. We cannot predict whether, or when or to what extent, our sales will increase as we expand our sales force or how long it will take for sales personnel to become productive. If we are unable to hire, train, and retain a sufficient number of effective sales personnel, or the sales personnel we hire are not successful in obtaining new customers or increasing sales to our existing customer base, our business and future growth prospects will be materially and adversely affected.

If we fail to effectively manage our growth, we may be unable to execute our business plan, maintain high-quality levels of support, ensure the security of our network, adequately address competitive challenges, or maintain our corporate culture, and our business, financial condition, and results of operations would be harmed.

We have recently experienced, and continue to experience, a period of rapid growth. For example, our headcount grew from 540 employees as of December 31, 2017, to 865 employees as of December 31,
2018, to 1,069 employees as of June 30, 2019. We also have offices around the world, and we opened offices in Beijing and Munich during 2018 and opened an office in Sydney in January 2019. In addition, we expanded our network into 17 and 46 new cities in 2017 and 2018, respectively, and into six new cities during the three months ended June 30, 2019. The number of customers, users, and requests on our network also has increased rapidly in recent years. While we expect to continue to expand our operations and to increase our headcount, network, and products significantly in the future, both domestically and internationally, our growth may not be sustainable. Our growth has placed, and future growth will continue to place, a significant strain on our management and our administrative, operational, and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively, which will require that we continue to improve our administrative, operational, financial, and management systems and controls by, among other things:

- effectively attracting, training, and integrating a large number of new employees, particularly members of our sales, engineering, and management teams;
- ensuring the integrity and security of our network and IT infrastructure throughout the world;
- maintaining our corporate culture, which we believe fosters innovation, teamwork, and an emphasis on customer-focused results and contributes to our cost-effective business model;
- further improving our key business applications, processes, and IT infrastructure, including our core co-location facilities, to support our business needs;
- enhancing our information and communication systems to ensure that our employees and offices around the world are well coordinated and can effectively communicate with each other and our growing base of channel partners, customers, and users;
- maintaining high levels of customer support; and
- appropriately documenting and testing our IT systems and business processes.

Managing our growth will require significant capital expenditures and allocation of valuable management and employee resources. If we fail to manage our expected growth, the uninterrupted and secure operation of our network and products and key business systems, our corporate culture, our compliance with the rules and regulations applicable to our operations, the quality of our products, and our ability to compete could suffer. Any failure to preserve our culture also could further harm our ability to retain and recruit personnel, innovate and create new products, operate effectively, and execute on our business strategy.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly results of operations, including our revenue, gross margin, operating margin, profitability, cash flow from operations, and deferred revenue, may vary significantly in the future and period-to-period comparisons of our results of operations may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly results of operations may fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuation in quarterly results may negatively impact the trading price of our Class A common stock. Factors that may cause fluctuations in our quarterly results of operations include, without limitation:

- our ability to attract new paying customers and, to a lesser extent, convert free customers to paying customers;
- our ability to retain and upgrade paying customers;
- the timing of expenses and recognition of revenue;
the amount and timing of operating expenses related to the maintenance and expansion of our business, operations, and infrastructure, as well as entry into operating and capital leases and co-location and similar agreements related to the expansion of our network;

• the timing of expenses related to acquisitions;

• any large indemnification payments to our customers or other third parties;

• changes in our pricing policies or those of our competitors;

• the timing and success of new product feature and service introductions by us or our competitors;

• network outages or actual or perceived security breaches;

• our involvement in litigation or regulatory enforcement efforts, or the threat thereof;

• changes in the competitive dynamics of our industry, including consolidation among competitors;

• the length of the sales cycle for our enterprise customers;

• changes in laws and regulations that impact our business; and

• general economic and market conditions.

We rely on our key technical, sales, and management personnel to grow our business, and the loss of one or more key employees or the inability to attract and retain qualified personnel could harm our business.

Our future success is substantially dependent on our ability to attract, retain, and motivate the members of our management team and other key employees throughout our organization, particularly Matthew Prince, our Chief Executive Officer, and Michelle Zatlyn, our Chief Operating Officer. We rely on our leadership team in the areas of operations, security, marketing, sales, support, research and development, and general and administrative functions, and on individual contributors on our research and development team. Although we have entered into employment offer letters with our key personnel, these agreements have no specific duration and constitute at-will employment. We do not maintain key person life insurance policies on any of our employees. The loss of one or more of our executive officers or key employees could seriously harm our business.

To execute our growth plan, we must attract and retain highly qualified personnel. In particular, it is critical for us to attract and retain engineering talent in our fast growing industry. Competition for these personnel in the San Francisco Bay Area, where our headquarters is located, and in London, Singapore, Austin, Texas, and other locations where we maintain offices, is intense, especially for experienced sales professionals and for engineers experienced in designing and developing cloud applications. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. For example, in recent years, recruiting, hiring, and retaining employees with expertise in the cybersecurity industry has become increasingly difficult as the demand for cybersecurity professionals has increased as a result of high-profile cybersecurity attacks on global corporations and governments. Many of the companies with which we compete for experienced personnel have greater resources than we have and may provide higher levels of compensation. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. Upon vesting of equity awards, many of our employees have acquired or may soon acquire a substantial amount of personal wealth. This may make it more difficult for us to retain and motivate these employees, and this wealth could affect their decision about whether or not they continue to work for
We believe our long-term value as a company will be greater if we focus on growth, which may negatively impact our profitability.

A significant part of our business strategy is to focus on long-term growth. For example, in the year ended December 31, 2018 we increased our operating expenses to $234.0 million as compared to $115.9 million in the year ended December 31, 2017, and to $136.9 million in the six months ended June 30, 2019 as compared to $99.1 million in the six months ended June 30, 2018. In the year ended December 31, 2018, our net loss increased to $87.2 million from $10.7 million in the year ended December 31, 2017, and to $36.8 million in the six months ended June 30, 2019 as compared to $32.5 million in the six months ended June 30, 2018. As a result, we may continue to operate at a loss or our profitability may be lower than it would be if our strategy were to maximize short-term profitability. Significant expenditures on sales and marketing efforts, and expenditures on growing our platform and expanding our research and development and portfolio of products, each of which we intend to continue to invest in, may not ultimately grow our business or cause long-term profitability. If we are ultimately unable to achieve or improve profitability at the level or during the time frame anticipated by industry or financial analysts and our stockholders, our stock price may decline.

If we are not able to maintain our brand, our business and results of operations may be adversely affected.

We believe that maintaining our reputation as a provider of products with the highest levels of security, performance, and reliability is critical to our relationship with our existing customers and our ability to attract new customers. The successful promotion of our brand will depend on a number of factors, including our record of security, performance, and reliability; our marketing efforts; our ability to continue to develop high-quality features and products for our network; and our ability to successfully differentiate our products from competitive products and services. Our brand promotion activities may not be successful or yield increased revenue.

Independent industry and financial analysts often provide reviews of our products, as well as those of our competitors. Perception of our offerings in the marketplace may be significantly influenced by these expert reviews. If reviews of our products are negative, or less positive than those of our competitors', our brand may be adversely affected. The performance of our channel partners may also affect our brand and reputation, particularly if customers do not have a positive experience with our channel partners. The promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our markets become more competitive and we expand into new markets. Expenditures intended to maintain and enhance our brand may not be cost-effective or effective at all. If we do not successfully maintain and enhance our brand, we may have reduced pricing power relative to our competitors, we could lose customers, or we could fail to attract potential new customers or expand sales to our existing customers, all of which could materially and adversely affect our business, results of operations, and financial condition.

We provide service level commitments under our Enterprise plan customer contracts and our Business plan terms of service. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service or allow customers to terminate their subscriptions and our business could suffer.

Our Enterprise plan agreements and our Business plan terms of service typically provide for service level commitments, which contain specifications regarding the availability and performance of our...
network. In particular, our Enterprise plan subscriptions and our Business plan terms of service include up to a 100% uptime guarantee. Any failure of or disruption to our infrastructure could adversely impact the security, performance, and reliability of our platform and products for our customers. If we are unable to meet our stated service level commitments or if we suffer extended periods of poor performance or unavailability of our platform and products, these customers could seek to bring claims against us or terminate their agreements with us and, in the case of our enterprise customers, we may be contractually obligated to provide affected customers with service credits that they may apply against future subscription fees otherwise owed to us, and, in certain cases, refunds of pre-paid and other fees. For example, the June 2019 route leak and the July 2019 outage on our network triggered certain of these types of obligations. While we continue to monitor the impact of the June 2019 route leak and July 2019 outage and do not expect they will have a material impact on our results of operations or financial condition, our estimates could be wrong and these and other future events like these may materially and adversely impact our results of operations or financial condition. Our revenue, other results of operations, and financial condition could be harmed if we suffer performance issues or downtime that exceeds the service level commitments under our agreements and terms of service with our paying customers.

If our products do not obtain and maintain market acceptance, our ability to grow our business and our results of operations may be adversely affected.

Our products are still evolving and it is difficult to predict customer demand and adoption rates for our product offerings. We believe that our platform and cloud-based products represent a major shift from traditional solutions. Many of our potential customers, particularly large enterprises and government entities, face barriers to adopting our offerings because of their prior investment in, and the familiarity of their IT personnel with, on-premises, appliance-based solutions. As a result, our sales process often involves extensive efforts to educate our customers about our products, particularly as we continue to pursue customer relationships with large organizations.

Our customers also expect us to meet voluntary certifications or adhere to standards established by third parties and may demand that they be provided a report from our auditors that we are in compliance. Although we currently have certain certifications such as SOC2 Type 1 and Type 2, SOC3, PCI DSS, and ISO27001, we may not be successful in continuing to maintain those certifications or in obtaining other certifications. In addition, sales to government entities and other large enterprises may in particular be conditioned upon adherence to the FedRAMP and eIDAS standards in the United States and the EU, respectively, and we do not currently have these certifications. The costs of obtaining and maintaining certification pursuant to any of these standards are significant, and any failure to obtain and maintain such certifications for our platform and products could reduce demand for them, which would harm our business, results of operations, and financial condition. To the extent our competitors have, and we do not have, these certifications, we may lose the opportunity to obtain subscriptions from certain potential paying customers.

Despite our efforts, we can provide no assurance that our cloud-based products will obtain market acceptance or that competing products or services based on other cloud-based and/or on-premises technologies will not achieve market acceptance. If we fail to achieve market acceptance of our products or are unable to keep pace with industry changes or obtain necessary product certifications, our ability to grow our business, results of operations, and financial condition will be materially and adversely affected.

We may not be able to respond to rapid technological changes or develop new products and features that are attractive to our current and prospective future customers.

The industry in which we compete is characterized by rapid technological change, including frequent introductions of new products and services, evolving industry standards, changing regulations, and the
development of novel cyber-attacks by hostile parties, as well as changing customer needs, requirements and preferences. Our need for continuous innovation is driven not only by competitive forces within our industry but also by our need to out-innovate the highly motivated third parties seeking to breach or compromise our network and those of our customers for economic, political, or military purposes.

Our ability to attract new customers and increase revenue from existing customers will depend in significant part on our ability to anticipate and respond effectively to these forces on a timely basis and continue to introduce enhancements to our platform and develop new products. If new technologies emerge that deliver competitive products and services at lower prices, more efficiently, more conveniently, more securely or reliably, or are higher performing, these technologies could render our platform and existing products less attractive to our current and prospective future customers, or obsolete. The development of novel attacks or exploits by criminal or malicious elements or hostile state actors also could render our platform and existing products less effective or obsolete. The success of our business depends on our continued investment in our research and development organization to increase the integrity, reliability, availability, and scalability of our products. We may experience difficulties with development, design, or marketing of such enhancements to our platform and products that could delay or prevent their development, introduction, or implementation. We have in the past experienced delays in the planned expansion of our network and in our internally planned or publicly announced release dates of new products and new features and capabilities, and there can be no assurance that planned expansions of our network will occur on schedule and that new products, features, or capabilities will be released according to schedule. Any delays could result in adverse publicity, loss of revenue or market acceptance, or claims by customers brought against us, all of which could have a material and adverse effect on our reputation, business, results of operations, and financial condition.

Adverse economic conditions, including reduced spending on products and solutions for network security, performance, and reliability, may adversely impact our revenue and profitability.

Our operations and financial performance depend in part on worldwide economic conditions and the impact these conditions have on levels of spending on products and solutions for network security, performance, and reliability. Our business depends on the overall demand for these products and on the economic health and general willingness of our current and prospective customers to purchase our products. Some of our paying customers may view a subscription to our products as a discretionary purchase and may reduce their discretionary spending on our products during an economic downturn. Weak economic conditions, including a reduction in spending on products and solutions for security, performance, and reliability, could reduce sales, lengthen sales cycles, increase churn, and lower demand for our products, any of which could adversely affect our business, results of operations, and financial condition.

Our relatively limited operating history makes it difficult to evaluate our current business and prospects, and may increase the risk that we will not be successful.

Our relatively limited operating history makes it difficult to evaluate our current business and prospects, and to plan for our anticipated future growth. We began operations in 2010 and much of our growth has occurred in recent years. As a result, our business model has not been fully proven, which subjects us to a number of uncertainties, including our ability to plan for and model future growth. While we have continued to expand our network and develop additional reliability products, we have encountered, and will continue to encounter, risks and uncertainties frequently experienced by rapidly growing companies in developing industries, including our ability to achieve broad market acceptance of our products, attract additional customers, identify and grow partnerships, withstand increasing
competition in our existing and future markets, and manage increasing expenses as we continue to grow our business. If our assumptions regarding these risks and uncertainties are incorrect or change in response to changes in the markets for products and solutions for network security, performance, and reliability, our business could suffer and our results of operations and financial condition could differ materially from our expectations.

**We have limited experience with our pricing models, and may not accurately predict the long-term rate of paying customer adoption or renewal, or the impact these will have on our revenue or results of operations.**

We generate revenue primarily from subscriptions to our platform and products. We offer subscription plans that provide varying degrees of functionality, and also offer separate subscriptions to various add-on products and platform functionality. We have limited experience with respect to determining the optimal prices and pricing models for our subscription plans and add-on products. As the markets for our products mature, as we enter into newer product markets for our business, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers or retain existing customers at the same price or based on the same pricing model as we have used historically. Moreover, our increasing focus on larger customers may lead to greater price concessions in the future or have a more significant impact period to period on our revenue and results of operations. As a result, in the future we may be required to reduce our prices, which could adversely affect our revenue, gross margin, profitability, financial condition, and cash flow.

We also have limited experience in determining which products and functionality to offer as part of our subscription plans and which to offer as add-on products. Our limited experience in determining the optimal manner in which to bundle our various products and functionalities could reduce our ability to capture the value delivered by our offerings, which could adversely impact our business, results of operations, and financial condition.

**As we expand our sales to enterprise customers, our sales cycle could lengthen and become unpredictable.**

Historically, the implementation period to start using our products has been short, with most customers under our self-serve plans implementing usage of our products within a matter of minutes and our sales cycle for customers under our Enterprise plan typically lasting less than one quarter. As our business evolves, we are investing more resources into sales efforts directed to larger enterprises. These larger enterprises may undertake a significant evaluation and negotiation process, which could lengthen our sales cycle materially. The timing of sales to enterprise customers can be more difficult to predict because of the length and unpredictability of the sales cycle for these customers. Our sales efforts typically involve educating our prospective enterprise customers about the uses, benefits, and value proposition of our platform and products. Potential enterprise customers often view the subscription to our products as a significant strategic decision and, as a result, in some cases require considerable time to evaluate, test, and qualify our platform and products prior to entering into or expanding a relationship with us.

Our sales force develops relationships directly with our customers and our channel partners on account penetration, account coordination, sales, and overall market development. We spend substantial time and resources on our sales efforts without any assurance that our efforts will produce a sale. Subscriptions to our products often are subject to budget constraints, multiple approvals, and unanticipated administrative, processing, and other delays. As a result, it is difficult to predict whether or when a sale to a prospective enterprise customer will be completed and when revenue from a subscription will be recognized.
Sales to larger enterprise customers involve risks that may not be present, or that are present to a lesser extent, with sales to smaller customers, including:

- competition from companies that traditionally target larger enterprises and that may have pre-existing relationships or purchase commitments from such customers;
- longer evaluation periods, more detailed evaluations, and more cumbersome contract negotiation and approval processes;
- increased purchasing power and leverage in negotiating contractual arrangements with us;
- requirements for more technically complex configurations, integrations, deployments, or features;
- more stringent requirements in our support obligations; and
- longer sales cycles and the associated risk that substantial time and resources may be spent on a potential customer that elects not to purchase our products.

These additional risks also can potentially act as a disincentive to our sales team’s pursuit of these larger customers. As a result, sales to large organizations may lead to greater unpredictability in our business, results of operations, and financial condition. If our sales efforts are not successful or cost-effective, we could lose other sales opportunities or incur expenses that are not offset by an increase in revenue, either of which could harm our business.

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

To grow our business, we anticipate that we will continue to depend on relationships with third parties, such as channel partners. Identifying partners, negotiating and documenting relationships with them, and maintaining APIs that some of our partners use to interact with our business, each require significant time and resources. Our competitors may be effective in providing incentives to third parties to favor their products or services over subscriptions to our products. In addition, acquisitions of such partners by our competitors could result in a decrease in the number of our current and potential customers, as these partners may no longer facilitate the adoption of our applications by potential customers. Further, some of our partners are or may become competitive with certain of our products and may elect to no longer integrate with our platform and products. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired, and our results of operations may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our products or increased revenue.

Our ability to maintain customer satisfaction depends in part on the quality of our customer support. Failure to maintain high-quality customer support could have an adverse effect on our business, results of operation, and financial condition.

We believe that the successful use of our platform and products requires a high level of support and engagement for many of our customers, particularly our larger enterprise customers. In order to deliver appropriate customer support and engagement, we must successfully assist our customers in deploying and continuing to use our platform and products, resolving performance issues, addressing interoperability challenges with the customers’ existing IT infrastructure, and responding to security threats and cyberattacks and performance and reliability problems that may arise from time to time. The IT architecture of our enterprise customers, particularly the larger organizations, is very complex and may require high levels of focused support to effectively utilize our platform and products. Because our platform and products are designed to be highly configurable and to rapidly implement customers’ reconfigurations, customer errors in configuring our platform and products can result in significant
disruption to our customers. Our support organization faces additional challenges associated with our international operations, including those associated with delivering support, training, and documentation in languages other than English. Increased demand for customer support, without corresponding increases in revenue, could increase our costs and adversely affect our business, results of operations, and financial condition.

We also rely on channel partners in order to provide frontline support to our customers, including in regions where we do not have a significant physical presence or the customers primarily speak languages other than English. If our channel partners do not provide support to the satisfaction of our customers, we may be required to hire additional personnel and to invest in additional resources in order to provide an adequate level of support, generally at a higher cost than that associated with our channel partners. There can be no assurance that we will be able to hire sufficient support personnel as and when needed, particularly if our sales exceed our internal forecasts. To the extent that we are unsuccessful in hiring, training, and retaining adequate support resources, our ability to provide high-quality and timely support to our customers will be negatively impacted, and our customers' satisfaction with our network could be adversely affected. Any failure to maintain high-quality customer support, or a market perception that we do not maintain high-quality customer support, could adversely affect our reputation, business, results of operations, and financial condition, particularly with respect to our large enterprise customers.

If our platform and products do not interoperate with our customers' internal networks and infrastructure or with third-party products, websites, or services, our network may become less competitive and our results of operations may be harmed.

Our platform and products must interoperate with our customers’ existing internal networks and infrastructure. These complex internal systems are developed, delivered, and maintained by the customer and a myriad of vendors and service providers. As a result, the components of our customers’ infrastructure have different specifications, rapidly evolve, utilize multiple protocol standards, include multiple versions and generations of products, and may be highly customized. We must be able to interoperate and provide products to customers with highly complex and customized internal networks, which requires careful planning and execution between our customers, our customer support teams and, in some cases, our channel partners. Further, when new or updated elements of our customers’ infrastructure or new industry standards or protocols are introduced, we may have to update or enhance our network to allow us to continue to provide our products to customers. Our competitors or other vendors may refuse to work with us to allow their products to interoperate with our platform and products, which could make it difficult for our platform and products to function properly in customer internal networks and infrastructures that include these third-party products.

We may not deliver or maintain interoperability quickly or cost-effectively, or at all. These efforts require capital investment and engineering resources. If we fail to maintain compatibility of our platform and products with our customers’ internal networks and infrastructures, our customers may not be able to fully utilize our platform and products, and we may, among other consequences, lose or fail to increase our market share and experience reduced demand for our products, which would materially harm our business, results of operations, and financial condition.

Because we provide some of our products through a reverse-proxy, which is a network arrangement in which Internet user requests initially are directed to our network’s servers rather than those of our customers, the source of some traffic may be difficult to ascertain. When they cannot identify the source of the traffic, some governments, third-party products, websites, or services may block our traffic or blacklist our IP addresses. If our customers experience significant instances of traffic blockages, they will experience reduced functionality or other inefficiencies, which would reduce customer satisfaction with our platform and products and likelihood of renewal.
We rely on a limited number of suppliers for certain components of the equipment we use to operate our network and any disruption in the availability of these components could delay our ability to expand or increase the capacity of our global network or replace defective equipment.

We rely on a limited number of suppliers for several components of the equipment we use to operate our network and provide products to our customers. Our reliance on these suppliers exposes us to risks, including reduced control over production costs and constraints based on the then current availability, terms, and pricing of these components. For example, we generally rely on a single source to purchase the servers that we use in our network and we ordinarily purchase these components on a purchase-order basis, without any long-term contracts guaranteeing supply. While the network equipment and servers we purchase generally are commodity equipment and we believe an alternative supply source for servers on substantially similar terms could be identified quickly, our business could be adversely affected until those efforts were completed. In addition, the technology equipment industry has experienced component shortages and delivery delays in the past, and we may experience shortages or delays, including as a result of natural disasters, increased demand in the industry or our suppliers lacking sufficient rights to supply the components in all jurisdictions in which we have co-location facilities that support our global network. If our supply of certain components is disrupted or delayed, there can be no assurance that additional supplies or components can serve as adequate replacements for the existing components or that supplies will be available on terms that are favorable to us, if at all. Any disruption or delay in the supply of our hardware components may delay the opening of new co-location facilities, limit capacity expansion or replacement of defective or obsolete equipment at existing co-location facilities, or cause other constraints on our operations that could damage our customer relationships.

Our business could be adversely impacted by changes in Internet access for our customers or laws specifically governing the Internet.

Our network performance and reliability depends on the quality of our customers’ access to the Internet. Certain features of our network require significant bandwidth and fidelity to work effectively. Internet access is frequently provided by companies that have significant market power that could take actions that degrade, disrupt, or increase the cost of user access to our network, which would negatively impact our business. We could incur greater operating expenses and our customer acquisition and retention could be negatively impacted if other network operators:

- implement usage-based pricing;
- discount pricing for competitive products;
- otherwise materially change their pricing rates or schemes;
- charge us to deliver our traffic at certain levels or at all;
- throttle traffic based on its source or type;
- implement bandwidth caps or other usage restrictions; or
- otherwise try to monetize or control access to their networks.

In addition, there are various laws and regulations that could impede the growth of the Internet or online services, and new laws and regulations may be adopted in the future. These laws and regulations could involve interconnection and network management; taxation; tariffs; privacy; data protection; content; copyrights; distribution; electronic contracts and other communications; consumer protection; and requirements for the characteristics and quality of services, any of which could decrease the demand for, or the usage of, our products. Legislators and regulators may make legal and regulatory changes, or interpret and apply existing laws, in ways that require us to incur substantial costs, expose us to unanticipated civil or criminal liability, or cause us to change our business.
practices. If these changes are implemented, it could have an adverse and negative impact on our business. In addition, we may be banned from providing our products in certain countries, which would prevent our ability to grow our business in such markets and would also have a detrimental impact on the performance and scope of our network. These changes or increased costs could materially harm our business, results of operations, and financial condition.

Failure to comply with laws and regulations applicable to our business could subject us to fines and penalties and could also cause us to lose customers or otherwise harm our business.

Our business is subject to regulation by various federal, state, local, and foreign governmental agencies, including agencies responsible for monitoring and enforcing compliance with various legal obligations, such as privacy and data protection laws and regulations, intellectual property laws, employment and labor laws, workplace safety, environmental laws, consumer protection laws, anti-bribery laws, governmental trade sanctions laws, import and export controls, anti-corruption and anti-bribery laws, federal securities laws, and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than in the United States. These laws and regulations impose added costs on our business. Noncompliance with applicable regulations or requirements could subject us to:

• investigations, enforcement actions, and sanctions;
• mandatory changes to our network and products;
• disgorgement of profits, fines, and damages;
• civil and criminal penalties or injunctions;
• claims for damages by our customers or channel partners;
• termination of contracts;
• loss of intellectual property rights; and
• temporary or permanent debarment from sales to government organizations.

If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations, and financial condition could be adversely affected. In addition, responding to any action will likely result in a significant diversion of our management’s attention and resources and an increase in professional fees. Enforcement actions and sanctions could materially harm our business, results of operations, and financial condition.

Additionally, companies in the technology industry have recently experienced increased regulatory scrutiny. Any reviews by regulatory agencies or legislatures may result in substantial regulatory fines, changes to our business practices, and other penalties, which could negatively affect our business and results of operations. Changes in social, political, and regulatory conditions or in laws and policies governing a wide range of topics may cause us to change our business practices. Further, our expansion into a variety of new fields also could raise a number of new regulatory issues. These factors could negatively affect our business and results of operations in material ways.

Our actual or perceived failure to comply with privacy, data protection, and information security laws, regulations, and obligations could harm our business.

We receive, store, use, and otherwise process personal information and other information relating to individuals. There are numerous federal, state, local, and international laws and regulations regarding privacy, data protection, information security, and the storing, sharing, use, processing, transfer, disclosure, and protection of personal information and other content; the scope of which are changing,
subject to differing interpretations, and may be inconsistent among jurisdictions, or conflict with other rules. These data protection and privacy-related laws and regulations are evolving and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. For example, the EU’s General Data Protection Regulation (the GDPR), which became fully effective on May 25, 2018, imposes more stringent data protection requirements than previously effective EU data protection law and provides for penalties for noncompliance of up to the greater of €20 million or four percent of worldwide annual revenues. Additionally, Brexit has created additional uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, although the United Kingdom has enacted a Data Protection Act that is designed to be consistent with the GDPR, it is unclear how data transfers to and from the United Kingdom will be regulated.

We are also subject to the terms of our privacy policies and contractual obligations to third parties related to privacy, data protection, and information security. We strive to comply with applicable laws, regulations, policies, and other legal obligations relating to privacy, data protection, and information security to the extent possible. However, the regulatory framework for privacy and data protection worldwide is, and is likely to remain, uncertain for the foreseeable future, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices.

We also expect that there will continue to be new laws, regulations, and industry standards concerning privacy, data protection, and information security proposed and enacted in various jurisdictions. For example, in the United States, various laws and regulations apply to the collection, processing, disclosure and security of certain types of data, including the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the Health Insurance Portability and Accountability Act of 1996, the Gramm-Leach-Bliley Act, and state laws relating to privacy and data security. For instance, the California Consumer Privacy Act (the CCPA), that will, among other things, require covered companies to provide new disclosures to California consumers and afford such consumers new abilities to opt-out of certain sales of personal information when the CCPA goes into effect on January 1, 2020. The CCPA was amended on September 23, 2018, and it remains unclear whether any further modifications will be made to this legislation or how it will be interpreted. We cannot yet predict the impact of the CCPA on our business or operations, but it may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply.

Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to customers or other third parties, applicable laws or regulations, or any of our other legal obligations relating to privacy, data protection, or information security may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability or cause our customers to lose trust in us, which could cause them to cease or reduce use of our products and otherwise have an adverse effect on our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our customers may limit the adoption and use of, and reduce the overall demand for, our products.

Additionally, if third parties we work with, such as sub-processors, vendors, or developers, violate applicable laws or regulations, contractual obligations, or our policies—or if it is perceived that such violations have occurred—such actual or perceived violations may also have an adverse effect on our business. Further, any significant change to applicable laws, regulations, or industry practices regarding the collection, use, retention, security, disclosure, or other processing of users’ content, or regarding the manner in which the express or implied consent of users for the collection, use, retention, disclosure, or other processing of such content is obtained, could increase our costs and require us to modify our network, products, and features, possibly in a material manner, which we may be unable to complete, and may limit our ability to store and process customer data or develop new products and features.
We are subject to anti-corruption, anti-bribery, and similar laws, and noncompliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation.

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other anti-corruption, anti-bribery, anti-money laundering, and similar laws in the United States and other countries in which we conduct activities. Anti-corruption and anti-bribery laws, which have been enforced aggressively and are interpreted broadly, prohibit companies and their employees and agents from promising, authorizing, making, or offering improper payments or other benefits to government officials and others in the public sector. We leverage third parties, including channel partners, to sell subscriptions to our products, host many of our co-location facilities for our network, and conduct our business abroad. We and these third parties may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of our business partners and intermediaries, our employees, representatives, contractors, channel partners and agents, even if we do not explicitly authorize such activities. Further, some of our international sales activity occurs, and some of our network infrastructure is located, in parts of the world that are recognized as having a greater potential for business practices that violate anti-corruption, anti-bribery, or similar laws.

We cannot assure you that all of our employees and agents have complied with, or in the future will comply with, our policies and applicable law. As we continue to increase our international sales and business and expand our network globally, our risks under these laws may increase. The investigation of possible violations of these laws, including internal investigations and compliance reviews that we may conduct from time to time, could have a material adverse effect on our business. Noncompliance with these laws could subject us to investigations, severe criminal or civil sanctions, settlements, prosecution, loss of export privileges, suspension or debarment from U.S. government contracts and other contracts, other enforcement actions, the appointment of a monitor, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, whistleblower complaints, adverse media coverage and other consequences. Other internal and government investigations, regulatory proceedings, or litigation, including private litigation filed by our stockholders, may also follow as a consequence. Any investigations, actions, or sanctions could materially harm our reputation, business, results of operations, and financial condition. Further, the promulgation of new laws, rules or regulations or new interpretations of current laws, rules or regulations could impact the way we do business in other countries, including requiring us to change certain aspects of our business to ensure compliance, which could reduce revenue, increase costs, or subject us to additional liabilities.

We may face fines, penalties, or other costs, either directly or vicariously, if any of our partners, resellers, contractors, vendors or other third parties to adhere to their compliance obligations under our policies and applicable law.

We use a number of third parties to perform services or act on our behalf in areas like sales, network infrastructure, administration, research, and marketing. It may be the case that one or more of those third parties fail to adhere to our policies or violate applicable federal, state, local, and international laws, including but not limited to, those related to corruption, bribery, economic sanctions, and export/import controls. Despite the significant challenges in asserting and maintaining control and compliance by these third parties, we may be held fully liable for third parties' actions as fully as if they were a direct employee of ours. Such liabilities may create harm to our reputation, inhibit our plans for expansion, or lead to extensive liability either to private parties or government regulators, which could adversely impact our business, results of operations, and financial condition.
We are currently, and may be in the future, party to intellectual property rights claims and other litigation matters that, if resolved adversely, could have a material impact on our business, results of operations, or financial condition.

We own a large number of patents, copyrights, trademarks, domain names, and trade secrets and, from time to time, are subject to litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. As we face increasing competition and gain an increasingly high profile, the possibility of intellectual property rights claims, commercial claims, and other assertions against us grows. In addition, a number of companies in our industry hold a large number of patents and also protect their copyright, trade secret, and other intellectual property rights, and companies in the networking and security industry frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. We have in the past been, are currently, and may from time to time in the future become, a party to litigation and disputes related to intellectual property, our business practices, and our products. We may also be subject to governmental and other regulatory investigations from time to time. The costs of supporting litigation and dispute resolution proceedings are considerable, and there can be no assurances that a favorable outcome will be obtained. Disputes, whether or not favorably resolved, may generate negative publicity and damage our reputation. We may need to settle litigation and disputes on terms that are unfavorable to us, or we may be subject to an unfavorable judgment that may not be reversible upon appeal. The terms of any settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. With respect to any intellectual property rights claim, we may have to seek a license to continue practices found to be in violation of third-party rights, which may not be available on reasonable terms and may significantly increase our operating expenses. A license to continue such practices may not be available to us at all, and we may be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative, non-infringing technology or practices could require significant effort and expense. Our business, results of operations, and financial condition could be materially and adversely affected as a result.

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

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

From time to time, customers require us to indemnify or otherwise be liable to them for breach of confidentiality, violation of applicable law, or failure to implement adequate security measures with
respective to their data stored, transmitted, or accessed using our platform. Our standard Enterprise plan agreements provide limited indemnification to our customers based on third-party claims related to our violation of intellectual property rights, and some of our Enterprise plan agreements offer indemnification for claims beyond that scope. The existence of such a dispute may have adverse effects on our customer relationship and reputation and we may still incur substantial liability related to them.

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

**Our failure to protect our intellectual property rights and proprietary information could diminish our brand and other intangible assets.**

We rely and expect to continue to rely on a combination of patent, patent licenses, trade secret, domain name protection, trademarks, copyrights, and confidentiality and license agreements with our employees, consultants, and third parties in order to protect our intellectual property and proprietary rights. As of June 30, 2019, we had over 100 issued patents and 60 pending patent applications in the United States and abroad. However, third parties may knowingly or unknowingly infringe our proprietary rights. Third parties may challenge our proprietary rights, pending and future patent, trademark, and copyright applications may not be approved, and we may not be able to prevent infringement without incurring substantial expense. We have also devoted substantial resources to the development of our proprietary technologies and related processes, and we provide access to these technologies and processes to certain of our vendors and partners, including Baidu with respect to the facilities included within our network in China. We must protect this proprietary information in order to realize commercial benefit from our investment.

In order to protect our proprietary technologies and processes, we rely in part on trade secret laws and confidentiality agreements with our employees, consultants, and third parties. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets or develop similar technologies and processes, in which case we would not be able to assert trade secret rights against them. Laws in certain jurisdictions may afford little or no trade secret protection, and any changes in, or unexpected interpretations of, the intellectual property laws in any country in which we operate may compromise our ability to enforce our intellectual property rights. We may not be effective in policing unauthorized use of our intellectual property rights, and even if we do detect violations, costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and any such litigation could be unsuccessful, lead to the invalidation of our proprietary rights, or lead to counterclaims by other parties against us. If the protection of our proprietary rights is inadequate to prevent use or appropriation by third parties, the value of our platform, brand, and other intangible assets may be diminished and competitors may be able to more effectively replicate our platform and its features. Any of these events could materially and adversely affect our business, results of operations, and financial condition.

**We depend and rely upon software and technologies licensed from third parties to operate our business, and interruptions or the unavailability of these technologies may adversely affect our business and results of operations.**

We license software and other technology from third parties that we incorporate into, or integrate with, our platform and products. We also rely on software and other technology from third parties in order to
operate critical functions of our business, including enterprise resource planning and customer relationship management services. If the services we rely on become unavailable due to extended outages, expiration or termination of licenses, or because they are otherwise no longer available on commercially reasonable terms, our expenses could increase, and our ability to sell our products and our results of operations could be impaired until equivalent services are obtained or replacements are developed, all of which could adversely affect our business.

If we are unable to license necessary technology from third parties now or in the future, we may be forced to acquire or develop alternative technology, which we may be unable to do in a commercially feasible manner or at all, and we may be required to use alternative technology of lower quality or performance. This could limit and delay our ability to offer new or competitive products and increase our costs of production. As a result, our business and results of operations could be significantly harmed.

We cannot be certain that those from whom we license software and other technology are not infringing the intellectual property rights of third parties or have sufficient rights to the licensed intellectual property in all jurisdictions in which we may sell our products. Accordingly, our use of this intellectual property may expose us to third-party claims of infringement. In addition, many licenses are non-exclusive and may not prevent our competitors from licensing the same technology on equivalent or more favorable terms.

Some of our technology incorporates “open source” software, we license some of our software through open source projects and we voluntarily make available some of our software on an open source basis, which could negatively affect our ability to sell our products, subject us to possible litigation and be used by other companies to compete against us.

Our platform and products incorporate software licensed under open source licenses, including open source software included in software we receive from third-party commercial software vendors. Use of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, updates, or warranties or other contractual protections regarding infringement claims or the quality of the software. In addition, the wide availability of source code incorporated in our products could allow hostile parties to more easily identify security vulnerabilities in our platform and products. The terms of some open source licenses may provide that under certain conditions we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, including authorizing further modification and redistribution. In the event that certain portions of our proprietary software are determined to be subject to such requirements by an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our network or applicable products, or otherwise be limited in the licensing of our network products, each of which provide an advantage to our competitors or other entrants to the market, create security vulnerabilities in our products and could reduce or eliminate the value of our products. Because the terms of open source licenses are novel and have not been widely interpreted by courts, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software or by third parties seeking to enforce the terms of open source licenses against us in a manner we do not anticipate. In addition, we voluntarily make available certain portions of our software on an open source basis to the public and such software could then be used by other companies to compete against us.

Any unanticipated disclosure of, or litigation regarding, our source code and any open source software incorporated into our source code could result in adverse judgments and liabilities, require us to reengineer all or a portion of our platform and products, limit the marketing of our products, provide an advantage to our competitors or other entrants to the market, create new security vulnerabilities or highlight existing security vulnerabilities in our platform and products, and reduce or eliminate the value
of our platform and products. We cannot assure you that our processes for controlling our use of open source software in our platform and products will be effective.

Our business depends, in part, on sales to U.S. and foreign government organizations, which are subject to a number of challenges and risks.

We derive a portion of our revenue from contracts with government organizations, and we believe the success and growth of our business will in part depend on adding additional public sector customers. However, demand from government organizations is often unpredictable, and we cannot assure you that we will be able to maintain or grow our revenue from the public sector. Sales to government entities are subject to substantial additional risks that are not present in sales to other customers, including:

- selling to government agencies can be more highly competitive, expensive, and time-consuming than sales to other customers, often requiring significant upfront time and expense without any assurance that such efforts will generate a sale;
- U.S., European, or other government certification and audit requirements potentially applicable to our network, including the Federal Risk and Authorization Management Program, are often difficult and costly to obtain and maintain, and failure to do so will restrict our ability to sell to government customers;
- government demand and payment for our products may be impacted by public sector budgetary cycles, funding authorizations, or government shutdowns;
- governments routinely investigate and audit government contractors’ administrative processes and any unfavorable audit could result in fines, civil or criminal liability, further investigations, damage to our reputation, and debarment from further government business;
- governments often require contract terms that differ from our standard customer arrangements, including terms that can lead to those customers obtaining broader rights in our products than would be expected under a standard commercial contract and terms that can allow for early termination; and
- governments may demand better pricing terms and public disclosure of such pricing terms, which may harm our ability to negotiate pricing terms with our non-government customers.

In addition, we must comply with laws and regulations relating to the formation, administration, and performance of contracts with the public sector, including U.S. federal, state, and local governmental organizations, which affect how we and our channel partners do business with governmental agencies. Selling our products to the U.S. government, whether directly or through channel partners, also subjects us to certain regulatory and contractual requirements. Failure to comply with these requirements by either us or our channel partners could subject us to investigations, fines, and other penalties, which could have an adverse effect on our business, results of operations, and financial condition. For example, the U.S. Department of Justice (the DOJ) and the General Services Administration (the GSA) have in the past pursued claims against and financial settlements with vendors under the False Claims Act and other statutes related to pricing and discount practices and compliance with certain provisions of GSA contracts for sales to the federal government. The DOJ and GSA continue to actively pursue such claims. Violations of certain regulatory and contractual requirements could also result in us being suspended or debarred from future government contracting. Any of these outcomes could have a material adverse effect on our revenue, results of operations, and financial condition. Any inability to address these risks and challenges could reduce the commercial benefit to us or otherwise preclude us from selling subscriptions to our products to government organizations.
We may have exposure to greater than anticipated income tax liabilities and may be affected by changes in tax laws, which could adversely impact our results of operations.

We operate in a number of tax jurisdictions globally, including in the United States at the federal, state, and local levels, and in many other countries, and plan to continue to expand the scale of our operations in the future. Accordingly, we are subject to income taxes in the United States and various jurisdictions outside of the United States. While to date we have not incurred significant income taxes in operating our business, we may in the future face significant tax liabilities. Our tax expense could also be impacted by changes in non-deductible expenses, changes in excess tax benefits of stock-based compensation, changes in the valuation of deferred tax assets and liabilities, and our ability to utilize them, the applicability of withholding taxes, and effects from acquisitions.

Our tax provision could also be impacted by changes in accounting principles, changes in U.S. federal, state, or international tax laws applicable to corporate multinationals such as the recent legislation enacted in the United States, United Kingdom, and Australia, other fundamental law changes currently being considered by many countries, and changes in taxing jurisdictions’ administrative interpretations, decisions, policies, and positions. For example, on December 22, 2017, tax reform legislation referred to as the Tax Cuts and Jobs Act (the Tax Act) was enacted in the United States. The Tax Act significantly revises U.S. federal income tax law, including lowering the corporate income tax rate to 21%, requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries, implementing a modified territorial tax system, requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations, and creating a base erosion anti-abuse tax. We have reflected the impact of the Tax Act in our consolidated financial statements in accordance with our understanding of the Tax Act and guidance available as of the date of this prospectus. The primary effect of the Tax Act on our financial results was a reduction of our deferred tax assets resulting from the reduction in the U.S. federal corporate income tax rate. Because we have established a full valuation allowance against our U.S. deferred tax assets, our consolidated financial statements were not materially affected. Many consequences of the Tax Act, including whether and how state, local, and foreign jurisdictions will react to such changes, are not entirely clear at this time and the U.S. Department of the Treasury has broad authority to issue regulations and interpretive guidance that may significantly impact how the Tax Act will apply to us.

Additionally, in October 2015, the Organisation for Economic Co-Operation and Development (the OECD) released final guidance covering various topics, including transfer pricing, country-by-country reporting, and definitional changes to permanent establishment that could ultimately impact our tax liabilities. In March 2018, the European Commission released a proposal for a European Council directive on taxation of specified digital services. The proposal calls for an interim tax on certain revenues from digital activities, as well as a longer-term regime that creates a taxable presence for digital services and imposes tax on digital profits. We do not yet know the impact this proposal, if implemented, would have on our financial results. A number of other jurisdictions, including the United Kingdom, are considering enacting similar digital tax regimes. These efforts are alongside the OECD’s ongoing work, as part of its Base Erosion and Profit Shifting Action Plan, to issue a final report in 2020 that provides a long-term, multilateral proposal on taxation of the digital economy. Any of the foregoing changes could have an adverse impact on our results of operations, cash flows, and financial condition.

Our results of operations may be harmed if we are required to collect sales and use, gross receipts, value-added, or similar taxes for our products in jurisdictions where we have not historically done so.

Sales and use, value-added, goods and services, and similar tax laws and rates vary greatly by jurisdiction. Our customers can be located in one jurisdiction, utilize our platform and products through
our network equipment in a different jurisdiction, and pay us from an account located in a third jurisdiction. This divergence, along with the jurisdiction-by-jurisdiction variance in tax laws, causes significant uncertainty in the tax treatment of our business. There is further uncertainty as to what constitutes sufficient physical presence or nexus for a state or local jurisdiction to levy taxes, fees, and surcharges for sales made over the Internet, and there is also uncertainty as to whether our characterization of our platform and products as not taxable in certain jurisdictions will be accepted by state and local taxing authorities. In determining our tax filing obligations, management has made judgments regarding whether our activities in a jurisdiction rise to the level of taxability. These judgments may prove inaccurate, and one or more states or countries may seek to impose additional sales, use, or other tax collection obligations on us, including for past sales by us. It is possible that we could face sales tax audits and that our liability for these taxes could exceed our estimates as state and other tax authorities could still assert that we are obligated to collect additional amounts as taxes from our customers and remit those taxes to those authorities. Furthermore, the U.S. Supreme Court’s ruling in South Dakota v. Wayfair may permit wider enforcement of sales tax collection requirements. A successful assertion by a state, country, or other jurisdiction that we should have been or should be collecting additional sales, use, or other taxes on our platform and products could, among other things, result in substantial tax liabilities for past sales, create significant administrative burdens for us, discourage customers from purchasing our platform and products, or otherwise harm our business, results of operations, and financial condition.

Our international operations require us to exercise judgment in determining the applicability of tax laws, which may subject us to potentially adverse tax consequences.

We are subject to income taxes as well as non-income-based taxes, such as payroll, sales, use, value-added, property, and goods and services taxes, in both the United States and various foreign jurisdictions. Our domestic and international tax liabilities are subject to various jurisdictional rules regarding the timing and allocation of revenue and expenses. Additionally, the amount of income taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we file and to changes in tax laws. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. From time to time, we may be subject to income and non-income tax audits. While we believe we have complied with all applicable income tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess us with additional taxes, including with respect to intercompany transfer pricing and the collection of sales and use tax, value-added tax, and goods and services tax. Should we be assessed with additional taxes, there could be a material adverse effect on our business, results of operations, and financial condition.

Our future effective tax rate may be affected by such factors as changes in tax laws, regulations, or rates, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation, the impact of accounting for business combinations, changes in our international organization, and changes in our overall levels of income before tax. In addition, in the ordinary course of our global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. Although we believe that our tax estimates are reasonable, we cannot ensure that the final determination of tax audits or tax disputes will not be different from what is reflected in our historical income tax provisions and accruals. There can be no assurance that the outcomes from these continuous examinations will not have an adverse effect on our results of operations.

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

As of December 31, 2017 and 2018, we had net operating loss carryforwards for U.S. federal income tax purposes of $75.5 million and $122.3 million, net of uncertain tax positions, respectively, available
Utilization of our net operating loss carryforwards and other tax attributes, such as research and development tax credits, may be subject to annual limitations, or could be subject to other limitations on utilization or benefit due to the ownership change limitations provided by Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the Code), and other similar provisions. Under Sections 382 and 383 of the Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change attributes, such as research tax credits, to offset its post-change income may be limited. In general, an “ownership change” will occur if there is a cumulative change in our ownership by “5-percent shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. At this time, we have not completed a study to assess whether such an ownership change has occurred, or whether there have been multiple ownership changes since our formation. We may have experienced various ownership changes, as defined by the Code, as a result of past financing transactions (or other activities), and we may experience ownership changes in the future as a result of subsequent changes in our stock ownership, some of which may be outside our control. Accordingly, our ability to utilize the aforementioned carryforwards may be limited.

Further, the Tax Act changed the federal rules governing net operating loss carryforwards. For net operating loss carryforwards arising in tax years beginning after December 31, 2017, the Tax Act limits a taxpayer’s ability to utilize such carryforwards to 80% of taxable income. In addition, net operating loss carryforwards arising in tax years ending after December 31, 2017 can be carried forward indefinitely, but carryback is generally prohibited. Net operating loss carryforwards generated before January 1, 2018 (which represent the substantial majority of our net operating losses) will not be subject to the Tax Act’s taxable income limitation and will continue to have a twenty-year carryforward period. Nevertheless, our net operating loss carryforwards and other tax assets could expire before utilization and could be subject to limitations, which could harm our business, revenue, and financial results.

We rely on third-party software for certain essential financial and operational services, and a failure or disruption in these services could materially and adversely affect our ability to manage our business effectively.

We rely on third-party software to provide many essential financial and operational services to support our business, including NetSuite, Salesforce, Atlassian, and Workday. Many of these vendors are less established and have shorter operating histories than traditional software vendors. Moreover, these vendors provide their services to us via a cloud-based model instead of software that is installed on our premises. As a result, we depend upon these vendors to provide us with services that are always available and are free of errors or defects that could cause disruptions in our business processes. Any failure by these vendors to do so, or any disruption in our ability to access the Internet, would materially and adversely affect our ability to manage our operations.
Our business is exposed to risks associated with credit card and other online payment processing methods.

Many of our customers pay for our service using a variety of different payment methods, including credit and debit cards, prepaid cards, direct debit, and online wallets. We rely on internal systems as well as those of third parties to process payments. Acceptance and processing of these payment methods are subject to certain rules and regulations and require payment of interchange and other fees. To the extent there are increases in payment processing fees, material changes in the payment ecosystem, such as large re-issuances of payment cards, delays in receiving payments from payment processors, changes to rules or regulations concerning payment processing, loss of payment partners, and/or disruptions or failures in our payment processing systems or payment products, including products we use to update payment information, our revenue, operating expenses, and results of operation could be adversely impacted. In addition, from time to time, we encounter fraudulent use of payment methods, which could impact our results of operations and if not adequately controlled and managed could create negative consumer perceptions of our service. If we are unable to maintain our chargeback rate at acceptable levels, card networks may impose fines and our card approval rate may be impacted. If we fail to comply with the rules or requirements applicable to processing payments, or if our data security systems are breached, compromised, or otherwise unable to detect or prevent fraudulent activity, we may be liable for card issuing banks’ costs, subject to fines and higher transaction fees, and lose our ability to accept certain payments from our customers. The termination of our ability to process payments using any major payment method our business, results of operations, and financial condition could be harmed.

Because we recognize revenue from subscriptions for our products over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our results of operations and may be difficult to discern.

We generally recognize revenue from customers ratably over the term of their subscription, which in the case of our enterprise customers range from one to three years and in the case of our self-serve customers is typically monthly. Consequently, any increase or decline in new sales or renewals to these customers in any one period may not be immediately reflected in our revenue for that period. Any such change, however, may affect our revenue in future periods. Accordingly, the effect of downturns or upturns in new sales and potential changes in our rate of renewals may not be fully reflected in our results of operations until future periods. We may also be unable to reduce our cost structure in line with a significant deterioration in sales or renewals. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

By contrast, a significant majority of our costs are expensed as incurred, which occurs as soon as a customer starts using our platform. As a result, an increase in customers could result in our recognition of more costs than revenue in the earlier portion of the subscription term. We may not attain sufficient revenue to maintain positive cash flow from operations or achieve profitability in any given period.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our results of operations.

Substantially all of our sales contracts are denominated in U.S. dollars and, therefore, substantially all of our revenue is not subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our products to our customers outside of the United States, which could reduce demand for our products and adversely affect our financial condition and results of operations.

As our international operations expand, an increasing portion of our revenue and operating expenses is incurred outside the United States and is denominated in foreign currencies, such as the British
pound and Singapore dollar. Accordingly, our revenue and operating expenses are increasingly subject to fluctuations due to changes in foreign currency exchange rates. As we continue to expand our international operations, we may become more exposed to foreign currency risk or remeasurement risk. If we become more exposed to currency fluctuations and are not able to successfully hedge against the risks associated with currency fluctuations, our results of operations could be materially and adversely affected.

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

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (U.S. GAAP) requires our management to make estimates and assumptions that affect the amounts reported and disclosed in our consolidated financial statements and accompanying notes. We base our estimates and assumptions on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to determination of deferred contract acquisitions costs, the period of benefit generated from our deferred contract acquisition costs, the capitalization and estimated useful life of internal-use software, the assessment of recoverability of intangible assets and their estimated useful lives, useful lives of property and equipment, the valuation and recognition of stock-based compensation, uncertain tax positions, and the recognition and measurement of current and deferred income tax assets and liabilities. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of industry or financial analysts and investors, resulting in a decline in the trading price of our common stock.

Additionally, we regularly monitor our compliance with applicable financial reporting standards and review new pronouncements and drafts thereof that are relevant to us. As a result of new standards, or changes to existing standards, and changes in their interpretation, we might be required to change our accounting policies, alter our operational policies and implement new or enhance existing systems so that they reflect new or amended financial reporting standards, or we may be required to restate our published financial statements. Such changes to existing standards or changes in their interpretation may have an adverse effect on our reputation, business, financial condition, and profit and loss, or cause an adverse deviation from our revenue and operating profit and loss target, which may negatively impact our results of operations.

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

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), and the rules and regulations of the applicable listing standards of the New York Stock Exchange (the NYSE). We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine
our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs, and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE. We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. As a public company, we will be required to provide an annual management report on the effectiveness of our internal control over financial reporting. In the period ended December 31, 2017, we identified one material weakness in our internal control over financial reporting related to our lack of a formal process over stock administration and lack of adequate controls to ensure that all stock issuances and stock-based compensation transactions were completely and accurately documented, executed, and properly reflected in our consolidated financial statements and our capitalization table. Although the material weakness was remediated as of December 31, 2018, there can be no assurance that we will maintain internal control over financial reporting sufficient to enable us to identify or avoid material weaknesses in the future.

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

**Our business is subject to the risks of catastrophic events.**

The occurrence of any catastrophic event, including an earthquake, fire, flood, tsunami, or other weather event, power loss, telecommunications failure, software or hardware malfunctions, cyber-attack, war, or terrorist attack, could result in lengthy interruptions in our service. Our corporate headquarters is located in the San Francisco Bay Area and one of our core co-location facilities is located in the U.S. Pacific Northwest, both regions known for seismic activity, and we also have a
second core co-location facility in Luxembourg. Our insurance coverage may not compensate us for losses that may occur in the event of an earthquake or other significant natural disaster. In addition, acts of terrorism could cause disruptions to the Internet or the economy as a whole. Even with our disaster recovery arrangements, our service could be interrupted. If our systems were to fail or be negatively impacted as a result of a natural disaster or other event, our ability to deliver products to our customers would be impaired or we could lose critical data.

Our partners, suppliers, and customers are also subject to the risk of catastrophic events. In those events, our ability to deliver our products in a timely manner, as well as the demand for our products, may be divided on account of factors outside our control.

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

Part of our business strategy is to make acquisitions of other companies, products, and technologies; however, we have limited experience in making such acquisitions. We may not be able to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by customers, developers, or investors. In addition, we may not be able to integrate acquired businesses successfully or effectively manage the combined company following an acquisition. If we fail to successfully integrate our acquisitions, or the people or technologies associated with those acquisitions, into our company, the results of operations of the combined company could be adversely affected. Any integration process will require significant time and resources, require significant attention from management, and disrupt the ordinary functioning of our business, and we may not be able to manage the process successfully, which could adversely affect our business, results of operations, and financial condition. In addition, we may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges.

In order to expand our network and product offerings, we also may enter into relationships with other businesses, which could involve joint ventures, preferred or exclusive licenses, additional channels of distribution, or investments in other companies. Negotiating these transactions can be time-consuming, difficult, and costly, and our ability to close these transactions may be subject to third-party approvals, such as government regulatory approvals, which are beyond our control. Consequently, we cannot assure you that these transactions, once undertaken and announced, will close or will lead to commercial benefit for us.

In connection with the foregoing strategic transactions, we may:

• issue additional equity securities that would dilute our stockholders;
• use cash that we may need in the future to operate our business;
• incur debt on terms unfavorable to us or that we are unable to repay;
• incur large charges or substantial liabilities;
• encounter difficulties integrating diverse business cultures; and
• become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges.

These challenges related to acquisitions or other strategic transactions could adversely affect our business, results of operations, financial condition, and prospects.
Certain of our market opportunity estimates, growth forecasts, and key metrics included in this prospectus could prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts in this prospectus relating to the size and expected growth of our target market may prove to be inaccurate. Even if the markets in which we compete meet the size estimates and growth forecasted in this prospectus, our business could fail to grow at similar rates, if at all. We also rely on assumptions and estimates to calculate certain of our key metrics, such as dollar-based net retention rate. We regularly review and may adjust our processes for calculating our key metrics to improve their accuracy. Our key metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. If investors or analysts do not perceive our metrics to be accurate representations of our business, or if we discover material inaccuracies in our metrics, our reputation, business, results of operations, and financial condition would be harmed.

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

As a public company, we will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the NYSE, and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight is required. We are required to disclose changes made in our internal control and procedures on a quarterly basis and we may be required to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management’s attention may be diverted from other business concerns, which could adversely affect our business and results of operations. Although we have already hired additional employees and have engaged outside consultants to assist us in complying with these requirements, we may need to hire more employees in the future or engage additional outside consultants, which will increase our operating expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.
Being a public company and the aforementioned rules and regulations may make it more expensive for us to maintain director and officer liability insurance, and in the future we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board of Directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in our filings with the SEC, our business and financial condition have become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and results of operations.

**Our management team has limited experience managing a public company.**

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

**Risks Related to Ownership of Our Class A Common Stock**

**An active trading market for our Class A common stock may never develop or be sustained.**

We have applied to list our Class A common stock on the NYSE under the symbol “NET.” However, we cannot assure you that an active trading market for our Class A common stock will develop on that exchange or elsewhere or, if developed, that any market will be sustained. Accordingly, we cannot assure you of the likelihood that an active trading market for our Class A common stock will develop or be maintained, the liquidity of any trading market, your ability to sell your shares of our Class A common stock when desired, or the prices that you may obtain for your shares.

**The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.**

Prior to this offering, there has been no public market for shares of our Class A common stock. The initial public offering price of our Class A common stock was determined through negotiation among us and the underwriters. This price does not necessarily reflect the price at which investors in the market will be willing to buy and sell shares of our Class A common stock following this offering. In addition, the trading price of our Class A common stock following this offering is likely to be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our Class A common stock since you might be unable to sell your shares at or above the price you paid in this offering. Factors that could cause fluctuations in the trading price of our Class A common stock include:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;

• sales of shares of our Class A common stock and Class B common stock by us or our stockholders;

• failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;

• the financial projections we may provide to the public, any changes in those projections, or our failure to meet those projections;

• announcements by us or our competitors of new products, features, or services;

• the public’s reaction to our press releases, other public announcements, and filings with the SEC;

• rumors and market speculation involving us or other companies in our industry;

• actual or anticipated changes in our results of operations or fluctuations in our results of operations;

• actual or anticipated developments in our business, our competitors’ businesses or the competitive landscape generally;

• litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;

• developments or disputes concerning our intellectual property or other proprietary rights;

• actual or perceived data security breaches or other data security incidents;

• announced or completed acquisitions of businesses, products, services, or technologies by us or our competitors;

• new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

• changes in accounting standards, policies, guidelines, interpretations, or principles;

• any significant change in our management; and

• general economic conditions and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company’s securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management’s attention and resources.

**We may need additional capital, and we cannot be certain that additional financing will be available on favorable terms, or at all.**

Historically, we have financed our operations primarily through the sale of our equity securities as well as payments received from customers using our global cloud platform. Although we currently anticipate that our existing cash, cash equivalents, and marketable securities, and cash flow from operations will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months, we may require additional financing. We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans, and operating performance, and the condition of the capital markets at the time we seek financing. We
cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity or equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our Class A common stock, and, in the case of equity or equity-linked securities, our stockholders may experience dilution.

The dual-class structure of our common stock will have the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of this offering, and it may depress the trading price of our Class A common stock.

Following this offering, our Class B common stock will have 10 votes per share and our Class A common stock, which is the stock we are offering in this offering, will have one vote per share. Following this offering, our directors, executive officers, and holders of more than 5% of our common stock, and their respective affiliates, will hold in the aggregate % of the voting power of our capital stock. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval. This concentrated control will limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interest as one of our stockholders.

Future transfers by holders of shares of Class B common stock and the cessation of employment by holders of our Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes and transfers between related entities. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those individual holders of Class B common stock who retain their shares in the long term. See the section titled “Description of Capital Stock—Anti-Takeover Provisions” for additional information.

In July 2017, FTSE Russell and Standard & Poor’s announced that they would cease to include most newly public companies utilizing dual or multi-class capital structures in their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400, and S&P SmallCap 600, which together make up the S&P Composite 1500. Under the announced policies, our multi-class capital structure likely makes us ineligible for inclusion in any of these indices, and as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track these indices may not invest in our stock. These policies are still new and it is as of yet unclear what effect, if any, they will have on the valuations of publicly traded companies excluded from the indices, but it is possible that they may depress these valuations compared to those of other similar companies that are included.

A substantial portion of the outstanding shares of our Class A common stock and Class B common stock after this offering will be restricted from immediate resale, but may be sold on a stock exchange in the near future. The large number of shares of our capital stock eligible for public sale or subject to rights requiring us to register them for public sale could depress the market price of our Class A common stock.

The market price of our Class A common stock could decline as a result of sales of a large number of shares of our Class A common stock in the market after this offering, and the perception that these sales could occur may also depress the market price of our Class A common stock. Based on 46,360,728 shares of our Class A common stock (after giving effect to the Capital Stock Conversions) and 211,982,959 shares of our Class B common stock (after giving effect to the Capital Stock
Conversions) outstanding as of June 30, 2019, we will have              shares of our Class A common stock and              shares of our Class B common stock outstanding immediately after this offering. Our executive officers, directors, and the holders of substantially all of our capital stock and securities convertible into or exchangeable for our capital stock have entered into market standoff agreements with us or have entered into lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our stock for 180 days following the date of this prospectus. We refer to such period as the lock-up period. Pursuant to the lock-up agreements with the underwriters, if (i) at least 120 days have elapsed since the date of this prospectus, (ii) we have publicly released our earnings results for the fiscal year ended December 31, 2019, and (iii) the lock-up period is scheduled to end during a broadly applicable period during which trading in our securities would not be permitted under our insider trading policy (a blackout period) or within five trading days prior to a blackout period, the lock-up period will end 10 trading days prior to the commencement of such blackout period. We and the underwriters may release certain stockholders from the market standoff agreements or lock-up agreements prior to the end of the lock-up period.

As a result of these agreements and the provisions of our investors’ rights agreement described further in the section titled “Description of Capital Stock—Registration Rights,” and subject to the provisions of Rule 144 or Rule 701 under the Securities Act of 1933, as amended (the Securities Act), shares of our Class A common stock and Class B common stock will be available for sale in the public market as follows based on the shares of our capital stock outstanding as of June 30, 2019 (after giving effect to the Capital Stock Conversions):

• beginning on the date of this prospectus, all              shares of our Class A common stock sold in this offering will be immediately available for sale in the public market; and
• beginning 181 days after the date of this prospectus (subject to the terms of the lock-up agreements and market standoff agreements described above), an additional 46,360,728 shares of our Class A common stock and 211,982,959 shares of our Class B common stock will be eligible for sale in the public market from time to time thereafter, of which 31,479,639 shares of our Class A common stock and 188,623,161 shares of our Class B common stock will be subject to the volume and other restrictions of Rule 144, as described below.

Upon completion of this offering, stockholders owning an aggregate of up to 150,002,517 shares of our Class B common stock and 31,381,152 shares of our Class A common stock will be entitled, under our investors’ rights agreement, to require us to register shares owned by them for public sale in the United States. In addition, we intend to file a registration statement to register shares reserved for future issuance under our equity compensation plans. Upon effectiveness of the registration statement of which this prospectus forms a part, subject to the satisfaction of applicable exercise periods and the expiration or waiver of the market standoff agreements and lock-up agreements referred to above, the shares issued upon exercise of outstanding stock options or upon settlement of outstanding RSU awards will be available for immediate resale in the United States in the open market.

Sales of our shares as restrictions end or pursuant to registration rights may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the trading price of our Class A common stock to fall and make it more difficult for you to sell shares of our Class A common stock.

If you purchase our Class A common stock in this offering, you will incur immediate and substantial dilution.

The initial public offering price of the Class A common stock is substantially higher than the pro forma as adjusted net tangible book value per share of our outstanding common stock of $             per share as of June 30, 2019. Investors purchasing shares of our Class A common stock in this offering will pay a price per share that substantially exceeds the book value of our tangible assets after subtracting our
liabilities. As a result, investors purchasing Class A common stock in this offering will incur immediate dilution of $\_\_\_\_ per share, based on the assumed initial public offering price of $\_\_\_\_ per share, which is the midpoint of the offering price range set forth on the cover of this prospectus.

This dilution is due to the substantially lower price paid by our investors who purchased shares prior to this offering as compared to the price offered to the public in this offering, and any previous exercise of stock options or settlement of RSUs granted to our service providers. In addition, as of June 30, 2019, options to purchase 23,558,731 shares of our Class B common stock, with a weighted-average exercise price of $2.27 per share, and RSUs covering 4,148,564 shares of our Class B common stock were outstanding. The exercise of any of these options or the settlement of any of these RSUs would result in additional dilution. As a result of the dilution to investors purchasing shares in this offering, investors may receive less than the purchase price paid in this offering, if anything, in the event of our liquidation.

We have broad discretion over the use of the net proceeds from this offering and we may not use them effectively. We cannot specify with any certainty the particular uses of the net proceeds that we will receive from this offering. Our management will have broad discretion in the application of the net proceeds from this offering, including for any of the purposes described in “Use of Proceeds,” and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure by our management to apply these proceeds effectively could adversely affect our business, results of operations, and financial condition. Pending their use, we may invest our proceeds in a manner that does not produce income or that loses value. Our investments may not yield a favorable return to our investors and may negatively impact the price of our Class A common stock.

We are an “emerging growth company” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors. We are an “emerging growth company,” as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved, and exemptions from complying with new or revised financial accounting standards until private companies are required to comply with the new or revised accounting standards. We may take advantage of these exemptions for so long as we are an “emerging growth company,” which could be as long as five years following the effectiveness of this offering. We expect, however, that we will cease being an “emerging growth company” prior to such time. We cannot predict if investors will find our Class A common stock less attractive to the extent that we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the market price of our Class A common stock. Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from
engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws, as they will be in effect following this offering, contain provisions that may make the acquisition of our company more difficult, including the following:

- our dual-class common stock structure, which provides Mr. Prince and Ms. Zatlyn with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A common stock and Class B common stock;
- our Board of Directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;
- vacancies on our Board of Directors will be able to be filled only by our Board of Directors and not by stockholders;
- only the Chair of our Board of Directors, our Chief Executive Officer, or a majority of our entire Board of Directors are authorized to call a special meeting of stockholders;
- certain litigation against us can only be brought in Delaware;
- our amended and restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of Class A common stock;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;
- our stockholders will only be able to take action at a meeting of stockholders and not by written consent; and
- any amendment of the above anti-takeover provisions in our amended and restated certificate of incorporation or amended and restated bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A common stock and Class B common stock.

These anti-takeover defenses could discourage, delay, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

Our amended and restated bylaws will designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to choose the judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated bylaws, which will become effective immediately prior to the completion of this offering, will provide that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders; (iii) any action arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or (iv) any...
other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants. The provisions would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Additionally, nothing in our amended and restated bylaws precludes stockholders that assert claims under the Securities Act from bringing such claims in state or federal court, subject to applicable law.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision. This exclusive-forum provision may limit a stockholder’s ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find the exclusive-forum provision in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

*Our Class A common stock market price and trading volume could decline if equity or industry analysts do not publish research or publish inaccurate or unfavorable research about our business.*

The trading market for our Class A common stock will depend in part on the research and reports that equity or industry analysts publish about us or our business. The analysts’ estimates are based upon their own opinions and are often different from our estimates or expectations. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If few securities analysts commence coverage of us, or if one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the price and trading volume of our Class A common stock to decline.

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

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, stockholders must rely on sales of their Class A common stock after price appreciation as the only way to realize any future gains on their investment.
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of these words, or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

• our ability to retain and upgrade paying customers;
• our ability to attract new customers or convert free customers to paying customers;
• our future financial performance, including trends in revenue, costs of revenue, gross profit or gross margin, operating expenses, paying customers, and free cash flow;
• our ability to achieve or maintain profitability;
• the consequences we may face resulting from the activities of our customers and the actions we take in response, including associated theories of liability;
• the demand for our products or for solutions for security, performance, and reliability in general;
• possible harm caused by significant disruption of service, loss or unauthorized access to customers' content, or the actual or perceived failure of our products to prevent security incidents;
• our ability to compete successfully in competitive markets;
• our ability to respond to rapid technological changes;
• our ability to continue to innovate and develop new products;
• our expectations and management of future growth;
• our ability to maintain existing co-location relationships, ISP partnerships, and other interconnection arrangements around the world;
• our ability to offer high-quality customer support;
• our ability to manage our global operations;
• our expectations of and ability to comply with applicable laws around the world;
• our ability to correctly estimate our tax obligations around the world;
• our ability to attract and retain key personnel and highly qualified personnel;
• our ability to maintain our brand;
• our ability to prevent serious errors or defects across, and to otherwise maintain the uninterrupted operation of, our network;
• our ability to maintain, protect, and enhance our intellectual property;
• our ability to successfully identify, acquire, and integrate companies and assets;
• the increased expenses associated with being a public company; and
• our anticipated uses of net proceeds from this offering.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus.
You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.
INDUSTRY AND MARKET DATA

This prospectus contains estimates and information concerning our industry, including market size of the markets in which we participate, that are based on industry publications and reports. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. While we believe that the data we use from third parties are reliable, we have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. The markets in which we operate are subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled “Risk Factors.” These and other factors could cause results to differ materially from those expressed in these publications and reports.

The source of certain statistical data, estimates, and forecasts contained in this prospectus are the following independent industry publications or reports:

- International Data Corporation, Inc.: Application Delivery Qview, 4Q18 Release (March 2019).
- International Data Corporation, Inc.: Datacenter Networks Qview, 4Q18 Release (March 2019).
USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of shares of our Class A common stock in this offering will be approximately $ __________ million, based upon the assumed initial public offering price of $ __________ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses. If the underwriters’ option to purchase additional shares of our Class A common stock from us is exercised in full, we estimate that the net proceeds to us would be approximately $ __________ million, after deducting underwriting discounts and commissions and estimated offering expenses.

Each $1.00 increase or decrease in the assumed initial public offering price of $ __________ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, would increase or decrease the net proceeds that we receive from this offering by approximately $ __________ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions. Similarly, each increase or decrease of 1.0 million in the number of shares of our Class A common stock offered by us would increase or decrease the net proceeds that we receive from this offering by approximately $ __________ million, assuming the assumed initial public offering price remains the same and after deducting the underwriting discounts and commissions.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our Class A common stock, and enable access to the public equity markets for us and our stockholders.

We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses, and capital expenditures. Additionally, we may use a portion of the net proceeds we receive from this offering to acquire businesses, products, services, or technologies. However, we do not have agreements or commitments for any material acquisitions at this time. We cannot specify with certainty the particular uses of the net proceeds that we will receive from this offering. Accordingly, we will have broad discretion in using these proceeds. Pending the use of proceeds from this offering as described above, we may invest the net proceeds that we receive in this offering in short-term, investment grade, interest-bearing instruments.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our Board of Directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions, and other factors that our Board of Directors may deem relevant.
The following table sets forth cash, cash equivalents, and marketable securities, as well as our capitalization, as of June 30, 2019, as follows:

- on an actual basis;
- on a pro forma basis, giving effect to (i) the Capital Stock Conversions, as if such conversions had occurred on June 30, 2019, (ii) stock-based compensation expense associated with outstanding qualified event options and RSUs subject to a performance condition of $14.7 million for the service period rendered from the date of grant through June 30, 2019 and for the qualified event RSUs for which the service-based condition was satisfied as of June 30, 2019, which we will recognize in connection with this offering, as further described in Note 2 to our consolidated financial statements included elsewhere in this prospectus, and (iii) the filing and effectiveness of our amended and restated certificate of incorporation in Delaware that will become effective immediately prior to the completion of this offering. The pro forma adjustment related to stock-based compensation expense of $14.7 million has been reflected as an increase to additional paid-in capital and accumulated deficit; and
- on a pro forma as adjusted basis, giving effect to (i) the pro forma adjustments set forth above and (ii) the receipt of $ million in net proceeds from the sale and issuance by us of shares of our Class A common stock in this offering, based upon the assumed initial public offering price of $ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses.
The pro forma as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with our consolidated financial statements and related notes thereto, and the sections titled “Selected Consolidated Financial and Other Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that are included elsewhere in this prospectus.

<table>
<thead>
<tr>
<th>June 30, 2019</th>
<th>Actual</th>
<th>Pro Forma</th>
<th>Pro Forma as Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands, except share and per share data)</td>
<td></td>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Cash, cash equivalents, and marketable securities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 124,688</td>
<td>$ 124,688</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td><strong>Redeemable convertible preferred stock, par value $0.001 per share: 168,107,981 shares authorized, 165,657,842 shares issued and outstanding, actual; no shares authorized and outstanding, pro forma and pro forma as adjusted</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 331,521</td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td><strong>Stockholders’ (deficit) equity:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock, par value $0.001 per share; no shares authorized or issued and outstanding, actual; shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A common stock, par value $0.001 per share: 550,000,000 shares authorized, no shares issued and outstanding, actual; shares authorized, 46,360,728 shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class B common stock, par value $0.001 per share: 300,000,000 shares authorized, 92,685,845 shares issued and outstanding, actual; shares authorized, 211,982,959 shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>87,111</td>
<td>433,130</td>
<td></td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>66</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(232,698)</td>
<td>(247,361)</td>
<td></td>
</tr>
<tr>
<td><strong>Total stockholders’ (deficit) equity</strong></td>
<td>(145,435)</td>
<td>186,086</td>
<td></td>
</tr>
<tr>
<td><strong>Total capitalization</strong></td>
<td>$ 186,086</td>
<td>$ 186,086</td>
<td>$</td>
</tr>
</tbody>
</table>

(1) Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the amount of our pro forma as adjusted cash, cash equivalents, and marketable securities, additional paid-in capital, total stockholders’ (deficit) equity, and total capitalization by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the amount of our pro forma as adjusted cash, cash equivalents and marketable securities, additional paid-in capital, total stockholders’ (deficit) equity, and total capitalization by approximately $, assuming the assumed initial public offering price remains the same, and after deducting underwriting discounts and commissions.

If the underwriters’ option to purchase additional shares of our Class A common stock were exercised in full, pro forma as adjusted cash, cash equivalents, and marketable securities, additional paid-in capital, total stockholders’ (deficit) equity, total capitalization, and Class A common stock shares outstanding as of June 30, 2019, would be $, $, $, $, and shares, respectively.

The number of shares of our Class A common stock and Class B common stock that will be outstanding after this offering is based on 46,360,728 shares of our Class A common stock (after giving effect to the Capital Stock Conversions) and 211,982,959 shares of our Class B common stock (after giving effect to the Capital Stock Conversions) outstanding as of June 30, 2019, and excludes:

- 23,558,731 shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock outstanding as of June 30, 2019, with a weighted-average exercise price of $2.27 per share;
• No shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock granted after June 30, 2019;

• 177,410 shares of our Class B common stock issuable pursuant to warrants to purchase an aggregate of 177,410 shares of our redeemable convertible preferred stock outstanding as of June 30, 2019, with a weighted-average exercise price of $0.34 per share;

• 4,148,564 shares of our Class B common stock subject to RSUs outstanding as of June 30, 2019;

• 1,421,526 shares of our Class B common stock subject to RSUs granted after June 30, 2019; and

• shares of our Class A common stock reserved for future issuance under our equity compensation plans, consisting of:
  • shares of our Class A common stock to be reserved for future issuance under our 2019 Plan, which will become effective prior to the completion of this offering;
  • shares of our Class B common stock reserved for future issuance under our 2010 Plan, and upon the termination of such 2010 Plan in connection with the effectiveness of the 2019 Plan, an equivalent number of shares of our Class A common stock to be added to the shares reserved for future issuance under our 2019 Plan above; and
  • shares of our Class A common stock to be reserved for future issuance under our ESPP, which will become effective prior to the completion of this offering.

Our 2019 Plan and ESPP provide for annual automatic increases in the number of shares of our Class A common stock reserved thereunder, and our 2019 Plan also provides for increases to the number of shares of our Class A common stock that may be granted thereunder based on shares under our 2010 Plan that expire, are forfeited, or otherwise repurchased by us, as more fully described in the section titled “Executive Compensation—Employee Benefits and Stock Plans.”
DILUTION

If you invest in our Class A common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our Class A common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of our Class A common stock in this offering and the pro forma as adjusted net tangible book value per share of our common stock immediately after completion of this offering.

Net tangible book value per share is determined by dividing our total tangible assets less our total liabilities by the number of shares of our common stock outstanding. Our historical net tangible book value as of June 30, 2019 was $159.5 million, or $1.72 per share. Our pro forma net tangible book value as of June 30, 2019 was $159.5 million, or $0.62 per share, based on the total number of shares of our Class A common stock and Class B common stock outstanding as of June 30, 2019, after giving effect to the Capital Stock Conversions.

After giving effect to the sale by us of [shares] of our Class A common stock in this offering, at the assumed initial public offering price of [$] per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses, our pro forma as adjusted net tangible book value as of June 30, 2019 would have been [$] million, or [$] per share. This represents an immediate increase in pro forma net tangible book value of [$] per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of [$] per share to investors purchasing shares of our Class A common stock in this offering at the assumed initial public offering price. The following table illustrates this dilution:

| Assumed initial public offering price per share | $ |
| Pro forma net tangible book value per share as of June 30, 2019 | $0.62 |
| Increase in pro forma net tangible book value per share attributable to new investors purchasing shares of Class A common stock in this offering | |
| Pro forma as adjusted net tangible book value per share after this offering | |
| Dilution in pro forma as adjusted net tangible book value per share to new investors in this offering | $|

Each $1.00 increase or decrease in the assumed initial public offering price of [$] per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, our pro forma as adjusted net tangible book value per share after this offering by [$], and would increase or decrease, as applicable, dilution in pro forma as adjusted net tangible book value per share to new investors purchasing shares of our Class A common stock in this offering by [$], assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions. Similarly, each increase or decrease of 1.0 million shares in the number of shares of our Class A common stock offered by us would increase or decrease, as applicable, our pro forma as adjusted net tangible book value by approximately [$] per share and increase or decrease, as applicable, the dilution in pro forma as adjusted net tangible book value per share to new investors purchasing shares of our Class A common stock in this offering by [$] per share, assuming the assumed initial public offering price remains the same, and after deducting underwriting discounts and commissions.

If the underwriters’ option to purchase additional shares of our Class A common stock were exercised in full, the pro forma as adjusted net tangible book value per share of our common stock would be
$ per share, and the dilution in pro forma net tangible book value per share to new investors purchasing shares of our Class A common stock in this offering would be $ per share.

The following table summarizes, on a pro forma as adjusted basis, as described above, as of June 30, 2019 after giving effect to the sale of shares of Class A common stock by us in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, the difference between existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid or to be paid to us at an assumed initial public offering price of $ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, before deducting the underwriting discounts and commissions and estimated offering expenses:

<table>
<thead>
<tr>
<th>Shares Purchased</th>
<th>Total Consideration</th>
<th>Average Price per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (in thousands)</td>
<td>Percent</td>
</tr>
</tbody>
</table>

Existing stockholders  
New public investors  
Total

Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, would increase or decrease total consideration paid by new investors and total consideration paid by all stockholders by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters’ option to purchase additional shares of our Class A common stock from us. If the underwriters’ option to purchase additional shares of our Class A common stock were exercised in full, our existing stockholders would own % and our new investors would own % of the total number of shares of our common stock outstanding upon completion of this offering.

To the extent that any outstanding options to purchase our common stock are exercised, RSUs are settled or new awards are granted under our equity compensation plans, there will be further dilution to investors participating in this offering.

The number of shares of our Class A common stock and Class B common stock that will be outstanding after this offering is based on 46,360,728 shares of our Class A common stock (after giving effect to the Capital Stock Conversions) and 211,982,959 shares of our Class B common stock (after giving effect to the Capital Stock Conversions) outstanding as of June 30, 2019, and excludes:

- 23,558,731 shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock outstanding as of June 30, 2019, with a weighted-average exercise price of $2.27 per share;
- No shares of our Class B common stock issuable upon the exercise of options to purchase shares of our Class B common stock granted after June 30, 2019;
- 177,410 shares of our Class B common stock issuable pursuant to warrants to purchase an aggregate of 177,410 shares of our redeemable convertible preferred stock outstanding as of June 30, 2019, with a weighted-average exercise price of $0.34 per share;
• 4,148,564 shares of our Class B common stock subject to RSUs outstanding as of June 30, 2019;
• 1,421,526 shares of our Class B common stock subject to RSUs granted after June 30, 2019;
• shares of our Class A common stock reserved for future issuance under our equity compensation plans, consisting of:
  • shares of our Class A common stock to be reserved for future issuance under our 2019 Plan, which will become effective prior to the completion of this offering;
  • shares of our Class B common stock reserved for future issuance under our 2010 Plan, and upon the termination of such 2010 Plan in connection with the effectiveness of the 2019 Plan, an equivalent number of shares of our Class A common stock to be added to the shares reserved for future issuance under our 2019 Plan above; and
  • shares of our Class A common stock to be reserved for future issuance under our ESPP, which will become effective prior to the completion of this offering.

Our 2019 Plan and ESPP provide for annual automatic increases in the number of shares of our Class A common stock reserved thereunder, and our 2019 Plan also provides for increases to the number of shares of our Class A common stock that may be granted thereunder based on shares under our 2010 Plan that expire, are forfeited, or otherwise repurchased by us, as more fully described in the section titled “Executive Compensation—Employee Benefits and Stock Plans.”
The following selected consolidated financial and other data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes thereto included elsewhere in this prospectus. The selected consolidated statements of operations data presented below for the years ended December 31, 2016, 2017, and 2018 (except for the pro forma share and pro forma net loss per share information) and the consolidated balance sheet data as of December 31, 2017 and 2018, are derived from our audited consolidated financial statements that are included elsewhere in this prospectus. The selected consolidated statements of operations data presented below for the six months ended June 30, 2018 and 2019 and the consolidated balance sheet data as of June 30, 2019 are derived from our unaudited interim consolidated financial statements that are included elsewhere in this prospectus. In management’s opinion, the unaudited interim consolidated financial statements include all adjustments necessary to state fairly our financial position as of June 30, 2019 and the results of operations and cash flows for the six months ended June 30, 2018 and 2019. Our historical results are not necessarily indicative of our future results and our results for the six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2019 or any other period. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes thereto included elsewhere in this prospectus.

### Consolidated Statements of Operations Data:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th>Six Months Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>(in thousands, except per share data)</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$ 84,791</td>
<td>$134,915</td>
</tr>
<tr>
<td>Cost of revenue (1)</td>
<td>23,962</td>
<td>28,788</td>
</tr>
<tr>
<td>Gross profit</td>
<td>60,829</td>
<td>106,127</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing (1)</td>
<td>40,122</td>
<td>61,899</td>
</tr>
<tr>
<td>Research and development (1)</td>
<td>23,663</td>
<td>33,650</td>
</tr>
<tr>
<td>General and administrative (1)</td>
<td>14,073</td>
<td>20,308</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>77,858</td>
<td>115,857</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(17,029)</td>
<td>(9,730)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>69</td>
<td>1,033</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(17,334)</td>
<td>$(10,748)</td>
</tr>
<tr>
<td>Net loss per share attributable to common stockholders, basic and diluted (2)</td>
<td>$(0.23)</td>
<td>$(0.14)</td>
</tr>
<tr>
<td>Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted (2)</td>
<td>75,721</td>
<td>77,147</td>
</tr>
<tr>
<td>Pro forma net loss per share, basic and diluted (2)</td>
<td>(0.37)</td>
<td>(0.15)</td>
</tr>
<tr>
<td>Weighted-average shares used in computing pro forma net loss per share, basic and diluted (2)</td>
<td>237,322</td>
<td>251,085</td>
</tr>
</tbody>
</table>
Includes stock-based compensation expense as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th>Six Months Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>$64</td>
<td>$47</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>381</td>
<td>488</td>
</tr>
<tr>
<td>Research and development</td>
<td>1,043</td>
<td>969</td>
</tr>
<tr>
<td>General and administrative</td>
<td>4,212</td>
<td>1,251</td>
</tr>
<tr>
<td>Total stock-based compensation expense</td>
<td>$5,700</td>
<td>$2,755</td>
</tr>
</tbody>
</table>

Refer to Note 11 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate our basic and diluted net loss per share attributable to common stockholders, our basic and diluted pro forma net loss per share attributable to common stockholders, and the weighted-average number of shares used in the computation of the per share amounts.

Consolidated Balance Sheet Data:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th>Six Months Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Cash, cash equivalents, and marketable securities</td>
<td>$73,407</td>
<td>$160,657</td>
</tr>
<tr>
<td>Working capital (1)</td>
<td>$64,861</td>
<td>$135,358</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$51,423</td>
<td>$73,210</td>
</tr>
<tr>
<td>Total assets</td>
<td>$163,143</td>
<td>$298,380</td>
</tr>
<tr>
<td>Deferred revenue, current and noncurrent</td>
<td>$12,134</td>
<td>$17,037</td>
</tr>
<tr>
<td>Redeemable convertible preferred stock</td>
<td>$181,546</td>
<td>$331,521</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>$108,714</td>
<td>$195,878</td>
</tr>
<tr>
<td>Total stockholders’ deficit</td>
<td>$59,834</td>
<td>$113,505</td>
</tr>
</tbody>
</table>

Working capital is defined as current assets less current liabilities.
Cloudflare’s mission is to help build a better Internet.

We have built a global cloud platform that delivers a broad range of network services to businesses of all sizes and in all geographies—making them more secure, enhancing the performance of their business-critical applications, and eliminating the cost and complexity of managing individual network hardware. Our platform serves as a scalable, easy-to-use, unified control plane to deliver security, performance, and reliability across their on-premise, hybrid, cloud, and software-as-a-service (SaaS) applications.

We started by building an efficient, scalable network. This network forms the basis of our platform on which we can rapidly develop and deploy our products for our customers. Together the development of our network and products create the interconnected flywheels that drive our business and have allowed us to achieve our market position.
Since our inception, our focus on innovation and dedication to customer experience has allowed us to achieve numerous key milestones. Over time as we have launched new products on our platform, our Annualized Billings have grown significantly. For additional information on how we calculate Annualized Billings see “—Our Business Model.”

Opportunities, Challenges, and Risks

We believe that the growth of our business and our future success are dependent upon many factors, including growing our customer base, expanding our relationships with existing paid customers, developing and successfully launching new products, expanding into additional market segments, expanding our base of free customers, and developing and maintaining favorable peering and co-location relationships. Each of these factors presents significant opportunities for us, but also poses material challenges and risks that we must successfully address in order to grow our business and improve our operating results. We expect that addressing these challenges and risks will increase our operating expenses significantly over the next several years. The timing of our future profitability, if we achieve profitability at all, will depend upon many variables, including the success of our growth strategies and the timing and size of investments and expenditures that we choose to undertake, as well as market growth and other factors that are not within our control. In addition, we must comply with evolving laws, rules, and regulatory requirements across federal, state, and international jurisdictions. If
we fail to successfully address these challenges, risks, and variables, our business, operating results, financial condition, and prospects may be adversely affected. Refer to the sections titled “Risk Factors” and “Business—Growth Strategy” for additional information on the challenges and risks we face.

Our Business Model

Our business model benefits from our ability to serve the needs of all customers ranging from individual developers on free and self-serve plans to the largest enterprises, in a cost-effective manner. Our products are easy to deploy and allow for rapid and efficient onboarding of new customers and expansion of our relationships with customers over time. Given the large customer base we have and the immense amount of Internet traffic that we manage, we are able to negotiate mutually beneficial agreements with Internet Service Providers (ISPs) that allow us to place our equipment directly in their data centers, which dramatically drives down our bandwidth and co-location expenses. This symbiotic relationship that we have with ISPs and the efficiency of our serverless network architecture allows us to introduce new products on our platform at low marginal cost. The cost efficiency of our model has allowed us to grow revenue significantly faster than our cost of revenue. Between the three months ended March 31, 2016 and the three months ended June 30, 2019, our revenue increased by 247% with only a 146% increase in cost of revenue.

We generate revenue primarily from sales to our customers of subscriptions to access our platform. For our self-serve paying customers, we offer Pro and Business plans per registered domain, and it is common for customers to purchase subscriptions to cover multiple Internet properties (e.g., domains, websites, application programming interfaces (APIs), and mobile applications). Our Pro plan provides basic functionality to improve the security, performance, and reliability of applications, such as enhanced web application firewall and image and mobile optimization. Our Business plan includes additional functionality often required by larger organizations, including service level agreements of 100% uptime, dynamic content acceleration, and enhanced customer support. While our Pro and Business plans offer significant value to customers, customers can subscribe to add-on products and platform functionality we offer to meet their more advanced needs. This includes Cloudflare Argo, which enables intelligent routing using our private network, and Cloudflare Workers, which allows
developers to deploy code at the edge of our network to enhance existing, or create new, applications more efficiently and rapidly.

Our pricing model reflects the flexibility and value that our customers have come to expect from our platform. Our self-serve customers typically pay with a credit card on a monthly basis. Our enterprise customers, which consist of customers that sign up for our Enterprise plan, have contracts that range from one to three years and are typically billed on a monthly basis. Our implementation period is extremely short with most self-serve customers implementing our services within a matter of minutes and our enterprise sales cycle typically lasting less than one quarter. Our agreements with enterprise customers are tailored and priced to meet their varying needs and requirements. Enterprise pricing agreements generally include a base subscription and a smaller portion based on usage. We have had an increasing number of customers with Annualized Billings greater than $100,000 and we have customers with Annualized Billings in excess of $3 million.

We offer a variety of plans to our free and paying customers depending on their required features and functionality. The below chart is an illustrative view of what we provide our customers as part of the different plans, but is not a full comprehensive list of our product offerings.

<table>
<thead>
<tr>
<th></th>
<th>FREE</th>
<th>PRO</th>
<th>BUSINESS</th>
<th>ENTERPRISE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSL</td>
<td>✅</td>
<td>✓</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>DDoS</td>
<td>Unmetered</td>
<td>Unmetered</td>
<td>Unmetered</td>
<td>Enterprise-grade</td>
</tr>
<tr>
<td>Content Delivery</td>
<td>✓</td>
<td>✓</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>DNSSEC</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>AMP</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Firewall Rules</td>
<td>5</td>
<td>20</td>
<td>100</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Page Rules</td>
<td>5</td>
<td>20</td>
<td>50</td>
<td>100</td>
</tr>
<tr>
<td>Network Prioritization</td>
<td>Good</td>
<td>Better</td>
<td>Best</td>
<td></td>
</tr>
<tr>
<td>Cloud Firewall</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Image and Mobile Optimization</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Image Resizing</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Dynamic Content Acceleration</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>CNAME Setup</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Role Based Account Access</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Single Sign On Support</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Access to Raw Legs</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Access to China Data Centers (Additional Cost)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>SLA</td>
<td>100% uptime SLA</td>
<td>250% uptime SLA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support</td>
<td>Email only</td>
<td>Prioritized email only</td>
<td>24x7x365 chat support</td>
<td>24x7x365 phone support w/ named solution engineer</td>
</tr>
</tbody>
</table>
We are uniquely positioned due to our distinct advantages to grow with our customers as they add new Internet properties or expand the usage of our global cloud platform within their organizations. We have grown our Annualized Billings with our paying customer base over time as the needs of those organizations grow and expand as well. To measure Annualized Billings, we take the billings for each customer in the final month of a period and multiply that amount by 12. This measure provides us a view of what our billings would be had the customer been using our platform for an entire calendar year. Our Annualized Billings calculation excludes (i) our strategic agreement with Baidu and (ii) other agreements that were not entered into through our ordinary sales channels and that together represent an insignificant amount of our 2018 revenue. We include both month-to-month subscriptions and contractual agreements in the calculation of Annualized Billings. Our Annualized Billings metric also includes any usage charges by a customer during a period, which represent a small portion of our total billings and may not be recurring. As a result, Annualized Billings may be higher than actual billings over the course of the year. For example, if we signed a new customer that was billed for $200 in December, that customer would account for $2,400 of Annualized Billings for that year. The below chart illustrates the growth in Annualized Billings for cohorts of customers that first became paying customers in each of the years from 2011 to 2018, and demonstrates how we attract new paying customers and expand their Annualized Billings with us over time.

Our business model has allowed us to grow our paying customers and revenue rapidly over the past several years. In 2016, 2017, and 2018, we generated revenue of $84.8 million, $134.9 million, and $192.7 million, respectively, representing year-over-year growth of 59% and 43%, respectively. In the six months ended June 30, 2018 and 2019, we generated revenue of $87.1 million and $129.2 million, respectively, representing growth of 48%. We generated net losses of $17.3 million, $10.7 million, and $87.2 million for 2016, 2017, and 2018, respectively, and $32.5 million and $36.8 million for the six months ended June 30, 2018 and 2019, respectively.

Key elements of our business model include:

- **Free customer base** —Free customers are an important part of our business. These customers sign up for our service through our self-serve portal and are typically individual

80
developers, early stage startups, hobbyists, and other users. Our free customers create scale, serve as efficient brand marketing, and help us attract developers, customers, and potential employees. These free customers expose us to diverse traffic, threats, and problems, often allowing us to see potential security, performance, and reliability issues at the earliest stage. This knowledge allows us to improve our products and deliver more effective solutions to our paid customers. In addition, the added scale and diversity of this traffic makes us valuable to a diverse set of global ISPs, improving the breadth and economic terms of our interconnections, bandwidth costs, and co-location expenses. Finally, the enthusiastic engagement of our free customer base represents a “virtual quality assurance” function that allows us to maintain a high rate of product innovation, while ensuring products are extensively tested in real world environments before they are deployed to enterprise customers.

- **Significant investment in ongoing product development** —We invest significantly in research and development. Our focus on research and development allows us to continuously enhance the capabilities and functionality of our global cloud platform with new products that are innovative and powerful and can be quickly adopted by our customers and helps us grow our free and paying customer base, which allows us to serve a greater portion of the world’s Internet traffic. That in turn provides us with greater knowledge and insight into the challenges that Internet users face every day.

- **Investments in our network for growth** —We believe that the size, sophistication, and distributed nature of our network provide us with a significant competitive advantage and have driven our high revenue growth rate. We intend to continue to make substantial investments in network infrastructure to support the growth of our business. As we invest in our network, we believe the service that we can provide our customers and the insight and knowledge that we can gain will continue to grow.

- **Efficient go-to-market model** —Since our inception, we have built an efficient go-to-market model that reflects the flexibility and ease of use our platform offers to our customers around the world. This has enabled us to acquire new customers as well as to expand within our existing customer base in an extremely rapid and cost-effective manner. In particular, we have invested heavily in our enterprise sales efforts, and as a result of those investments, the number of customers with Annualized Billings of greater than $100,000 grew from 240 as of June 30, 2018 to 408 as of June 30, 2019, a 70% increase year-over-year. This increase was due to new customer acquisitions as well as the expansion of Annualized Billings with existing customers.

  - **New customer acquisition** —We believe that any person or business that relies on the Internet to deliver products, services, or content can be a Cloudflare customer. As such, we are focused on driving an increased number of customers on our platform to support our long-term growth. Through our self-serve offering, a new customer can subscribe to one of our many plans and begin using our platform within minutes, with minimal technical skill and no professional services. This has allowed us to acquire a large portion of paying customers very rapidly and at significantly lower customer acquisition costs. Additionally, we continue to invest to build our direct sales force and improve the sophistication of our sales operations.

  - **Expansion of existing customers** —We believe that our platform enables a large opportunity for growth within our existing customer base given the breadth of products we offer on our platform. Our relationships with customers often start with servicing a portion of their overall network needs and expand over time as they realize the significant value we deliver. Once a customer has adopted one product on our platform it can easily add additional products with a single click. As we add more products and functionality to our platform, we see opportunities to drive upsell as customers seek to consolidate onto one
platform to meet all of their security, performance, and reliability network requirements. Over 70% of our enterprise customers already leverage four or more of our products.

- **International reach**—Our global network, with a presence in 193 cities in over 90 countries, has helped to foster our strong international growth. International markets represented over 50% of our revenue in the years ended December 31, 2017 and 2018, and in the six months ended June 30, 2019, and we intend to continue to invest in our international growth as a strategy to expand our customer base around the world.

### Key Business Metrics and Non-GAAP Financial Measures

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

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>(dollars in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>$60,829</td>
<td>$106,127</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>72%</td>
<td>79%</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>$(17,029)</td>
<td>$(9,730)</td>
</tr>
<tr>
<td><strong>Non-GAAP loss from operations</strong></td>
<td>$(11,291)</td>
<td>$(6,513)</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>(20%)</td>
<td>(7%)</td>
</tr>
<tr>
<td><strong>Non-GAAP operating margin</strong></td>
<td>(13%)</td>
<td>(5%)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>$(13,318)</td>
<td>$3,167</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>$(15,256)</td>
<td>$9,544</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>$418</td>
<td>$(149)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>$(31,876)</td>
<td>$(19,808)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities (as a percentage of revenue)</strong></td>
<td>(16%)</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Free cash flow margin</strong></td>
<td>(38%)</td>
<td>(15%)</td>
</tr>
<tr>
<td><strong>Paying customers</strong></td>
<td>35,002</td>
<td>49,309</td>
</tr>
<tr>
<td><strong>Paying customers (&gt; $100,000 Annualized Billings)</strong></td>
<td>95</td>
<td>184</td>
</tr>
</tbody>
</table>

### Non-GAAP Financial Measures

In addition to our results determined in accordance with generally accepted accounting principles in the United States (U.S. GAAP), we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with U.S. GAAP. In particular, free cash flow is not a substitute for cash provided by (used in) operating activities. Additionally, the utility of free cash flow as a measure of our liquidity is further limited as it does not represent the total increase or decrease in our cash balance for a given period. In addition,
other companies, including companies in our industry, may calculate similarly-titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with U.S. GAAP. Investors are encouraged to review the related U.S. GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable U.S. GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

**Non-GAAP Loss from Operations and Non-GAAP Operating Margin**

We define non-GAAP loss from operations and non-GAAP operating margin as U.S. GAAP loss from operations and U.S. GAAP operating margin, respectively, excluding stock-based compensation expense and amortization of acquired intangible assets. We exclude stock-based compensation expense, which is a non-cash expense, from certain of our non-GAAP financial measures because we believe that excluding this item provides meaningful supplemental information regarding operational performance. We exclude amortization of intangible assets, which is a non-cash expense, related to business combinations from certain of our non-GAAP financial measures because such expenses are related to business combinations and have no direct correlation to the operation of our business.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>$(17,029)</td>
<td>$(9,730)</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>5,700</td>
<td>2,755</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>38</td>
<td>462</td>
</tr>
<tr>
<td>Non-GAAP loss from operations</td>
<td>$(11,291)</td>
<td>$(6,513)</td>
</tr>
<tr>
<td>Operating margin</td>
<td>(20%)</td>
<td>(7%)</td>
</tr>
<tr>
<td>Non-GAAP operating margin (non-GAAP loss from operations as a percentage of revenue)</td>
<td>(13%)</td>
<td>(5%)</td>
</tr>
</tbody>
</table>

**Free Cash Flow and Free Cash Flow Margin**

Free cash flow is a non-GAAP financial measure that we calculate as net cash provided by (used in) operating activities less cash used for purchases of property and equipment and capitalized internal-use software. Free cash flow margin is calculated as free cash flow divided by revenue. We believe that free cash flow and free cash flow margin are useful indicators of liquidity that provide information to management and investors about the amount of cash generated from our operations that, after the investments in property and equipment and capitalized internal-use software, can be used for strategic initiatives, including investing in our business, and strengthening our financial position. We believe that historical and future trends in free cash flow and free cash flow margin, even if negative, provide useful information about the amount of cash generated (or consumed) by our operating activities that is available (or not available) to be used for strategic initiatives. For example, if free cash flow is negative, we may need to access cash reserves or other sources of capital to invest in strategic initiatives. One limitation of free cash flow and free cash flow margin is that they do not reflect...
our future contractual commitments. Additionally, free cash flow does not represent the total increase or decrease in our cash balance for a given period.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th></th>
<th></th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities (dollars in thousands)</td>
<td>$(13,318)</td>
<td>$ 3,167</td>
<td>$(43,281)</td>
<td>$(17,099)</td>
</tr>
<tr>
<td>Less: Purchases of property and equipment</td>
<td>(15,898)</td>
<td>(19,031)</td>
<td>(25,466)</td>
<td>(6,307)</td>
</tr>
<tr>
<td>Less: Capitalized internal-use software</td>
<td>(2,660)</td>
<td>(3,944)</td>
<td>(9,373)</td>
<td>(3,616)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$(31,876)</td>
<td>$(19,808)</td>
<td>$(78,120)</td>
<td>$(27,022)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities (dollars in thousands)</td>
<td>$(15,256)</td>
<td>$ 9,544</td>
<td>$(120,795)</td>
<td>$ 15,604</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities (dollars in thousands)</td>
<td>$ 418</td>
<td>$(149)</td>
<td>$ 168,621</td>
<td>$ 3,163</td>
</tr>
<tr>
<td>Free cash flow margin</td>
<td>(16%)</td>
<td>2%</td>
<td>(22%)</td>
<td>(20%)</td>
</tr>
<tr>
<td>Less: Purchases of property and equipment (as a percentage of revenue)</td>
<td>(19%)</td>
<td>(14%)</td>
<td>(13%)</td>
<td>(7%)</td>
</tr>
<tr>
<td>Less: Capitalized internal-use software (as a percentage of revenue)</td>
<td>(3%)</td>
<td>(3%)</td>
<td>(5%)</td>
<td>(4%)</td>
</tr>
<tr>
<td>Free cash flow margin</td>
<td>(38%)</td>
<td>(15%)</td>
<td>(40%)</td>
<td>(31%)</td>
</tr>
</tbody>
</table>

**Key Business Metrics**

**Paying Customers**

We believe our ability to grow the number of paying customers on our platform provides a key indicator of the growth of our business and our future business opportunities. We define a paying customer at the end of any period as a person or entity who has been billed for our services in the last month of the period, excluding (i) Baidu and (ii) other customers that were not acquired through ordinary sales channels. An entity is defined as a company, a government institution, a non-profit organization, or a distinct business unit of a large company that has an active contract with us or one of our partners. The number of paying customers was 35,002, 49,309, and 67,899 as of December 31, 2016, 2017, and 2018, respectively, and 56,119 and 74,873 for the six months ended June 30, 2018 and 2019, respectively.

**Paying Customers (> $100,000 Annualized Billings)**

While we continue to grow customers across all sizes, over time, our large customers have contributed an increasing share of our revenue. We view the number of customers with Annualized Billings greater than $100,000 as indicative of our penetration within large enterprise accounts. The number of paying customers with Annualized Billings greater than $100,000 was 95, 184, and 313 as of December 31, 2016, 2017, and 2018, respectively, and 240 and 408 for the six months ended June 30, 2018 and 2019, respectively. We believe this trend will continue as customers increasingly adopt cloud technology and we are able to supplant an increasing share of our customers’ legacy hardware solutions by adding new capabilities to our global cloud platform.
**Dollar-Based Net Retention Rate**

Our ability to maintain long-term revenue growth and achieve profitability is dependent on our ability to retain and grow revenue generated from our existing paid customers. We believe that we will achieve these objectives by continuing to focus on customer loyalty and adding additional products and functionality to our platform. Our dollar-based net retention rate is a key way we measure our performance in these areas. Dollar-based net retention measures our ability to retain and expand recurring revenue from existing customers. To calculate dollar-based net retention for a period, we compare the Annualized Billings from paid customers 12 months prior to the Annualized Billings from the same set of customers in the last month of the current period. Our dollar-based net retention includes any expansion and is net of contraction and attrition, but excludes Annualized Billings from new customers in the current period. Our dollar-based net retention excludes the benefit of free customers which upgrade to a paid subscription between the prior and current periods, even though this is an important source of incremental growth. We believe this provides a more meaningful representation of our ability to add incremental business from existing paid customers as they renew and expand their contracts. Our dollar-based net retention rates over the trailing eight quarters for the period ended June 30, 2019 were 111.7%, 113.1%, 114.4%, 113.6%, 114.4%, 110.5%, 115.6%, and 111.3%, respectively.

**Components of Our Results of Operations**

**Revenue**

We generate revenue primarily from sales to our customers of subscriptions to access our platform, together with related support services. Arrangements with customers generally do not provide the customer with the right to take possession at any time of our software operating our global cloud platform. Instead, customers are granted continuous access to our platform and products over the contractual period. A timeelapsed output method is used to measure progress because we transfer control evenly over the contractual period. Accordingly, the fixed consideration related to subscription and support revenue is generally recognized on a straight-line basis over the contract term beginning on the date that the service is made available to the customer. Usage-based consideration is primarily related to fees charged for our customer’s use of excess bandwidth when accessing our platform in a given period and is recognized as revenue in the period in which the usage occurs.

The typical subscription and support term for our enterprise customers is one year and subscription and support term lengths range from one to three years. Most of our contracts with enterprise customers are non-cancelable over the contractual term. Customers typically have the right to terminate their contracts for cause if we fail to perform in accordance with the contractual terms. For our self-serve customers, subscription and support terms are typically monthly.

**Cost of Revenue**

Cost of revenue consists primarily of expenses that are directly related to providing our service to our paying customers. These expenses include expenses related to operating in co-location facilities, network and bandwidth costs, depreciation of our equipment located in co-location facilities, certificate authority services costs for paying customers, related overhead costs, the amortization of our capitalized internal-use software, and the amortization of acquired developed technologies. Cost of revenue also includes employee-related costs, including salaries, bonuses, benefits, and stock-based compensation for employees whose primary responsibilities relate to supporting our paying customers and delivering paid customer support. Other costs included in cost of revenue include credit card fees related to processing customer transactions and allocated overhead costs.

As our customers expand and increase the use of our global cloud platform driven by additional applications and connected devices, we expect that our cost of revenue will increase due to higher
network and bandwidth costs and expenses related to operating in additional co-location facilities. However, we expect to continue to benefit from economies of scale as our customers increase the use of our global cloud platform. We intend to continue to invest additional resources in our global cloud platform and our customer support organizations as we grow our business. The level and timing of investment in these areas could affect our cost of revenue in the future.

**Gross Profit and Gross Margin**

Gross profit is revenue less cost of revenue and gross margin is gross profit as a percentage of revenue. Our gross profit and gross margin have and are expected to continue to fluctuate from period to period due to the timing of acquisition of new customers and our renewals with existing customers, expenses related to operating in co-location facilities and network and bandwidth costs to operate and expand our global cloud platform, and amortization of costs associated with capitalized internal-use software. We expect our gross profit to increase in absolute dollars and our gross margin to remain consistent over the long term, although our gross margin could fluctuate from period to period depending on the interplay of all of these factors.

**Operating Expenses**

**Sales and Marketing**

Sales and marketing expenses consist primarily of employee-related costs, including salaries, benefits, and stock-based compensation expense, sales commissions that are recognized as expenses over the period of benefit, marketing programs, certificate authority services costs for free customers, travel-related expenses, bandwidth and co-location costs for free customers, and allocated overhead costs. Sales commissions earned by our sales force and the associated payroll taxes that are direct and incremental to the acquisition of channel partner and direct customer contracts are deferred and amortized over an estimated period of benefit of three years for the initial acquisition of a contract and over the contractual term of the renewals for renewal contracts. We plan to continue to invest in sales and marketing to grow our customer base and increase our brand awareness, including marketing efforts to continue to drive our self-serve business model. As a result, we expect our sales and marketing expenses to increase in absolute dollars for the foreseeable future. We also anticipate a significant increase in sales and marketing expenses from the stock-based compensation expense related to RSUs that have both service-based and performance vesting conditions. However, we expect our sales and marketing expenses to decrease as a percentage of our revenue over the long term, although our sales and marketing expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

**Research and Development**

Research and development costs consist primarily of employee-related costs, including salaries, bonuses, benefits, and stock-based compensation expense, consulting costs, depreciation of equipment used in research and development, and allocated overhead costs. Research and development costs support our efforts to add new features to our existing offerings and to ensure the security, performance, and reliability of our global cloud platform. We expect our research and development expenses to increase in absolute dollars for the foreseeable future as we continue to invest in research and development efforts to enhance the functionality of our global cloud platform. We also anticipate a significant increase in research and development expenses from the stock-based compensation expense related to RSUs that have both service-based and performance vesting conditions. However, we expect our research and development expenses to decrease as a percentage of our revenue over the long term, although our research and development expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.
**General and Administrative**

General and administrative expenses consist primarily of employee-related costs, including salaries, bonuses, benefits, and stock-based compensation expense for our finance, legal, human resources, and other administrative personnel, professional fees for external legal services, accounting, and other consulting services, bad debt expense, and allocated overhead costs. We expect our general and administrative expenses to continue to increase in absolute dollars for the foreseeable future to support our growth as well as due to additional costs associated with legal, accounting, compliance, insurance, investor relations, and other costs as we become a public company. We also anticipate a significant increase in general and administrative expenses from the stock-based compensation expense related to RSUs that have both service-based and performance vesting conditions. However, we expect our general and administrative expenses to decrease as a percentage of our revenue over the long term, although our general and administrative expenses may fluctuate as a percentage of our revenue from period to period due to the timing and extent of these expenses.

**Non-Operating Income (Expense)**

**Interest Income**

Interest income consists primarily of interest earned on our cash, cash equivalents, and marketable securities.

**Interest Expense**

Interest expense consists primarily of interest related to interest on our built-to-suite lease financing obligation and interest on our outstanding notes payable.

**Other Income (Expense), Net**

Other income (expense), net consists primarily of expenses resulting from the revaluation of our redeemable convertible preferred stock warrant liability and foreign currency transaction gains and losses.

**Provision for Income Taxes**

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

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

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th></th>
<th>Six Months Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Revenue</td>
<td>$84,791</td>
<td>$134,915</td>
<td>$192,674</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>23,962</td>
<td>28,788</td>
<td>43,537</td>
</tr>
<tr>
<td>Gross profit</td>
<td>60,829</td>
<td>106,127</td>
<td>149,137</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>40,122</td>
<td>61,899</td>
<td>94,394</td>
</tr>
<tr>
<td>Research and development</td>
<td>23,663</td>
<td>33,650</td>
<td>54,463</td>
</tr>
<tr>
<td>General and administrative</td>
<td>14,073</td>
<td>20,308</td>
<td>85,179</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>77,858</td>
<td>115,857</td>
<td>234,036</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(17,029)</td>
<td>(9,730)</td>
<td>(84,899)</td>
</tr>
<tr>
<td>Non-operating income (expense):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>626</td>
<td>762</td>
<td>1,895</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(654)</td>
<td>(862)</td>
<td>(992)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>(208)</td>
<td>115</td>
<td>(2,091)</td>
</tr>
<tr>
<td>Total non-operating income (expense), net</td>
<td>(236)</td>
<td>15</td>
<td>(1,188)</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(17,265)</td>
<td>(9,715)</td>
<td>(86,087)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>69</td>
<td>1,033</td>
<td>1,077</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(17,334)</td>
<td>$(10,748)</td>
<td>$(87,164)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th></th>
<th>Six Months Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total stock-based compensation expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of Revenue Data:</td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>----------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Revenue</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>28%</td>
<td>21%</td>
<td>23%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>72%</td>
<td>79%</td>
<td>77%</td>
</tr>
</tbody>
</table>

Operating expenses:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and marketing</td>
<td>47%</td>
<td>46%</td>
<td>49%</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>Research and development</td>
<td>28%</td>
<td>25%</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>17%</td>
<td>15%</td>
<td>44%</td>
<td>38%</td>
<td>26%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>92%</td>
<td>86%</td>
<td>121%</td>
<td>114%</td>
<td>106%</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(20%)</td>
<td>(7%)</td>
<td>(44%)</td>
<td>(36%)</td>
<td>(29%)</td>
</tr>
</tbody>
</table>

Non-operating income (expense):

<table>
<thead>
<tr>
<th>Non-operating income (expense):</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>—</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>—</td>
<td>—</td>
<td>(1)</td>
<td>(1)</td>
<td>—</td>
</tr>
<tr>
<td>Total non-operating income (expense), net</td>
<td>—</td>
<td>—</td>
<td>(1)</td>
<td>(1)</td>
<td>1%</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(20)</td>
<td>(7)</td>
<td>(45)</td>
<td>(37)</td>
<td>(28)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>—</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Net loss</td>
<td>(20%)</td>
<td>(8%)</td>
<td>(46%)</td>
<td>(37%)</td>
<td>(29%)</td>
</tr>
</tbody>
</table>

### Comparison of Six Months Ended June 30, 2018 and 2019

**Revenue**

<table>
<thead>
<tr>
<th></th>
<th>2018 (dollars in thousands)</th>
<th>2019 (dollars in thousands)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$87,105</td>
<td>$129,151</td>
<td>$42,046</td>
</tr>
</tbody>
</table>

Revenue increased by $42.0 million, or 48%, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. Of this increase, 56% was due to sales to new customers, and the remaining increase was due to increased sales to existing customers.

**Cost of Revenue and Gross Margin**

<table>
<thead>
<tr>
<th></th>
<th>2018 (dollars in thousands)</th>
<th>2019 (dollars in thousands)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenue</td>
<td>$19,372</td>
<td>$29,192</td>
<td>$9,820</td>
</tr>
<tr>
<td>Gross margin</td>
<td>78%</td>
<td>77%</td>
<td></td>
</tr>
</tbody>
</table>

Cost of revenue increased by $9.8 million, or 51%, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase in cost of revenue was primarily due to an increase of $3.7 million in expenses related to operating in co-location facilities and network and bandwidth costs for operating our global cloud platform for our expanded customer base as well as
increased capacity to support our growth, and an increase of $1.7 million related to the amortization of capitalized internal-use software costs. The remainder of the increase was primarily attributable to an increase of $1.6 million in depreciation expense related to purchases of equipment located in co-location facilities, an increase of $1.3 million in employee-related costs due to a 55% increase in headcount in our customer support and technical operations organizations, and an increase of $0.5 million related to third-party technology services and payment processing fees.

Gross margin decreased from 78% during the six months ended June 30, 2018 to 77% during the six months ended June 30, 2019. The decrease in gross margin was driven by higher network and bandwidth costs and expenses related to operating in co-location facilities, as we invested in additional co-location facilities and additional equipment within existing co-location facilities to support our global cloud platform. Our gross margin may fluctuate or decline in the near-term as we seek further expansion of our global cloud platform.

Operating Expenses

Sales and Marketing

<table>
<thead>
<tr>
<th></th>
<th>Six Months Ended June 30,</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
<td>$</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>$41,744</td>
<td>$66,653</td>
<td>$24,909</td>
</tr>
</tbody>
</table>

Sales and marketing expenses increased by $24.9 million, or 60%, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase was primarily driven by $14.7 million in increased employee-related costs due to a 57% increase in headcount in our sales and marketing organization from June 30, 2018 to June 30, 2019, including an increase of $2.6 million in sales commissions expense including the amortization of contract acquisition costs. The remainder of the increase was due primarily to increased expenses of $4.6 million in marketing programs due to investments in brand awareness advertising, third-party industry events, and digital performance marketing, aimed at driving overall revenue growth, $4.3 million related to increased travel-related costs, allocated overhead costs, and third-party technology services, and an increase of $1.5 million in co-location and bandwidth expenses for free customers.

Research and Development

<table>
<thead>
<tr>
<th></th>
<th>Six Months Ended June 30,</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
<td>$</td>
</tr>
<tr>
<td>Research and development</td>
<td>$24,286</td>
<td>$36,517</td>
<td>$12,231</td>
</tr>
</tbody>
</table>

Research and development expenses increased by $12.2 million, or 50%, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase was primarily driven by $12.4 million in increased employee-related costs due to a 45% increase in headcount in our research and development organization from June 30, 2018 to June 30, 2019, $1.8 million of increased allocated overhead costs primarily related to rent and office-related expenses due to expansion of office space, and $1.3 million of increased travel-related costs and consulting expenses. These increases were partially offset by decreased expenses of $3.9 million as a result of increased capitalized internal-use software development costs.
General and Administrative expenses increased by $0.7 million, or 2%, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase was primarily driven by $4.6 million in increased employee-related costs. The increase in employee-related costs was driven by a 56% increase in headcount in our general and administrative organization from June 30, 2018 to June 30, 2019 as we prepared to operate as a public company. The remainder of the increase was primarily due to an increase of $1.9 million of increased travel and company-wide event costs, $1.4 million of increased depreciation expense, and $1.0 million of increased third-party technology services costs. These increases were partially offset by $5.4 million of decreased professional fees for third-party accounting, consulting, and legal services, $2.5 million of decreased allocated overhead costs, and $0.5 million of decreased bad debt expense.

Non-Operating Income (Expense)

Interest Income

Interest income increased by $1.3 million, or 279%, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase was primarily driven by a higher invested balance in cash and cash equivalents and marketable securities.

Interest Expense

Interest expense did not significantly fluctuate during the six months ended June 30, 2019 as compared to the six months ended June 30, 2018.

Other Income (Expense), Net

Other income (expense), net decreased by $0.3 million, or 43%, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The decrease was primarily driven by an
increase of $0.3 million in rental income from sublease activities and $0.3 million in decreased foreign currency transaction gains and losses. This decrease was partially offset by increased expense of $0.3 million as a result of the increased fair value of our redeemable convertible preferred stock warrant liability.

**Provision for Income Taxes**

<table>
<thead>
<tr>
<th></th>
<th>Six Months Ended</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2018</td>
<td>2019</td>
<td>$</td>
</tr>
<tr>
<td>Provision for income</td>
<td>$ 472,000</td>
<td>$ 703,000</td>
<td>$231,000</td>
</tr>
<tr>
<td>taxes (dollars in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The provision for income taxes increased by $0.2 million, or 49%, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase was primarily driven by changes in our jurisdictional mix of earnings.

**Comparison of the Years Ended December 31, 2017 and 2018**

**Revenue**

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
<td>$</td>
</tr>
<tr>
<td>Revenue</td>
<td>$ 134,915</td>
<td>$ 192,674</td>
<td>$57,759</td>
</tr>
<tr>
<td>(dollars in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue increased by $57.8 million, or 43%, for the year ended December 31, 2018 compared to the year ended December 31, 2017. Of this increase, 42% was due to increased sales to existing customers, and the remaining increase was due to sales to new customers.

**Cost of Revenue and Gross Margin**

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
<td>$</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>$ 28,788</td>
<td>$ 43,537</td>
<td>$14,749</td>
</tr>
<tr>
<td>Gross margin</td>
<td>79%</td>
<td>77%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(dollars in thousands)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cost of revenue increased by $14.7 million, or 51%, for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase in cost of revenue was primarily due to an increase of $6.4 million in expenses related to operating in co-location facilities and network and bandwidth costs for operating our global cloud platform for our expanded customer base as well as increased capacity to support our growth, and an increase of $2.5 million in depreciation expense related to purchases of equipment located in co-location facilities. The remainder of the increase was primarily attributable to an increase of $2.3 million related to the amortization of capitalized internal-use software costs, an increase of $1.9 million in employee-related costs due to a 60% increase in headcount in our customer support and technical operations organizations, and an increase of $1.1 million related to third-party technology services and payment processing fees.

Gross margin decreased from 79% during the year ended December 31, 2017 to 77% during the year ended December 31, 2018. The decrease in gross margin was driven by higher network and bandwidth costs and expenses related to operating in additional co-location facilities, as we invested in
additional co-location facilities and additional equipment within existing co-location facilities to support our global cloud platform. Our gross margin may fluctuate or decline in the near-term as we seek further expansion of our global cloud platform.

**Operating Expenses**

**Sales and Marketing**

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2018</td>
<td>$</td>
</tr>
<tr>
<td>(dollars in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>$61,899</td>
<td>$94,394</td>
</tr>
</tbody>
</table>

Sales and marketing expenses increased by $32.5 million, or 52%, for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase was primarily driven by $24.6 million in increased employee-related costs due to a 61% increase in headcount in our sales and marketing organization from December 31, 2017 to December 31, 2018, including an increase of $5.4 million in sales commissions expense including the amortization of contract acquisition costs. The remainder of the increase was due primarily to increased costs of marketing programs of $4.6 million due to investments in brand awareness advertising, third-party industry events, and digital performance marketing, aimed at driving overall revenue growth, increased expenses of $3.1 million related to co-location and bandwidth expenses for free customers due to an increase in free customers, $2.2 million of increased allocated overhead costs primarily related to rent and office-related expenses due to expansion of office space, increased expenses of $2.1 million related to third-party technology services, consulting services, and company-wide event costs, and $1.9 million of increased travel-related costs. These increases were partially offset by decreased expenses of $6.3 million as a result of decreased certificate authority services costs for free customers due to re-negotiating rates with vendors.

**Research and Development**

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2018</td>
<td>$</td>
</tr>
<tr>
<td>(dollars in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>$33,650</td>
<td>$54,463</td>
</tr>
</tbody>
</table>

Research and development expenses increased by $20.8 million, or 62%, for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase was primarily driven by $20.9 million in increased employee-related costs due to a 58% increase in headcount in our research and development organization from December 31, 2017 to December 31, 2018, $2.9 million of increased allocated overhead costs primarily related to rent and office-related expenses due to expansion of office space, $1.0 million of increased travel-related costs, and $1.0 million of increased third-party services and technology costs. These increases were partially offset by decreased expenses of $5.4 million as a result of increased capitalized internal-use software development costs.

**General and Administrative**

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2018</td>
<td>$</td>
</tr>
<tr>
<td>(dollars in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>$20,308</td>
<td>$85,179</td>
</tr>
</tbody>
</table>
General and administrative expenses increased by $64.9 million, or 319%, for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase was primarily driven by $32.1 million in increased employee-related costs, inclusive of an increase of $23.3 million in non-cash stock-based compensation expense related to the secondary stock sales during the year ended December 31, 2018 described in Note 14 to our consolidated financial statements included elsewhere in this prospectus. The increase in employee-related costs was also driven by a 63% increase in headcount in our general and administrative organization from December 31, 2017 to December 31, 2018 as we prepared to operate as a public company. The remainder of the increase was primarily due to an increase of $22.8 million of professional fees for third-party accounting, consulting, and legal services as we invested in preparing to be a public company, $8.0 million of professional fees for information technology as we scaled our systems to operate as a public company, $1.9 million of increased recruiting, travel, and company-wide event costs, $1.1 million of bad debt expense, $1.0 million of increased third-party technology services costs, and $0.8 million of increased depreciation expense. These increases were partially offset by $3.0 million of decreased allocated overhead costs.

Non-Operating Income (Expense)

Interest Income

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(dollars in thousands)</td>
<td>$(762)</td>
<td>$(1,895)</td>
</tr>
</tbody>
</table>

Interest income increased by $1.1 million, or 149%, for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase was primarily driven by a higher invested balance in cash and cash equivalents and marketable securities.

Interest Expense

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(dollars in thousands)</td>
<td>$(862)</td>
<td>$(992)</td>
</tr>
</tbody>
</table>

Interest expense did not significantly fluctuate during the year ended December 31, 2018 as compared to the year ended December 31, 2017.

Other Income (Expense), Net

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(dollars in thousands)</td>
<td>$115</td>
<td>$(2,091)</td>
</tr>
</tbody>
</table>

* not meaningful

Other income (expense), net decreased by $2.2 million, for the year ended December 31, 2018 compared to the year ended December 31, 2017. The decrease was primarily driven by increased expense of $1.2 million as a result of the increased fair value of our redeemable convertible preferred stock warrant liability. The remainder of the decrease was primarily driven by fluctuations in foreign currency transaction gains and losses.
Provision for Income Taxes

<table>
<thead>
<tr>
<th>Provisions for Income Taxes</th>
<th>Year Ended December 31</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>$1,033</td>
<td>$1,077</td>
</tr>
</tbody>
</table>

Provision for income taxes did not significantly fluctuate during the year ended December 31, 2018 as compared to the year ended December 31, 2017.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Tax Act) was enacted. The Tax Act contains several key tax provisions that affect us, including, but not limited to, reducing the U.S. federal corporate tax rate from 34% to 21% for tax years beginning after December 31, 2017, imposing a one-time repatriation tax on deemed repatriated earnings and changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017. We have reflected the impact of the Tax Act in our consolidated financial statements in accordance with our understanding of the Tax Act and guidance available as of the date of this prospectus. The primary effect of the Tax Act on our financial results was a reduction of our deferred tax assets resulting from the reduction in the U.S. federal corporate income tax rate. Because we have established a full valuation allowance against our U.S. deferred tax assets the remeasurement of the deferred tax assets and related valuation allowance did not have a material impact on our consolidated financial statements. Refer to Note 12 to our consolidated financial statements included elsewhere in this prospectus for further information regarding income taxes.

While we believe our current valuation allowance is sufficient, we assess the need for an adjustment to the valuation allowance on a quarterly basis. The assessment is based on our estimates of future sources of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. In the event we determine that we will be able to realize all or part of our net deferred tax assets in the future, the valuation allowance will be reversed in the period in which we make such determination. The release of a valuation allowance against deferred tax assets may cause greater volatility in the effective tax rate in the periods in which it is reversed.

Comparison of the Years Ended December 31, 2016 and 2017

Revenue

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>(dollars in thousands)</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$ 84,791</td>
</tr>
</tbody>
</table>

Revenue increased by $50.1 million, or 59%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. Of this increase, 45% was due to increased sales to existing customers, and the remaining increase was due to sales to new customers.

Cost of Revenue and Gross Margin

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>(dollars in thousands)</td>
<td></td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>$ 23,962</td>
</tr>
<tr>
<td>Gross margin</td>
<td>72%</td>
</tr>
</tbody>
</table>
Cost of revenue increased by $4.8 million, or 20%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase in cost of revenue was primarily due to an increase of $1.1 million in expenses related to operating in co-location facilities and network and bandwidth costs for operating our global cloud platform for our expanded customer base as well as increased capacity to support our growth, and an increase of $1.5 million in depreciation expense related to purchases of equipment located in co-location facilities. The remainder of the increase was primarily attributable to an increase of $0.8 million related to the amortization of capitalized internal-use software costs, an increase of $0.7 million in employee-related costs due to a 24% increase in headcount in our customer support and technical operations organizations, an increase of $0.4 million related to the amortization of acquired developed technology, and an increase of $0.3 million related to third-party technology services and payment processing fees.

Gross margin increased from 72% during the year ended December 31, 2016 to 79% during the year ended December 31, 2017. The increase in gross margin was driven by an increase in revenue as our customers expanded their use of our global cloud platform, as well as decreased costs of our technology and infrastructure.

**Operating Expenses**

**Sales and Marketing**

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>2016</th>
<th>2017</th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and marketing</td>
<td>$40,122</td>
<td>$61,899</td>
<td>$21,777</td>
<td>54%</td>
</tr>
</tbody>
</table>

Sales and marketing expenses increased by $21.8 million, or 54%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase was primarily driven by $14.2 million in increased employee-related costs due to a 58% increase in headcount in our sales and marketing organization from December 31, 2016 to December 31, 2017, including an increase of $2.5 million in sales commissions expense including the amortization of contract acquisition costs. The remainder of the increase was due primarily to increased costs of marketing programs of $3.9 million due to our commencement of digital performance marketing to drive growth and brand awareness advertising, increased expenses of $2.2 million related to increased certificate authority services costs for free customers, travel-related costs, and allocated overhead costs, and increased expenses of $1.3 million related to co-location and bandwidth expenses for free customers due to an increase in free customers.

**Research and Development**

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>2016</th>
<th>2017</th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>$23,663</td>
<td>$33,650</td>
<td>$9,987</td>
<td>42%</td>
</tr>
</tbody>
</table>

Research and development expenses increased by $10.0 million, or 42%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase was primarily driven by $10.9 million in increased employee-related costs due to a 36% increase in headcount in our research and development organization from December 31, 2016 to December 31, 2017 and increased third-party technology services costs of $0.3 million. These increases were partially offset by decreased expenses of $1.1 million as a result of increased capitalized internal-use software development costs.
General and Administrative

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Change</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>$</td>
</tr>
<tr>
<td>General and administrative</td>
<td>$14,073</td>
<td>$20,308</td>
<td>$6,235</td>
</tr>
</tbody>
</table>

General and administrative expenses increased by $6.2 million, or 44%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase was primarily driven by $5.2 million in increased employee-related costs due to a 71% increase in headcount in our general and administrative organization from December 31, 2016 to December 31, 2017. The expense increases were partially offset by $3.0 million of decreased stock-based compensation expense related to the secondary stock sale during the year ended December 31, 2016 described in Note 14 to our consolidated financial statements included elsewhere in this prospectus. The remainder of the increase was primarily due to $1.7 million of professional fees for third-party accounting, consulting, and legal services, $1.3 million of third-party technology services costs, travel, company-wide event costs, and other expenses, and $0.7 million of increased allocated overhead costs primarily related to rent and office-related expenses due to expansion of office space.

Non-Operating Income (Expense)

Interest Income

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Change</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>$</td>
</tr>
<tr>
<td>Interest income</td>
<td>$626</td>
<td>$762</td>
<td>$136</td>
</tr>
</tbody>
</table>

Interest income did not significantly fluctuate during the year ended December 31, 2017 as compared to the year ended December 31, 2016.

Interest Expense

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Change</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>$</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$(654)</td>
<td>$(862)</td>
<td>$(208)</td>
</tr>
</tbody>
</table>

Interest expense increased by $0.2 million, or 32%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase was primarily driven by an increase of interest expense from the build-to-lease financing obligation.

Other Income (Expense), Net

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Change</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>$</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>$(208)</td>
<td>$115</td>
<td>$323</td>
</tr>
</tbody>
</table>

Other income (expense), net increased by $0.3 million, or 155%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase was primarily driven by fluctuations in foreign currency transaction gains and losses.
Provision for Income Taxes

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>(dollars in thousands)</td>
<td></td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>$69</td>
</tr>
</tbody>
</table>

* not meaningful

Our provision for income taxes increased by $1.0 million for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase was primarily driven by income taxes in foreign tax jurisdictions due to income from foreign operations.

Quarterly Results of Operations

The following tables set forth our unaudited quarterly statements of operations data for each of the quarters indicated, as well as the percentage that each line item represents of our revenue for each quarter presented. The unaudited quarterly statements of operations data set forth below have been prepared on the same basis as our audited consolidated financial statements, and in the opinion of management, include all adjustments, which consist only of normal recurring adjustments, that are necessary for the fair statement of such data. Our historical results are not necessarily indicative of our future results, and the results for any quarter are not necessarily indicative of the results to be expected for a full year or any other period. The following quarterly financial data should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this prospectus.

### Three Months Ended

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$25,036</td>
<td>$28,804</td>
<td>$42,405</td>
<td>$38,670</td>
<td>$50,070</td>
<td>$55,499</td>
<td>$61,727</td>
<td>$67,424</td>
<td>$67,424</td>
<td>$67,424</td>
</tr>
<tr>
<td><strong>Cost of revenue (1)</strong></td>
<td>6,301</td>
<td>6,788</td>
<td>7,252</td>
<td>8,447</td>
<td>11,209</td>
<td>12,956</td>
<td>14,360</td>
<td>14,832</td>
<td>14,832</td>
<td>14,832</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>18,735</td>
<td>22,016</td>
<td>35,153</td>
<td>30,223</td>
<td>38,861</td>
<td>42,543</td>
<td>47,367</td>
<td>52,592</td>
<td>52,592</td>
<td>52,592</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sales and marketing (1)</strong></td>
<td>12,958</td>
<td>14,866</td>
<td>16,620</td>
<td>18,895</td>
<td>24,462</td>
<td>28,188</td>
<td>30,817</td>
<td>35,836</td>
<td>35,836</td>
<td>35,836</td>
</tr>
<tr>
<td><strong>Research and development (1)</strong></td>
<td>7,472</td>
<td>8,326</td>
<td>8,380</td>
<td>9,472</td>
<td>14,827</td>
<td>15,350</td>
<td>17,649</td>
<td>18,868</td>
<td>18,868</td>
<td>18,868</td>
</tr>
<tr>
<td><strong>General and administrative (1)</strong></td>
<td>3,679</td>
<td>4,233</td>
<td>5,184</td>
<td>13,023</td>
<td>19,529</td>
<td>36,040</td>
<td>16,098</td>
<td>16,048</td>
<td>17,659</td>
<td>17,659</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>24,109</td>
<td>27,425</td>
<td>30,184</td>
<td>34,139</td>
<td>55,401</td>
<td>75,329</td>
<td>59,636</td>
<td>64,514</td>
<td>72,363</td>
<td>72,363</td>
</tr>
<tr>
<td><strong>Income (loss) from operations</strong></td>
<td>(5,374)</td>
<td>(5,409)</td>
<td>4,969</td>
<td>(3,916)</td>
<td>(10,853)</td>
<td>(20,485)</td>
<td>(36,468)</td>
<td>(17,147)</td>
<td>(19,771)</td>
<td>(19,771)</td>
</tr>
<tr>
<td><strong>Non-operating income (expense):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>166</td>
<td>174</td>
<td>214</td>
<td>234</td>
<td>387</td>
<td>1,048</td>
<td>913</td>
<td>830</td>
<td>830</td>
<td>830</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>(181)</td>
<td>(224)</td>
<td>(226)</td>
<td>(231)</td>
<td>(243)</td>
<td>(266)</td>
<td>(273)</td>
<td>(290)</td>
<td>(290)</td>
<td>(290)</td>
</tr>
<tr>
<td><strong>Other income (expense), net</strong></td>
<td>48</td>
<td>45</td>
<td>(22)</td>
<td>(446)</td>
<td>(217)</td>
<td>(1,240)</td>
<td>(188)</td>
<td>(293)</td>
<td>(86)</td>
<td>(86)</td>
</tr>
<tr>
<td><strong>Total non-operating income (expense), net</strong></td>
<td>33</td>
<td>(5)</td>
<td>(34)</td>
<td>21</td>
<td>(444)</td>
<td>(1,104)</td>
<td>94</td>
<td>347</td>
<td>454</td>
<td>454</td>
</tr>
<tr>
<td><strong>Income (loss) before income taxes</strong></td>
<td>(5,341)</td>
<td>(5,414)</td>
<td>4,935</td>
<td>(3,895)</td>
<td>(11,297)</td>
<td>(20,719)</td>
<td>(37,572)</td>
<td>(16,800)</td>
<td>(19,317)</td>
<td>(19,317)</td>
</tr>
<tr>
<td><strong>Provision for (benefit from) income taxes</strong></td>
<td>569</td>
<td>577</td>
<td>(537)</td>
<td>424</td>
<td>171</td>
<td>301</td>
<td>417</td>
<td>188</td>
<td>314</td>
<td>389</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>$(5,910)</td>
<td>$(5,991)</td>
<td>$5,472</td>
<td>$(4,319)</td>
<td>$(11,468)</td>
<td>$(21,020)</td>
<td>$(37,989)</td>
<td>$(16,887)</td>
<td>$(17,114)</td>
<td>$(19,706)</td>
</tr>
</tbody>
</table>
Includes stock-based compensation expense as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenue</td>
<td>$12,000</td>
<td>$11,000</td>
<td>$11,000</td>
<td>$13,000</td>
<td>$17,000</td>
<td>$33,000</td>
<td>$37,000</td>
<td>$32,000</td>
<td>$32,000</td>
<td>$34,000</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>118,000</td>
<td>118,000</td>
<td>125,000</td>
<td>127,000</td>
<td>154,000</td>
<td>234,000</td>
<td>280,000</td>
<td>301,000</td>
<td>279,000</td>
<td>275,000</td>
</tr>
<tr>
<td>Research and development</td>
<td>242,000</td>
<td>262,000</td>
<td>225,000</td>
<td>240,000</td>
<td>239,000</td>
<td>378,000</td>
<td>461,000</td>
<td>454,000</td>
<td>417,000</td>
<td>406,000</td>
</tr>
<tr>
<td>General and administrative</td>
<td>263,000</td>
<td>256,000</td>
<td>362,000</td>
<td>370,000</td>
<td>379,000</td>
<td>415,000</td>
<td>23,648</td>
<td>275,000</td>
<td>329,000</td>
<td>329,000</td>
</tr>
<tr>
<td>Total stock-based compensation expense</td>
<td>$635,000</td>
<td>$647,000</td>
<td>$723,000</td>
<td>$750,000</td>
<td>$789,000</td>
<td>$1,060,000</td>
<td>$24,436</td>
<td>$1,062,000</td>
<td>$1,057,000</td>
<td>$1,044,000</td>
</tr>
</tbody>
</table>

Percentage of Revenue Data:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>25%</td>
<td>24%</td>
<td>17%</td>
<td>22%</td>
<td>22%</td>
<td>23%</td>
<td>22%</td>
<td>23%</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>75%</td>
<td>76%</td>
<td>83%</td>
<td>78%</td>
<td>78%</td>
<td>77%</td>
<td>78%</td>
<td>77%</td>
<td>77%</td>
<td>78%</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>51%</td>
<td>51%</td>
<td>39%</td>
<td>45%</td>
<td>45%</td>
<td>50%</td>
<td>49%</td>
<td>51%</td>
<td>50%</td>
<td>53%</td>
</tr>
<tr>
<td>Research and development</td>
<td>30%</td>
<td>29%</td>
<td>20%</td>
<td>24%</td>
<td>27%</td>
<td>29%</td>
<td>30%</td>
<td>28%</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>General and administrative</td>
<td>15%</td>
<td>15%</td>
<td>12%</td>
<td>19%</td>
<td>32%</td>
<td>43%</td>
<td>72%</td>
<td>29%</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>96%</td>
<td>95%</td>
<td>71%</td>
<td>88%</td>
<td>104%</td>
<td>122%</td>
<td>151%</td>
<td>108%</td>
<td>105%</td>
<td>107%</td>
</tr>
<tr>
<td>Income (loss) from operations</td>
<td>(21)</td>
<td>(19)</td>
<td>12%</td>
<td>(10)</td>
<td>(26)</td>
<td>(45)</td>
<td>(73)</td>
<td>(31)</td>
<td>(28)</td>
<td>(29)</td>
</tr>
<tr>
<td>Non-operating income (expense):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1)</td>
<td>—</td>
<td>(2)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total non-operating income (expense), net</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1)</td>
<td>(1)</td>
<td>(2)</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>(21)</td>
<td>(19)</td>
<td>12%</td>
<td>(10)</td>
<td>(27)</td>
<td>(46)</td>
<td>(75)</td>
<td>(30)</td>
<td>(27)</td>
<td>(28)</td>
</tr>
<tr>
<td>Provision for (benefit from) income taxes</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(23%)</td>
<td>(21%)</td>
<td>13%</td>
<td>(11%)</td>
<td>(27%)</td>
<td>(46%)</td>
<td>(76%)</td>
<td>(30%)</td>
<td>(28%)</td>
<td>(29%)</td>
</tr>
</tbody>
</table>

Quarterly Revenue Trends

Our quarterly revenue generally increased sequentially in each of the quarters presented due primarily to increases in sales to new customers as well as increases in sales to existing customers. The sequential increase in revenue in the three months ended September 30, 2017 and corresponding decrease in revenue in the three months ended December 31, 2017 was due to the timing of the renewal of our strategic agreement with Baidu.
Quarterly Cost of Revenue Trends

Cost of revenue increased sequentially in each of the quarters presented, consistent with the growth in revenue and primarily driven by expenses related to operating in co-location facilities, network and bandwidth costs, and related overhead costs for operating our global cloud platform to support the expanded adoption of our global cloud platform by existing and new customers.

Quarterly Gross Profit Trends

The overall increase in gross profit during the quarters presented was primarily due to increases in revenue, and was due in part to the increased efficiency of our network infrastructure and co-location facilities. The sequential increase in gross profit in the three months ended September 30, 2017 and corresponding decrease in gross profit in the three months ended December 31, 2017 was primarily due to the increase in revenue in the three months ended September 30, 2017, as described above.

Quarterly Operating Expense Trends

Operating expenses generally have increased sequentially in every quarter presented primarily due to increases in headcount and other related expenses to support our growth. Sales and marketing expenses increased as we expanded our sales team to acquire new customers, and we intend to continue to make significant investments in our sales and marketing organization. We also intend to invest in research and development efforts to add new features and enhance the functionality of our existing global cloud platform, and to ensure the security, performance, and reliability of our global cloud platform. The increase in general and administrative expenses during the three months ended September 30, 2018 in absolute dollars and as a percentage of revenue is primarily due to a $23.3 million increase in stock-based compensation expense related to the secondary stock sale described in Note 14 to our consolidated financial statements included elsewhere in this prospectus. General and administrative expenses increased in recent quarters due to costs related to preparing to be a public company.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through net proceeds from the sale of our equity securities as well as payments received from customers using our global cloud platform. As of June 30, 2019, we had cash and cash equivalents of $42.4 million, including $2.9 million held by our foreign subsidiaries. We do not expect to incur material taxes in the event we repatriate any of these amounts. Our cash and cash equivalents primarily consist of highly liquid money market funds, commercial paper, and corporate bonds. We also had marketable securities of $82.3 million consisting of U.S. treasury securities, U.S. government agency securities, commercial paper, and corporate bonds. We have generated significant operating losses from our operations as reflected in our accumulated deficit of $232.7 million as of June 30, 2019 and negative cash flows from operations. We expect to continue to incur operating losses and generate negative cash flows from operations for the foreseeable future due to the investments we intend to make in our business as described above, and as a result we may require additional capital resources to execute on our strategic initiatives to grow our business.

We believe that our existing cash, cash equivalents, and marketable securities will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our assessment of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. Our actual results could vary as a result of, and our near- and long-term future capital requirements will depend on, many factors, including our growth rate, subscription renewal activity, the timing and extent of spending to support
our infrastructure and research and development efforts, the expansion of sales and marketing activities, the timing of new introductions of products or features, and the continuing market adoption of our global cloud platform. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights, although we currently have no agreements or commitments to complete any such transactions. We have based our estimates on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, operating results, and financial condition would be adversely affected.

In July 2015 and November 2015, we entered into three separate Installment Purchase Agreements (IPA) totaling $1.7 million for computer equipment and maintenance with one of our suppliers. The agreements are collateralized by the equipment purchased from the supplier and bear interest ranging from 2.9% to 5.0%. We had an aggregate of $0.3 million outstanding in principal and interest under the IPA note payable as of December 31, 2018 and $0.1 million as of June 30, 2019, due in 2019.

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

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>$(13,318)</td>
<td>$3,167</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>$(15,256)</td>
<td>$9,544</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>$418</td>
<td>$(149)</td>
</tr>
</tbody>
</table>

**Operating Activities**

Net cash used in operating activities during the six months ended June 30, 2019 was $12.6 million, which resulted from a net loss of $36.8 million, adjusted for non-cash charges of $20.1 million and net cash inflow of $4.1 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $13.2 million for depreciation and amortization expense, $4.9 million for amortization of deferred contract acquisition costs, and $2.1 million for stock-based compensation expense. The net cash inflow from changes in operating assets and liabilities was primarily the result of a $10.7 million increase in deferred revenue, and an $8.9 million increase in accounts payable, accrued expenses, and other liabilities, partially offset by an $8.4 million increase in deferred contract acquisition costs due to increased sales commissions from the addition of new customers, a $5.2 million increase in accounts receivable, net, which increased due to our growing customer base and timing of collections from our customers, and a $1.7 million increase in prepaid expenses and other assets.

Net cash used in operating activities during the six months ended June 30, 2018 was $17.1 million, which resulted from a net loss of $32.5 million, adjusted for non-cash charges of $14.3 million and net cash inflow of $1.1 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $8.3 million for depreciation and amortization expense, $3.1 million for amortization of deferred contract acquisition costs, and $1.8 million for stock-based compensation expense. The net cash inflow from changes in operating assets and liabilities was primarily the result of a $13.5 million increase in accounts payable, accrued expenses, and other liabilities, a $6.1 million increase in
deferred revenue, and a $2.6 million decrease in contract assets due to timing of invoicing, offset by a $13.9 million increase in accounts receivable, net, which increased due to our growing customer base and timing of collections from our customers, a $5.4 million increase in deferred contract acquisition costs due to increased sales commissions due to the addition of new customers, and a $1.9 million increase in prepaid expenses and other assets.

Net cash used in operating activities during the year ended December 31, 2018 was $43.3 million, which resulted from a net loss of $87.2 million, adjusted for non-cash charges of $55.5 million and net cash outflow of $11.6 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $27.3 million for stock-based compensation expense, $18.9 million for depreciation and amortization expense, and $7.1 million for amortization of deferred contract acquisition costs. The net cash outflow from changes in operating assets and liabilities was primarily the result of a $14.8 million increase in accounts receivable, net which increased due to our growing customer base and timing of collections from our customers, a $12.2 million increase in deferred contract acquisition costs due to increased sales commissions due to the addition of new customers, a $6.3 million increase in prepaid expenses and other assets, partially offset by an $14.6 million increase in accounts payable, accrued expenses, and other liabilities, a $4.9 million increase in deferred revenue, and a $2.2 million decrease in contract assets due to timing of invoicing.

Net cash provided by operating activities during the year ended December 31, 2017 was $3.2 million, which resulted from a net loss of $10.7 million, adjusted for non-cash charges of $19.1 million and net cash outflow of $5.2 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $12.2 million for depreciation and amortization expense, $4.0 million for amortization of deferred contract acquisition costs, and $2.8 million for stock-based compensation expense. The net cash outflow from changes in operating assets and liabilities was primarily the result of a $9.0 million increase in deferred contract acquisition costs due to increased sales commissions due to the addition of new customers and the expansion of existing customers, a $3.1 million increase in contract assets due to timing of invoicing, and a $2.1 million increase in accounts receivable, net due to our growing customer base and timing of collections from our customers, partially offset by a $5.5 million increase in deferred revenue and a $4.7 million increase in accrued expenses and other liabilities due to growth in our business and higher headcount.

Net cash used in operating activities during the year ended December 31, 2016 was $13.3 million, which resulted from a net loss of $17.3 million, adjusted for non-cash charges of $15.8 million and net cash outflow of $11.8 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $8.4 million for depreciation and amortization expense, $5.7 million for stock-based compensation expense and $1.6 million for amortization of deferred contract acquisition costs. The net cash outflow from changes in operating assets and liabilities was primarily the result of a $6.7 million increase in accounts receivable, net due to increased billings from our growing customer base, a $5.0 million increase in deferred contract acquisition costs, and a $3.0 million decrease in deferred revenue from timing of invoicing in accordance with our subscription contracts, partially offset by a net $4.6 million increase in accounts payable, accrued expenses, and other liabilities due to timing of payments.

**Investing Activities**

Net cash provided by investing activities during the six months ended June 30, 2019 of $27.8 million resulted primarily from proceeds from the sales and maturities of marketable securities of $99.4 million. This was offset by the purchases of marketable securities of $45.1 million, capital expenditures of $19.0 million, and the capitalization of internal-use software development costs of $7.5 million.

Net cash provided by investing activities during the six months ended June 30, 2018 of $15.6 million resulted primarily from proceeds from maturities of marketable securities of $30.7 million. This was
offset by capital expenditures of $6.3 million, purchases of marketable securities of $5.2 million, and the capitalization of internal-use software development costs of $3.6 million.

Net cash used in investing activities during the year ended December 31, 2018 of $120.8 million resulted primarily from the purchase of marketable securities of $145.3 million, capital expenditures of $25.5 million, and the capitalization of internal-use software development costs of $9.4 million. These activities were partially offset by proceeds from maturities of marketable securities of $59.2 million.

Net cash provided by investing activities during the year ended December 31, 2017 of $9.5 million resulted primarily from proceeds from maturities of marketable securities of $79.8 million. This was partially offset by capital expenditures of $19.0 million, the capitalization of internal-use software development costs of $3.9 million, and purchases of marketable securities of $47.1 million.

Net cash used in investing activities during the year ended December 31, 2016 of $15.3 million resulted primarily from the purchase of marketable securities of $74.9 million, capital expenditures of $15.9 million, the capitalization of internal-use software development costs of $2.7 million, and cash paid for an acquisition, net of cash acquired, of $1.4 million. These activities were offset by proceeds from the sales and maturities of marketable securities of $79.6 million.

**Financing Activities**

Net cash provided by financing activities of $2.0 million during the six months ended June 30, 2019 was primarily due to $3.2 million of proceeds from the exercise of vested and unvested stock options, offset by $1.0 million of payments of deferred offering costs and $0.2 million of payments on the IPA note payable.

Net cash provided by financing activities of $3.2 million during the six months ended June 30, 2018 was primarily due to $3.3 million of proceeds from the exercise of vested and unvested stock options, partially offset by $0.2 million of payments on the IPA note payable.

Net cash provided by financing activities of $168.6 million during the year ended December 31, 2018 was primarily due to $150.0 million of proceeds from the issuance of Series D redeemable convertible preferred stock and $18.9 million of proceeds from the exercise of vested and unvested stock options.

Net cash used in financing activities of $0.1 million during the year ended December 31, 2017 was primarily due to $2.2 million of proceeds from the build-to-suit lease financing obligation drawdown and $2.8 million of proceeds from the exercise of vested and unvested stock options, partially offset by the use of $4.8 million to repay the related party promissory note payable.

Net cash provided by financing activities of $0.4 million during the year ended December 31, 2016 was primarily due to $0.9 million of proceeds from the exercise of vested and unvested stock options, offset by $0.5 million of payments on the IPA note payable.
### Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of December 31, 2018:

<table>
<thead>
<tr>
<th>Payments Due By Period</th>
<th>Total (in thousands)</th>
<th>Less than 1 Year</th>
<th>1-3 Years</th>
<th>3-5 Years</th>
<th>More than 5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-cancelable:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open purchase agreements (1)</td>
<td>$11,890</td>
<td>$1,051</td>
<td>$2,394</td>
<td>$2,778</td>
<td>$5,667</td>
</tr>
<tr>
<td>Bandwidth and co-location commitments (2)</td>
<td>40,280</td>
<td>22,664</td>
<td>16,169</td>
<td>1,447</td>
<td>—</td>
</tr>
<tr>
<td>Operating lease obligations (3)</td>
<td>53,096</td>
<td>9,067</td>
<td>18,672</td>
<td>11,689</td>
<td>13,668</td>
</tr>
<tr>
<td>Other commitments (4)</td>
<td>259</td>
<td>259</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$105,525</strong></td>
<td><strong>$33,041</strong></td>
<td><strong>$37,235</strong></td>
<td><strong>$15,914</strong></td>
<td><strong>$19,335</strong></td>
</tr>
</tbody>
</table>

(1) Open purchase commitments are for the purchase of services under non-cancelable contracts. They were not recorded as liabilities on the consolidated balance sheet as of December 31, 2018 as we had not yet received the related services.
(2) Long-term commitments for bandwidth usage and co-location with various networks and Internet service providers. The costs for services not yet received were not recorded as liabilities on the consolidated balance sheet as of December 31, 2018.
(3) Office space and equipment under non-cancelable operating leases. Primarily due to our headquarters in San Francisco, California and for our offices in Austin, Texas; San Jose, California; London, United Kingdom; and Singapore. Total payments listed represent total minimum future lease payments.
(4) Consists of IPA note payable and amount includes accrued interest at the contractual rate.

The following table summarizes our contractual obligations as of June 30, 2019:

<table>
<thead>
<tr>
<th>Payments Due By Period</th>
<th>Total (in thousands)</th>
<th>Less than 1 Year</th>
<th>1-3 Years</th>
<th>3-5 Years</th>
<th>More than 5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-cancelable:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open purchase agreements (1)</td>
<td>$12,399</td>
<td>$502</td>
<td>$3,399</td>
<td>$2,831</td>
<td>$5,667</td>
</tr>
<tr>
<td>Bandwidth and co-location commitments (2)</td>
<td>38,893</td>
<td>11,620</td>
<td>23,746</td>
<td>3,159</td>
<td>368</td>
</tr>
<tr>
<td>Operating lease obligations (3)</td>
<td>51,844</td>
<td>5,190</td>
<td>21,120</td>
<td>11,866</td>
<td>13,668</td>
</tr>
<tr>
<td>Other commitments (4)</td>
<td>75</td>
<td>75</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$103,211</strong></td>
<td><strong>$17,387</strong></td>
<td><strong>$48,265</strong></td>
<td><strong>$17,856</strong></td>
<td><strong>$19,703</strong></td>
</tr>
</tbody>
</table>

(1) Open purchase commitments are for the purchase of services under non-cancelable contracts. They were not recorded as liabilities on the consolidated balance sheet as of June 30, 2019 as we had not yet received the related services.
(2) Long-term commitments for bandwidth usage and co-location with various networks and Internet service providers. The costs for services not yet received were not recorded as liabilities on the consolidated balance sheet as of June 30, 2019.
(3) Office space and equipment under non-cancelable operating leases. Primarily due to our headquarters in San Francisco, California and for our offices in Austin, Texas; San Jose, California; London, United Kingdom; and Singapore. Total payments listed represent total minimum future lease payments.
(4) Consists of IPA note payable and amount includes accrued interest at the contractual rate.

The contractual commitment amounts in the tables above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the tables above. Purchase orders issued in the ordinary course of business are not included in the tables above, as our purchase orders represent authorizations to purchase rather than binding agreements.

In addition to the contractual obligations set forth above, as of both December 31, 2018 and June 30, 2019, we had $6.4 million in letters of credit outstanding in favor of certain landlords for office space. These letters of credit renew annually and expire on various dates through 2028.
For additional discussion on our leases and other commitments, refer to Note 7 to our consolidated financial statements included elsewhere in this prospectus.

**Off-Balance Sheet Arrangements**

As of June 30, 2019, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

**Quantitative and Qualitative Disclosures about Market Risk**

We have operations in the United States and internationally, and we are exposed to market risk in the ordinary course of our business.

**Interest Rate Risk**

As of June 30, 2019, we had cash and cash equivalents of $42.4 million and marketable securities of $82.3 million. The carrying amount of our cash equivalents approximates fair value, due to the short maturities of these instruments. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. Our marketable securities are held for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our investment portfolio are subject to market risk due to fluctuations in interest rates. Our future investment income may fall short of our expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our marketable securities as “available for sale,” no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary.

We do not believe a hypothetical 10% increase or decrease in interest rates during any of the periods presented would have a material impact on our consolidated financial statements.

**Foreign Currency Risk**

The functional currency of our foreign subsidiaries is the U.S. dollar and our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates relative to the U.S. dollar. The majority of our revenue is denominated in U.S. dollars. Our expenses are generally denominated in the currencies of the countries in which our operations are located and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British Pound and Singapore Dollar. As exchange rates may fluctuate significantly between periods, revenue and operating expenses, when converted into U.S. dollars, may also experience significant fluctuations between periods. During the years ended December 31, 2016, 2017, and 2018, and six months ended June 30, 2018 and 2019, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our consolidated financial statements. For the years ended December 31, 2016, 2017, and 2018, we recorded a loss of $0.2 million, a gain of $0.2 million, and a loss of $0.3 million on foreign exchange transactions, respectively, and for the six months ended June 30, 2018 and 2019, losses of $0.3 million and $0.01 million, respectively. To date, we have not had a formal hedging program with respect to foreign currency, but we may do so in the future if our exposure to foreign currency should become more significant.
Critical Accounting Policies, Significant Judgments and Use of Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances, and we evaluate our estimates and assumptions on an ongoing basis. Our actual results could differ from these estimates.

The critical accounting estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

We elected to early adopt Accounting Standards Codification, (ASC) Topic 606, Revenue From Contracts With Customers, (ASC 606), effective as of January 1, 2017, retrospectively to the earliest year presented. Under this transition method, we are presenting the consolidated financial statements for the year ended December 31, 2016, as if ASC 606 had been effective for that period.

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration that we expect to be entitled to receive in exchange for these services. To achieve this standard, we apply the following five steps:

1) Identify the contract with a customer

We consider the terms and conditions of the contracts and our customary business practices in identifying our contracts under ASC 606. We determine we have a contract with a customer when the contract is approved, we can identify each party's rights regarding the services to be transferred, we can identify the payment terms, we have determined that collectibility is probable, and the contract has commercial substance. We apply judgment in determining that collectibility is probable, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit and financial information relevant to the customer.

2) Identify the performance obligations in the contract

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available to us, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. Our performance obligation primarily consists of subscription and support services, as they are provided over the same service period.

3) Determine the transaction price

The transaction price is determined based on the consideration to which we expect to be entitled in exchange for transferring services to the customer. Usage based variable consideration is recognized in the period it is incurred. None of our contracts contain a significant financing component.

4) Allocate the transaction price to performance obligations in the contract

The subscription and support services in our contracts are considered a single performance obligation, and thus the entire transaction price is allocated to the single performance obligation.
Recognize revenue when or as we satisfy a performance obligation

Revenue is recognized at the time the related performance obligation is satisfied by transferring the service to a customer. Revenue is recognized when control of the services is transferred to our customers, in an amount that reflects the consideration that we expect to be entitled to receive in exchange for those services.

We generate sales directly through our sales team and through our channel partners. Revenue from sales to channel partners are recorded once all the revenue recognition criteria above are met. Channel partners generally receive an order from an end-customer prior to placing an order with our Company. Payment from channel partners is not contingent on the partner’s collection from end-customers. We have determined that we are acting as an agent in these arrangements and record this revenue on a net basis.

Subscription and Support Revenue

We generate revenue primarily from sales to our customers of subscriptions to access our platform and products, together with related support services. Arrangements with customers generally do not provide the customer with the right to take possession of our software operating our global cloud platform at any time. Instead, customers are granted continuous access to our global cloud platform over the contractual period. Access to our platform and products is considered a monthly series comprising one performance obligation. A time-elaps method is used to measure progress because we transfer control evenly over the contractual period. Accordingly, the fixed consideration related to subscription and support revenue is generally recognized on a straight-line basis over the contract term beginning the date that our service is made available to the customer. Usage-based consideration is primarily related to fees charged for our customer’s use of excess bandwidth when accessing our platform in a given period and is recognized as revenue in the period in which the usage occurs.

The typical subscription and support term for our enterprise customers is one year and subscription and support term lengths range from one to three years. Most of our contracts with enterprise customers are non-cancelable over the contractual term. Customers typically have the right to terminate their contracts for cause if we fail to perform in accordance with the contractual terms. For our self-serve customers, subscription and support terms are typically monthly.

Costs to Obtain and Fulfill a Contract

We capitalize sales commission and associated payroll taxes paid to internal sales personnel that are incremental to the acquisition of channel partner and direct customer contracts. These costs are recorded as deferred contract acquisition costs on the consolidated balance sheets. We determine whether costs should be deferred based on our sales compensation plans, if the commissions are in fact incremental and would not have occurred absent the customer contract.

Sales commissions for renewal of a contract are not considered commensurate with the commissions paid for the acquisition of the initial contract. Commissions paid upon the initial acquisition of a contract are amortized over an estimated period of benefit of three years while commissions paid for renewal contracts are amortized over the contractual term of the renewals. Amortization of deferred contract acquisition costs is recognized on a straight-line basis commensurate with the pattern of revenue recognition and included in sales and marketing expense in the consolidated statements of operations. We use judgment to determine the period of benefit for commissions paid for the acquisition of the initial contract by taking into consideration the expected subscription term and expected renewals of our customer contracts, the duration of our relationships with our customers, customer retention data,
our technology development lifecycle and other factors. We periodically review the carrying amount of deferred contract acquisition costs to
determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred costs. We did
not recognize any impairment losses of deferred contract acquisition costs during the periods presented.

Stock-based Compensation

We recognize stock-based compensation expense based on the fair value of the awards granted. We estimate the fair value of each stock-
based payment award on the grant date using the Black-Scholes option pricing model. Stock-based compensation expense for awards with
service-based vesting only is recognized on a straight-line basis over the requisite service period of the awards, which is generally four years.
We account for forfeitures as they occur.

The Black-Scholes option pricing model requires the use of highly subjective assumptions. The assumptions used to determine the fair value
of the stock-based awards are management’s best estimates and involve inherent uncertainties and the application of judgment. If any of the
assumptions used in the Black-Scholes option pricing model change significantly, stock-based compensation expense for future awards may
differ materially compared with the awards granted previously. These assumptions and estimates are as follows:

- Fair value of common stock—Because our common stock is not yet publicly traded, we must estimate the fair value of common
  stock, as discussed in “—Common Stock Valuations” below;
- Expected term—The expected term represents the period that our stock-based awards are expected to be outstanding. The
  expected term assumptions were determined based on the vesting terms, exercise terms and contractual lives of the awards. The
  expected term was estimated using the simplified method allowed under U.S. GAAP;
- Volatility—We determine the expected volatility based on historical volatilities of similar publicly traded companies corresponding to
  the expected term of the awards;
- Risk free interest rates—The risk-free interest rate is based on the implied yield currently available on U.S. treasury notes with terms
  approximately equal to the expected term of the award; and
- Dividend yield—Our expected dividend rate is zero as we currently have no history or expectation of declaring dividends on our
  common stock.

The following weighted-average assumptions were used for the periods presented:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th></th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>6.1</td>
<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>49.2%</td>
<td>45.8%</td>
<td>43.5%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>1.6%</td>
<td>2.1%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We have granted qualified event options (the QE Options) and qualified event RSUs (the QE RSUs) to employees and contractors which vest
on the satisfaction of both a service-based condition and a performance condition. For QE Options, the performance condition will be satisfied
upon the occurrence of a qualifying event as follows: (i) our equity securities are listed for sale on a public stock exchange, (ii) the closing of a
change in control as defined in the 2010 Plan, or (iii) an event occurs that our Board of Directors in its sole discretion deems to be a qualifying
event. For QE Options, the service-based condition is satisfied by rendering service from the date of grant through the qualified
event, as well as a four year vesting period commencing with the qualified event. For QE RSUs, the performance condition will be satisfied upon the occurrence of a qualifying event as follows: (i) the closing of a change in control as defined in the 2010 Plan, or (ii) the effective date of the registration statement of which this prospectus forms a part. The QE RSUs have a service-based vesting condition typically satisfied over a four year vesting period. Awards which contain both service-based and performance conditions are recognized using the accelerated attribution method once the performance condition is probable of occurring. A change in control event, listing of equity securities event, and effectiveness of a registration statement event are not deemed probable until consummated. Accordingly, no expense is recorded related to these awards until the performance condition becomes probable of occurring. In connection with this offering, we expect to record stock-based compensation expense for the QE Options for the service period rendered from the date of grant through the equity securities listing date and for the QE RSUs that vest in connection with this offering. If this offering had occurred on June 30, 2019, we would have recognized $14.7 million of stock-based compensation expense for the QE Options for the service period rendered from the date of grant through June 30, 2019 and for the QE RSUs for which the service-based condition was satisfied as of June 30, 2019, and would have had $35.8 million of unrecognized compensation cost, which is expected to be recognized over a weighted-average period of 3.7 years.

Common Stock Valuations

The fair value of our common stock and underlying stock options has historically been determined by our Board of Directors, with assistance from management and contemporaneous third-party valuations. Given the absence of a public trading market for our common stock and in accordance with the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately Held Company Equity Securities Issued as Compensation, our Board of Directors has exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of our common stock at each grant date. These factors include:

• contemporaneous third-party valuations of our common stock;
• the prices, rights, preference and privileges of our redeemable convertible preferred stock relative to the common stock;
• the prices of common or redeemable convertible preferred stock sold to third-party investors by us and in secondary transactions or repurchased by us in arms-length transactions;
• our operating and financial performance;
• current business conditions and projections;
• the likelihood of achieving a liquidity event for the shares of common stock underlying these stock options, such as an initial public offering or sale of our company, given prevailing market conditions;
• the lack of marketability of our common stock;
• the market performance of comparable publicly-traded software and technology companies; and
• the U.S. and global economic and capital market conditions and outlook.

Following the closing of our initial public offering, the fair value per share of our common stock for purposes of determining stock-based compensation will be the last available closing price of our Class A common stock as reported on or before the applicable grant date.

In determining the fair value of our common stock, we estimated the enterprise value of our business using the market approach and the income approach. Under the income approach, forecast cash flows
are discounted to the present value at a risk-adjusted discount rate. The valuation analyses determine discrete free cash flows over multiple years based on forecast financial information provided by our management and a terminal value for the residual period beyond the discrete forecast, which are discounted at our estimated weighted-average cost of capital to estimate our enterprise value. Under the market approach, a group of guideline publicly-traded companies with similar financial and operating characteristics as us is selected, and valuation multiples based on the guideline public companies’ financial information and market data are calculated. Based on the observed valuation multiples, an appropriate multiple was selected to apply to our historical and forecasted revenue results. The estimated enterprise value is then allocated to the common stock using the Option Pricing Method (OPM), and the Probability Weighted Expected Return Method (PWERM), or the hybrid method. The hybrid method applied the PWERM utilizing the probability of an initial public offering scenario, and the OPM was used in the remaining private scenario.

Prior to July 2017, the equity valuation was based on the market approach and the OPM was selected as the principal equity allocation method. For valuations starting in February 2018, the discounted cash flow model was included in addition to the market approach to value the equity, and a hybrid method was selected to determine the fair value of our common stock. Under the hybrid method, multiple valuation approaches were used to determine the equity value under two scenarios and then combined into a single probability weighted valuation using a PWERM. Our approach for valuations after February 2018 included the use of an initial public offering scenario, and a scenario assuming continued operation as a private entity. In addition, we also considered any recent rounds of financing of our preferred stock and secondary transactions involving our capital stock. In our evaluation of those transactions, we considered the facts and circumstances of each transaction to determine the extent to which they represented a fair value exchange. Factors considered included transaction volume, timing, whether the transactions occurred among willing and unrelated parties, and whether the transactions involved investors with access to our financial information.

**Capitalized Internal-Use Software Development Costs**

Certain development costs related to our global cloud platform during the application development stage are capitalized. Costs incurred in the preliminary stages of development are analogous to research and development activities and are expensed as incurred. The preliminary stage includes such activities as conceptual formulation of alternatives, evaluation of alternatives, determination of existence of needed technology, and final selection of alternatives. Once the application development stage is reached, internal and external costs are capitalized until the software is substantially complete and ready for its intended use. Capitalized costs are recorded as part of property and equipment, net. Capitalized internal-use software is amortized on a straight-line basis over its estimated useful life, which is generally three years, and is recorded as cost of revenue in the consolidated statements of operations. We exercise judgment in determining the point at which various projects may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized.

**JOBS Act Accounting Election**

We meet the definition of an emerging growth company under the JOBS Act, which permits us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to use this extended transition period until we are no longer an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period. As a result, our consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements applicable to public companies.
Recently Issued Accounting Pronouncements

Refer to Note 2 to our consolidated financial statements included elsewhere in this prospectus for more information regarding recently issued accounting pronouncements.
A LETTER FROM MATTHEW PRINCE AND MICHELLE ZATLYN

To our potential shareholders:

Cloudflare launched on September 27, 2010. Many great startups pivot over time. We have not. We had a plan and have been purposeful in executing it since our earliest days. While we are still in its early innings, that plan remains clear: we are helping to build a better Internet. Understanding the path we’ve taken to date will help you understand how we plan to operate going forward, and to determine whether Cloudflare is the right investment for you.

Cloudflare was formed to take advantage of a paradigm shift: the world was moving from on-premise hardware and software that you buy to services in the cloud that you rent. Paradigm shifts in technology always create significant opportunities, and we built Cloudflare to take advantage of the opportunities that arose as the world shifted to the cloud.

As we watched packaged software turn into SaaS applications, and physical servers migrate to instances in the public cloud, it was clear that it was only a matter of time before the same happened to network appliances. Firewalls, network optimizers, load balancers, and the myriad of other hardware appliances that previously provided security, performance, and reliability would inevitably turn into cloud services.

Network Control as a Service

We built Cloudflare to provide the suite of cloud services we anticipated customers would demand as they looked to replace their on-premise, hardware-based network appliances. That was an audacious goal and it shaped both business model and our technical architecture in ways that we believe differentiate us and provide us with a significant competitive advantage.

For example, since we were competing with hardware manufacturers, usage-based billing never made sense for our core products. In the on-premise hardware world, when you suffered more cyber attacks you didn’t pay your firewall vendor more, and when you suffered fewer you didn’t pay them less. If we were going to build a firewall-as-a-service — or any other network appliance replacement — we needed predictable, subscription-based pricing that reflected how companies wished they could pay for their hardware.

We also knew that more data gave us an advantage no hardware appliance could match. Like an Internet-wide immune system, we could learn from all the bits of traffic that flowed through our network. We could learn not only about bad actors and how to stop their attacks, but also about good actors and how to optimize their online experiences. Since more data helped us build better products for all our customers, we never wanted to do anything to discourage any potential customer from routing any amount of traffic, large or small, through our network.

Efficiency is in Our DNA

This core tenet of serving the entire Internet forced us to obsess over costs. Efficiency is in the DNA of Cloudflare because it had to be. Being entrusted with investors’ capital is a privilege and we make investments in our business always with a mind toward being good stewards of that capital. Moreover, while it was tempting to just pass along costs like bandwidth to our customers, we knew if we were going to provide a compelling value proposition against hardware we needed to be ruthlessly efficient.

To achieve the level of efficiency needed to compete with hardware appliances required us to invent a new type of platform. That platform needed to be built on commodity hardware. It needed to be
architected so any server in any city that made up Cloudflare’s network could run every one of our services. It also needed the flexibility to move traffic around to serve our highest paying customers from the most performant locations while serving customers who paid us less, or even nothing at all, from wherever there was excess capacity.

We built Cloudflare’s platform from the ground up with a full understanding of our audacious plan: to literally help build a better Internet. We didn’t run separate networks to provide our different products. We didn’t use expensive, proprietary hardware. We didn’t start with one product and then attempt to Frankenstein on others over time. Our platform was purpose-built to efficiently deliver security, performance, and reliability to customers of every size from day one. And our platform has allowed us a level of efficiency to achieve the gross margins of leading hardware appliance vendors — 77% in the first half of this year — but with the greater predictability of a SaaS business model.

Our Platform Approach

For some it may be challenging to categorize our business because our platform includes an incredibly diverse set of capabilities. We provide security products like firewall and access management, performance products like intelligent routing, and reliability products like vendor-neutral load balancing — all as a service, without customers needing to install hardware or change their code.

We also have functions that play supporting roles to the products we sell. For example, we built one of the fastest, most reliable content delivery networks not because we were targeting the CDN market, but because we knew caching was a necessary function in order to efficiently deliver our core products. We built the world’s fastest authoritative domain name services, not to sell DNS, but to deliver service levels we knew our customers needed.

We provide features like CDN and DNS for free to all of our customers. We will continue to implement this strategy: onboarding more customers onto our platform and capturing value from our highly differentiated products that, once using any part of Cloudflare’s platform, are only a click away.

Potential investors who are new to Cloudflare sometimes ask questions like: “What will you do if CDN bandwidth prices continue to fall?” We remind them we’ve given CDN away for free since Cloudflare launched in 2010, not because we were trying to disrupt the CDN space, but because the much more valuable products we provide our customers need a highly optimized global caching network to perform up to our standards.

We Create More Value Than We Capture

But there is another reason for taking the approach that we do. Cloudflare has always put our customers first and prioritized creating much more value than we capture. We work to get customers onto our platform because, once on board, we know we will be able to solve so many of their problems over time. We aim to make the combined value of the products on our platform significantly more than customers can get from any combination of point solutions.

In the past, to deliver Internet security, performance, and reliability not only required an organization to buy rooms full of expensive network appliances but also to hire IT teams to manage them. While there were some companies that could afford this, the cost was prohibitive for many. Instead of serving only those that could have paid the most, we intentionally made the decision to start by focusing on organizations and individual developers that had previously been underserved. We made our products not only affordable, but easy to use.

And we didn’t stop there. We have continued to improve with every bit of traffic we have seen. In doing so, we have moved up market to the point that, today, approximately 10 percent of the Fortune 1,000
are paying Cloudflare customers. We think one of the best ways to measure the value we deliver is our Net Promoter Score of 68 among paying customers, rivaling some of the best consumer brands in the world. Not only are we obsessed with our customers, but our customers are obsessed with us.

**We Are Focused on Consistent Growth Over the Long Term**

One of the characteristics of the world’s greatest SaaS companies is that they typically enter a market in some small way and then use that toehold to expand their relationship and move up market. We learned from the great SaaS companies that came before us. This strategy has resulted in consistent, long-term — rather than explosive — growth. Contrast this with companies that only build a better mousetrap. They initially experience heady growth shifting defined spend from one product to another, but the challenge they then face is existential: what’s their second, third, and fourth act? Cloudflare doesn’t have this problem.

We have already begun authoring our next chapters. For example, Cloudflare Workers — the productized version of the serverless architecture we developed for ourselves — is today adopted by more than 20 percent of our new customers. Cloudflare Workers allows our developer customers to write code in the languages they know — C, C++, JavaScript, Rust, Go — and deploy it to the edge of our network, allowing anyone to create new applications with security, performance, and reliability previously reserved to the Internet giants. Cloudflare Workers, and other second-act products like it, continue to expand the types of problems we solve for our customers and the total addressable market we serve.

We will continue to invest in R&D so long as it demonstrates a significant return. Our investment philosophy is oriented around making many small, inexpensive bets — quickly killing the ones that don’t work, and increasing investment in the ones that do. While we will consider M&A when opportunities present themselves, our bias is toward internal development tightly integrated into our efficient platform. We aim to build a massive business — slowly and consistently.

**Project Holloway**

Finally, there are two of us signing this letter today, but three people started Cloudflare. Lee Holloway is our third co-founder and the genius who architected our platform and recruited and led our early technical team. Tragically, Lee stepped down from Cloudflare in 2015, suffering the debilitating effects of Frontotemporal Dementia, a rare neurological disease.

As we began the confidential process to go public, one of the early decisions was to pick the code name for our IPO. We chose “Project Holloway” to honor Lee’s contribution. More importantly, on a daily basis, the technical decisions Lee made, and the engineering team he built, are fundamental to the business we have become.

It has indeed been an incredible journey to have built Cloudflare into what it is today. We are grateful to our customers for their business and trust, to our team members for their dedication to our mission, and to our shareholders, and potential shareholders, for their support and encouragement.

And we’re just getting started.

Matthew Prince  
Co-founder & CEO

Michelle Zatlyn  
Co-founder & COO
Cloudflare’s mission is to help build a better Internet.

Today, the Internet is the lifeblood of business and the primary vehicle of commerce and communication for people around the world. While it was brilliantly architected to deliver fault tolerance and robust connectivity, it was not designed to deliver the security, millisecond performance, and reliability required for businesses today.

For decades, a number of vendors have looked to address the core limitations and vulnerabilities of the Internet for businesses that operate online. These vendors built a range of standalone hardware boxes to address the emerging requirements for security, performance, and reliability. These boxes could be deployed in on-premise data centers to deliver functions such as virtual private network (VPN), firewall, routing, traffic optimization, load balancing, and other network services. While they created massive complexity, cost, technical debt, and a tangled web of dependencies for the organizations that deployed them, the approach generally worked and these on-premise “band-aid boxes” were able to alleviate some of the Internet’s fundamental security, performance, and reliability problems.

And then the cloud happened.

In recent years, the technology industry has undergone a massive transition from on-premise hardware and software that customers buy, to services in the cloud that they rent. This transition has swept through the application, compute, and storage layers of enterprise computing architectures, led by companies such as Salesforce, Workday, and Amazon through Amazon Web Services.

Organizations find themselves at different points in this transition to the cloud. Companies that were established before the Internet emerged are likely to have a hybrid of on-premise and cloud solutions. Younger companies are more likely to be cloud native, with a combination of public and private deployments across many cloud vendors. But regardless of where a company falls on this spectrum, they all face a common set of challenges: they exist in a complex, heterogeneous infrastructure environment which exacerbates the fundamental problems of the Internet more than ever, and the on-premise band-aid boxes that they once relied upon to solve these problems were never designed to work in such an environment. As more workloads move to the cloud, there is no point in installing additional band-aid boxes on premise. An on-premise box will not solve the problems organizations now face. Nor can a business ship a band-aid box to a cloud vendor. Even if they wanted to, there is literally no place to install such a box in the cloud.

The result is that a major architectural shift at the network layer is now underway. Cloudflare is leading this transition.

We have built a global cloud platform that delivers a broad range of network services to businesses of all sizes and in all geographies—making them more secure, enhancing the performance of their business-critical applications, and eliminating the cost and complexity of managing individual network hardware. Our platform serves as a scalable, easy-to-use, unified control plane to deliver security, performance, and reliability across on-premise, hybrid, cloud, and software-as-a-service (SaaS) applications. Today, approximately 10% of the Fortune 1,000 are paying Cloudflare customers. Additionally, across the broader Internet, approximately 10% of the top million, 17% of the top 100,000, and 18% of the top 10,000 websites use at least one product on our platform on a paid or free basis. (1)

---

(1) These percentages are derived from Datanyze, Market Share, from January 2019 based on the average percentage market share for website optimization, DNS, security and content delivery network solutions for websites in the Alexa top million, top 100,000 and top 10,000. Refer to the section titled “Industry and Market Data.”
We started by building an efficient, scalable network. This network forms the basis of our platform on which we can rapidly develop and deploy our products for our customers. Together, the development of our network and products create the interconnected flywheels that drive our business and have allowed us to achieve our market position.

- **Network Flywheel**: We have created a network architecture that is flexible, scalable, and gets more and more efficient as it expands. We designed and built our network to be able to grow capacity quickly and inexpensively; to allow for every server, in every city, to run every Cloudflare service; and to allow us to shift customers and traffic across our network efficiently. We refer to this architecture as “serverless” because it means we can deploy standard, commodity hardware, and our product developers and customers do not need to worry about the underlying servers. Our software automatically manages the deployment and execution of our product developers’ code and our customers’ code across our network. Because we manage the execution and prioritization of code running across our network, it means that we are both able to optimize the performance of our highest paying customers, and also effectively leverage idle capacity across our network. We have chosen to utilize this idle capacity to create a free tier of service—which has generated substantial global scale for us. In turn, this scale makes us attractive partners for Internet Service Providers (ISPs) globally, which reduces our co-location and bandwidth costs. As our network grows, these dynamics become even more powerful.

Today, our network spans 193 cities in over 90 countries and interconnects with over 8,000 networks globally, including major ISPs, cloud services, and enterprises. We estimate that we operate within 100 milliseconds of 98% of the Internet-connected population in the developed world, and 93% of the Internet-connected population globally (for context, the blink of an eye is 300-400 milliseconds). And, we have built this powerful network, while achieving U.S. GAAP gross margin of 77% in the year ended December 31, 2018 and the six months ended June 30, 2019, demonstrating the cost and capital efficiency of our model.

- **Product Flywheel**: We began with the idea of serving the broadest possible market. To do this, we made our products easy to use and affordable, and were able to provide our entry level plan for free in part because of the cost advantage of our network. We leverage the resulting customer scale and diversity to continuously make our products better. Our machine learning systems improve our products with every customer's request, optimizing our security, performance, and reliability globally. The over 20 million Internet properties (e.g., domains, websites, application programming interface (API), and mobile applications) that use our platform comprise a global sensor network, which functions like an immune system for the Internet—routing around congestion, optimizing for traffic conditions, and using data on cyber attacks against any one of our customers to better protect them all. We leverage these insights to block cyber threats every day, which in the three months ended June 30, 2019 averaged approximately 44 billion per day.

Feedback from our diverse, global customer base helps us expand into new, adjacent product areas. Since our customers’ traffic is already passing through our network, our serverless architecture means we can add products on our platform to solve new network challenges without significantly increasing our incremental costs. This allows us to provide new products at competitive prices and further expand the overall market.

---

(2) These percentages are derived from our observed round-trip time for all unique IP addresses sending or receiving traffic through our network in the Organisation for Economic Co-operation and Development countries and in all countries, respectively.

116
We have built our global cloud platform to deliver our network services to businesses of all sizes and in numerous geographies. We believe we have a number of structural, product, and go-to-market advantages in meeting the needs of these customers:

- First, our disruptive business model—particularly the network and product flywheels we have built—create a virtuous cycle which drives down our unit costs while increasing the diversity and quality of our products. Between the three months ended March 31, 2016 and the three months ended June 30, 2019, our revenue increased by 247% with only a 146% increase in cost of revenue. Our network's efficiency as well as our aligned interests with our ISP partners, provide us with a cost advantage in the market. At the same time, our network architecture allows us to add new products and features across our platform without significant additional operating costs. This efficient economic model enables us to continue to compete effectively both on price as well as with the breadth and quality of our products.

- Second, we believe that there is power in our commitment to serving everyone, not just the few. It causes us to prioritize making our products easy to use. It also gives us a free and "long tail" customer base. These customers provide us with critical data that allow us, aided by machine learning, to provide better security, performance, and reliability for all of our customers. By volunteering to test our new features, these customers act as a virtual quality assurance team. The globally distributed nature of this free customer base makes us relevant and valuable to ISPs all over the globe, improving our economics. Finally, free access to our services attracts developers, providing us with a rich talent pipeline and often seeding us in larger enterprises as enterprise developers become acquainted with our platform and products through their "hobby projects." This lowers both our cost of customer acquisition and employee recruiting.

- Third, we have an integrated and independent offering. When a customer puts an Internet property on Cloudflare, we do not just make it safer, faster, or stronger—we make it all three. Our independence and neutrality offers us a range of advantages against the traditional cloud vendors. It means that when we sit in front of a customer's infrastructure, it can set policies once and know that they will apply to all its clouds and on-premise infrastructure, regardless of where that property rests in the world. It also attenuates growing customer concerns about "lock-in" relative to any one large public cloud vendor. And our business model aligns with the interests of our customers. We do not sell user data. Nor do we aim to compete with our customers. We are firmly committed to these principles, and given the privileged position we sit in for our customers, we believe this creates a strong competitive advantage.

We have experienced significant growth, with our revenue increasing from $84.8 million in the year ended December 31, 2016 to $134.9 million in the year ended December 31, 2017 and to $192.7 million in the year ended December 31, 2018, increases of 59% and 43%, respectively. Our revenue increased from $87.1 million in the six months ended June 30, 2018 to $129.2 million in the six months ended June 30, 2019, an increase of 48%. As we continue to invest in our business, we have incurred net losses of $17.3 million, $10.7 million, and $87.2 million for the years ended December 31, 2016, 2017, and 2018, respectively, and $32.5 million and $36.8 million for the six months ended June 30, 2018 and 2019, respectively.

Our Industry

The Internet was not built for what it has become.

Originally conceived as a decentralized, wired network to interconnect academic institutions, the Internet has evolved into a global platform for business and communications, hosting a wide variety of often mission-critical applications. While the Internet was brilliantly architected to deliver fault tolerance...
and robust connectivity, it was not designed to deliver the security, millisecond performance, and reliability required now that it has become the lifeblood for business and the primary vehicle of commerce and communication for humanity.

Despite the Internet's limitations, businesses relying on it must meet customer expectations for always-on access to their services, low latency, total reliability, and high levels of security and privacy. Furthermore, businesses are accountable for the delivery of these requirements end-to-end, to every customer and employee's desktop or mobile device, forcing them to address security, performance, and reliability globally and well beyond what they once thought of as the perimeter of their own infrastructure.

**Band-Aid Boxes**

To meet evolving expectations and navigate the limitations of the Internet, businesses have traditionally relied on a broad array of hardware devices deployed in on-premise data centers to deliver functions such as VPN, firewall, routing, traffic optimization, load balancing, and other network services. These band-aid boxes were meant to patch the Internet and address its core limitations. While the band-aid boxes added some security, performance, and reliability benefits, they contributed to massive complexity, cost, technical debt, and a tangled web of dependencies.

Enterprises must purchase, integrate, manage, update, and maintain a fleet of these costly solutions, provided by diverse vendors, predicated on different standards, and spanning several generations. The very boxes once installed to provide security, performance, and reliability often create a level of complexity that endangers these very goals. As a result, enterprises often have large IT teams responsible for designing, operating, maintaining, updating, and remediating this complex network infrastructure. The complexity can be overwhelming for all but the largest enterprises, driving up the cost of the band-aid boxes and inherently limiting their market.

In spite of the drawbacks, the band-aid boxes were sufficient to ensure the safety, functionality, and resilience required by businesses that could afford them in the on-premise paradigm.

But these band-aid boxes were never designed to work in the cloud.

**Shift to the Cloud**

In recent years, the technology industry has been undergoing a transition from on-premise hardware and software that customers buy, to services in the cloud that they rent. Application vendors led this transition as companies like Salesforce, Workday, and NetSuite provided cloud-based, multi-tenant solutions that disrupted legacy, on-premise software from companies like SAP, Oracle, and Microsoft. Compute and storage followed, with public cloud vendors such as Amazon Web Services, Microsoft Azure, Google Cloud Platform, and Alibaba Cloud disrupting server and storage vendors like HP, Dell, Lenovo, and Sun Microsystems.

The shift to the cloud has followed a predictable pattern. Cloud providers first opened the market to underserved businesses that could not previously afford the cost and complexity of on-premise solutions. Feedback from these early customers allowed the cloud providers to build better, easier to use, more flexible products that can scale. The cloud providers then moved up market, displacing the legacy, on-premise solutions in even the largest, most sophisticated enterprises.
The rise of cloud computing architectures, alongside the massive increase in mobile devices, vastly complicates the already difficult task of securing and optimizing applications. Organizations exist in a complex, heterogeneous infrastructure environment of public cloud, on-premise, and hybrid deployments. The threat landscape, functional requirements, and scale of business applications are evolving faster than ever before, and the volume and sophistication of network attacks can strain the defensive capabilities of even the most advanced enterprises.

The hardware-based, inflexible, on-premise band-aid boxes that organizations once relied upon to meet these challenges were never designed to work in an environment like this. And even if the band-aid boxes could scale to meet the challenges of the modern enterprise, a business cannot simply ship a band-aid box to a cloud vendor. There is literally no place to install such a box in the cloud.

This is forcing a major architectural shift in how enterprises address security, performance, and reliability at the network layer. The functionality provided by companies such as Cisco Systems, Juniper Networks, F5 Networks, Check Point Software, Palo Alto Networks, FireEye, Riverbed Technology, and others is being elevated, abstracted, and unified into the cloud. This transition has created a vast opportunity both in expanding the market to address under-served businesses and replacing band-aid box vendors, and the budget spent on their increasingly obsolete devices, in the enterprise.

Cloudflare is leading this transition.

Our Platform

We have built a global cloud platform that delivers a broad range of network services to businesses of all sizes around the world—making them more secure, enhancing the performance of their business-critical applications, and eliminating the cost and complexity of managing and integrating individual...
network hardware. We provide businesses a scalable, easy-to-use, unified control plane to deliver security, performance, and reliability across their on-premise, hybrid, cloud, and SaaS applications. We are disrupting the market created by the band-aid box vendors and, in the process, directly addressing the core limitations of the Internet. Today, approximately 10% of the Fortune 1,000 are paying Cloudflare customers. Additionally, across the broader Internet, approximately 10% of the top million, 17% of the top 100,000, and 18% of the top 10,000 websites use at least one product on our platform on a paid or free basis.

Previously, enterprises would often string together a diverse set of on-premise band-aid boxes from different vendors to solve their network challenges. As these solutions move to the cloud, the network latency, support complexity, and cost of overhead makes stringing together multiple point-cloud solutions that only address a specific network need untenable. Customers are therefore looking to consolidate behind a single platform. We offer this unified control plane. Customers who join our platform using one product can adopt our other seamlessly integrated products with a single click. We serve comprehensive customer needs across security, performance, and reliability. Our platform and business model are designed to make rolling out new products fast and efficient. We believe that platforms with the broadest catalogue of products will ultimately beat point-cloud solutions.

To achieve what we have, we started by building an efficient, scalable network. This network forms the basis of our platform on which we can develop and deploy our products for our customers. Together the development of our network and products create the interconnected flywheels that drive our business and have allowed us to achieve our market position.

- **Network Flywheel**: We have created a network architecture that is flexible, scalable, and becomes more efficient as it expands.
- **Product Flywheel**: We have leveraged this network to deploy products that are easy to use, continuously improved, and can be delivered without adding significant incremental cost.

![Cloudflare's Network and Product Flywheels](image)
Network Flywheel

Our network was designed from day one to be able to scale to serve the entire Internet. To achieve this in a cost-effective way, we needed to invent a new type of architecture. Rather than deploying different hardware and software for each product we sell, we built our network to allow for every server, in every city, to run every Cloudflare service. We refer to this architecture as “serverless” because it means we can deploy standard, commodity hardware, and our product developers and customers do not need to worry about the underlying servers. Our software automatically manages the deployment and execution of our product developers’ code and our customers’ code across our network.

While this serverless architecture has advantages for both our product developers and our customers in terms of driving development velocity, it is also incredibly advantageous for our network flywheel. Our architecture allows us to dynamically manage the execution and prioritization of code running across our network. This means that we are able to optimize the performance of our highest paying customers. It also means we are able to effectively leverage idle capacity across our network. We have chosen to utilize this idle capacity to create a free tier of service—which has generated substantial global scale for us.

Given our scale, we are an attractive partner to ISPs globally. Deploying our equipment directly inside their networks can drive down their bandwidth costs and increase their performance. This allows us to negotiate better co-location and bandwidth costs from ISPs. So, as our network grows, we offer a greater benefit to ISPs and reap more favorable terms. This is a main reason why we have been able to grow our global network while achieving a U.S. GAAP gross margin of 77% in the year ended December 31, 2018 and the six months ended June 30, 2019.

Cloudflare's Global Network Coverage

![Cloudflare's Global Network Coverage](image-url)
Today, our network spans 193 cities in over 90 countries and interconnects with over 8,000 networks globally, including major ISPs, public cloud providers, SaaS services, and enterprises. We estimate that we operate within 100 milliseconds of 98% of the Internet-connected population in the developed world, and 93% of the Internet-connected population globally (for context, the blink of an eye is 300-400 milliseconds). We intend to continue expanding our network to better serve our customers globally and enable new types of applications, while relentlessly driving down our unit costs.

**Product Flywheel**

Our efficient network allows us to build products designed to help solve the Internet’s core limitations. For our customers, this means providing them a cloud-based, unified control plane to deliver security, performance, and reliability across their on-premise, hybrid, cloud, and SaaS applications. We provide services such as VPN, firewall, routing, traffic optimization, load balancing, and other network services by replacing on-premise, band-aid boxes with a scalable, global platform.

We followed the path of other successful SaaS companies and began with the idea of serving the broadest possible market, starting with businesses and organizations that were previously underserved. To do this, we sought to make our platform easy to use and affordable. A new customer can begin using our platform in only a few minutes with minimal technical skill and no professional services. Our entry-level plan is provided for free, which we can offer cost-effectively given the efficiency of our network. Because all our products run on the same serverless platform, once customers have adopted any one of our products, they can add others usually with a single click.

The use of our products helps to continuously make them better. We learn from all the traffic that passes through our platform in order to optimize our security, performance, and reliability globally. The over 20 million Internet properties (e.g., domains, websites, APIs, and mobile applications) that use our platform act like a global sensor network. We use this network to function as an immune system for the Internet—routing around congestion, optimizing for traffic conditions, and using data on cyber attacks against any one of our customers to better protect all of our customers. We leverage these insights to block cyber threats every day, which in the three months ended June 30, 2019 averaged approximately 44 billion per day.

Feedback from our diverse, global customer base helps us expand into new, adjacent product areas. Since our customers’ traffic is already passing through our network, our serverless architecture enables us to add products to solve new network challenges without significantly increasing our incremental costs. Cloudflare customers often join our platform using one or a few products. As they turn on additional products, our cost to deliver our platform does not materially change. This position allows us to provide any individual product at extremely competitive prices and further expand the overall addressable market. As our product set has improved continuously from the use across a broad array of customers, this has enabled us to build an enterprise-grade solution that addresses the complex needs of larger organizations.
Our products are seamlessly integrated to perform better together, meaning customers do not need to choose between security, performance, or reliability. Our global cloud platform delivers all three.

![Table of Contents](image)

We are always in search of ways to catalyze these flywheel effects. For instance, we launched a consumer DNS resolver (1.1.1.1) and announced the launch of a consumer VPN product (Warp). These products were quick to develop and are relatively inexpensive to operate because they run atop the same serverless platform that powers our business-to-business products. By serving both consumers and business customers, we have created a network effect as we optimize connectivity between both groups. Every consumer who uses 1.1.1.1 or installs Warp makes our business products better, and every business that signs up for Cloudflare makes our consumer products better.

Increasingly, developers outside of Cloudflare seek the same flexibility and performance afforded by our serverless architecture. In response, we opened our platform to outside developers with a product called Cloudflare Workers. With Cloudflare Workers, our developer customers can write their own code and deploy it in seconds directly onto our global cloud platform and have it run close to their users.
This is not merely a configuration language, but rich, complex code written in the language of choice by our customers to power sophisticated applications. The efficiency of our platform allows us to offer Cloudflare Workers at prices that are significantly below traditional public cloud computing providers while still maintaining an attractive gross margin. Moreover, applications utilizing Cloudflare Workers exhibit global scalability and strong performance relative to other cloud computing vendors. We expect the use of Cloudflare Workers to grow and to empower an entirely new class of applications.

The Power of Serving Everyone

Our mission is to help build a better Internet. Inherently this means we aim to serve everyone on the Internet from individual developers, to small businesses, to the largest enterprises. This is not merely a go-to-market strategy. Our focus on serving everyone accelerates our network and product development flywheels in six different ways:

1. Security, performance, and reliability data. Our free customers make up a vast sensor network, capturing data about the operation, functionality, and performance of the Internet. Our machine learning systems automatically aggregate all data across our network that we then use to provide better solutions for our customers. For instance, hackers often test a new attack against smaller sites before they launch an attack on a major enterprise. We will often see these attacks in their nascent stages and, like an immune system, our machine learning algorithms learn to stop them before they can target others. The breadth of our customers gives us a unique perspective that we would not see if we only serviced the largest enterprises.

2. Quality assurance. A typical development cycle for software companies is often measured in months or years. Our free customers have helped us reduce our development time and cost, as they regularly test new features that we develop. This gives us a virtual quality assurance team and ensures that by the time we roll a feature out to our paying customers it has been rigorously tested under real Internet conditions.

3. Global ISP relationships. We have a strong presence in many developing geographies. These geographies often have expensive bandwidth fees and Internet users often have lower ability to pay. We estimate that we power, on average, more than 50% of sites that use performance optimization technology in countries across Africa, the Middle East, and Asia. (3) Our market penetration in these geographies makes us appealing to ISPs who install our equipment directly into their networks at attractive economic terms. Traffic served locally in these areas saves us the cost of having to haul it back to more traditional data center locations. Our presence in these geographies also affords us the opportunity to service some of the fastest growing Internet markets.

4. Brand building for large customers. Developers at large companies often have hobby projects that they explore in their free time. By making our free service available for these hobby projects, we expand our brand with developers who, in turn, take Cloudflare to work with them. This brand building can, in turn, reduce our cost of customer acquisition.

5. Employee recruiting advantage. We compete for the most talented engineering, sales, marketing, and other professionals. Much of our team came to know us because of our compelling mission and the accessibility of the free version of our service. This helps us drive down hiring costs and increase the talent pool we are able to draw from. In the three months ended June 30, 2019, we made offers to less than 1% of applicants and we had an offer acceptance rate of 90%.

(3) This percentage is derived from weighted average market share data from Datanyze, Market Share, 2019 based on a sample of 41 countries across Asia, Africa, and the Middle East. Refer to the section titled “Industry and Market Data.”
Market Opportunity

We have built our global cloud platform to deliver our network services to businesses of all sizes and in numerous geographies. We believe our platform disrupts several large and well-established IT markets. The key markets that are addressed by our platform include VPN, internal and external firewalls, web security (including web application firewalls and content filtering), distributed denial of service (DDoS) prevention, intrusion detection and prevention, application delivery controls, content delivery networks, advanced threat prevention (ATP), and wide area network (WAN) technology. From our analysis based on IDC data, $31.6 billion was spent on those products in 2018, which is expected to grow to $47.1 billion in 2022 representing a compound annual growth rate of 10.5%. We also are actively developing new products to address adjacent markets including compute, storage, 5G, and Internet of Things (IoT) that are not included in the estimate of our addressable market.

Why We Win

We have six distinct advantages that uniquely position us to win:

1. **Disruptive Business Model**. Our business model is designed for efficiency. Our network and product flywheels create a virtuous cycle that has driven down our unit costs over time while we increase the diversity and quality of our products. Between the three months ended March 31, 2016 and the three months ended June 30, 2019, our revenue increased by 247% with only a 146% increase in cost of revenue. We believe that our serverless platform’s flexibility, as well as our aligned interests with our ISP partners, allows us to continue to become more efficient as we expand our network. At the same time, this architecture allows us to add new products and features across our platform without significant additional operating costs. We believe that this efficient economic model enables us to continue to compete effectively both on price as well as with the breadth and quality of our products.

2. **Ease of Use**. A new customer can sign up in minutes regardless of its technical ability or budget. The ease of use of our products significantly increases our total addressable market beyond just the large enterprises that band-aid box vendors previously served. As we have moved up market, our products’ ease of use has also allowed our enterprise customers, which consist of customers that sign up for our Enterprise plan, to simplify and streamline their network operations, saving them money and reducing complexity. In the fourth quarter of 2018, we achieved an average Net Promoter Score (NPS) of 68 across our paying customers, rivaling some of the best consumer brands in the world. An NPS can range from a low of –100 to a high of +100. NPS measures the willingness of customers to recommend a company’s products or services to other potential customers, and is viewed as a proxy for measuring customers’ brand loyalty and satisfaction with a company’s product or service. We believe our ease of use will continue to differentiate us from legacy vendors.

3. **Efficient Go-to-Market Model**. Our go-to-market strategy is designed to efficiently address the broad market we serve. Our self-serve offering, coupled with our attractive pricing, allows customers to easily adopt our products. Substantially all of our revenue is billed on a recurring subscription basis. We monitor the usage patterns of our customers and can suggest other products our customers should try next. This has generated dollar-based net retention rates above 110% in each of the trailing eight quarters for the period ended
June 30, 2019. We augment our self-serve offering with a highly productive sales force to serve larger customers. Over the last four quarters, our average sales cycle for customers on annual contracts was less than one quarter. This throughput allows us to efficiently and quickly ramp our sales team, which, when coupled with our net expansion rates, has driven a high return on our go-to-market investments.

4. **Product Innovation and Velocity**. We drive product innovation by continuously improving our platform through machine learning and diverse customer feedback. Our systems learn from every request that passes through our network. This allows us to automatically mitigate new attacks, optimize protocols for the best performance, and reroute traffic to avoid network outages. Our platform makes thousands of updates per second to optimize the experience for all our customers. Our diverse customer base provides both ideas as well as a testing ground for new products. Many of our free customers volunteer to test new features early in the development cycle. This testing ground allows us to quickly validate new products and ensure product excellence before deploying to our paying customers.

5. **Integrated, Global Offering**. Our network spans 193 cities in over 90 countries, and this flexible, serverless platform offers the same set of core features in every city and country. This has a number of advantages for our customers. First, it gives them a unified control plane—whether they are running on-premise, with SaaS vendors, in hybrid environments, or solely in the public cloud. It also delivers a consistent experience to end users, whether they are in China, the Middle East, Latin America, Africa, or other regions where a number of our competitors cannot provide consistent service. Finally, and unlike many of our competitors, because we offer an integrated solution, we do not force our customers to choose between safer, faster, or stronger—our solution offers security, performance, and reliability integrated by design.

6. **Trust and Neutrality**. As businesses move to the cloud, there are increasing concerns over interoperability and avoiding being locked into any one public cloud vendor. We empower customers to overcome these concerns through our independence and neutrality. We directly connect with and support customers across all major public cloud providers. We provide a control plane that allows our customers to steer their business to whichever provider, or mix of providers, is offering the best service or lowest cost. Moreover, unlike some public cloud providers, our business model aligns with the interests of our customers. We do not sell user data. Nor do we aim to compete with our customers. We are firmly committed to these principles and, given the trusted position we sit in with our customers, we believe this builds a durable competitive advantage.

### Growth Strategy

Key elements of our growth strategy include:

- **Acquire New Customers**: We believe that any person or business that relies on the Internet to deliver products, services, or content can be a Cloudflare customer. We will continue to grow our customer base across all of our subscription plan offerings—free, self-serve, and enterprise.
  
  - **Free**: We will continue to invest in awareness and functionality of our products to drive overall customer growth beyond the over 20 million Internet properties using Cloudflare today.
  
  - **Self-Serve and Enterprise**: We believe we have an opportunity to continue to grow our paying customer base, from small customers through to large enterprise customers. In order to do this, we will continue to focus on growth in our self-serve channels by improving targeting and conversion as well as expanding our product offering. In addition,
we intend to leverage our proven enterprise sales force to sell our products to larger and larger customers.

- **Expand Our Relationships with Existing Customers:** Today, approximately 10% of the Fortune 1,000 are paying Cloudflare customers. Additionally, across the broader Internet, approximately 10% of the top million, 17% of the top 100,000, and 18% of the top 10,000 websites use at least one product on our platform on a paid or free basis. Customers expand their relationships with us by upgrading to premium plans, increasing their usage of our platform, or adding products. Once a customer has adopted one product on our platform, it can easily add additional products with a single click. Over 70% of our enterprise customers already leverage four or more of our products.

- **Develop New Products:** We continue to invest in new product development, and as we onboard more customers and more traffic on our network, our ability to identify promising new avenues for innovation improves. We have proven our ability to launch new products, having successfully brought many new products and product families to market.

- **Extend Our Serverless Platform Strategy:** We have seen a growing number of customers that have chosen to bring applications to market using Cloudflare Workers. This opens up an entirely new market for us: storage and compute. Our Cloudflare Workers offering is attractive in the market for reasons of our architecture and the power of our network, and we believe adoption of Cloudflare Workers will continue to grow as we further invest in it.

---

**Our Products**

![Cloudflare Product Diagram]

**SECURITY**
- Firewall
- Bot Management
- DDoS Protection
- Zero Trust Security
- Rate Limiting

**PERFORMANCE**
- Cache
- Mobile Optimization
- Intelligent Routing
- Image Optimization
- Content Optimization
- Mobile SDK

**RELIABILITY**
- Load Balancing
- Domain Name System (DNS)
- Anycast Network
- DNS Resolver
- Virtual Backbone
- Always Online

**PLATFORM**
- Serverless Compute
- Cloudflare Apps
- Analytics
We deliver a platform of deeply integrated products that serve as a unified control plane for our customers. Customers can quickly and easily join Cloudflare by using just one of our products on our platform and expand over time by adding most products with a single click.

Figure 1: Dashboard of a Cloudflare customer

Our integrated suite of products includes solutions for security, performance, and reliability, as well as our platform and consumer offerings.

Security

We provide an integrated cloud-based security solution designed to secure any combination of platforms, including public cloud, private cloud, on-premise, SaaS applications, and IoT devices. Our key security product offerings include:

- **Cloud Firewall**: Protects a customer’s Internet properties from common vulnerabilities like SQL injection attacks, cross-site scripting, and cross-site forgery requests, with no changes to its existing infrastructure.

- **Bot Management**: Blocks undesired or malicious Internet traffic created by malicious software algorithms called bots, while still allowing useful bots to access Internet properties through machine learning and behavioral analytics.

- **Distributed Denial of Service (DDoS)**: Protects a customer’s Internet properties from a Distributed Denial of Service attack. Our platform’s unique architecture has been able to withstand some of the biggest attacks on the Internet (product known as "Unmetered Mitigation").
Table of Contents

- **Infrastructure Protection:** Extends the benefits of our network to customers’ on-premise and data center networks (product known as "Magic Transit"). Magic Transit is deployed in front of an enterprise network and protects it at the IP layer from DDoS attacks and enables provisioning of a full suite of virtual network functions, including IP packet filtering and firewalling, load balancing, and traffic management tools.

- **Zero Trust Security:** Offers identity and access management to secure application access without a VPN. Applies application-level user access permissions using existing single sign-on providers, and ensures compliance using real-time access logs available in the dashboard, application programming interface (API), or using a Security Incident Event Management (product known as "Cloudflare Access").

- **IoT:** Protects IoT devices through the specialized application of our cloud-based security products (product known as "Cloudflare Orbit").

- **SSL / TLS:** Manages encrypted web traffic to prevent data theft and tampering to improve security as well as application and website productivity (products known as "SSL for SaaS," "Dedicated & Custom Certs," "Universal SSL," "Keyless SSL," and "GeoKey Manager").

- **Secure Origin Connection:** Creates an encrypted tunnel between a customer’s origin web server and the closest servers on our network without risking opening any public inbound ports (product known as “Cloudflare Argo Tunnel”).

- **Rate Limiting:** Provides the ability to configure thresholds, define responses, and gain valuable insights into specific URLs of websites, applications, or API endpoints.

**Performance**

Our performance solutions improve conversions, reduce churn, and improve visitor experiences by accelerating web and mobile performance, while keeping applications available. Our key performance product offerings include:

- **Content Delivery:** Accelerates content delivery time by automatically serving our customers most popular content from our network locations close to our customers’ users.

- **Intelligent Routing:** Improves Internet performance by intelligently routing end users through the least congested and most reliable paths over the Internet using our network (product known as “Cloudflare Argo”).

- **Content Optimization:** Automatically adjusts the way content is delivered based on the particular device accessing the site to maximize speed without affecting the customer’s Internet property look or features.

- **Mobile Optimization:** Provides mobile-specific optimization and caching of content for fast delivery to mobile end users.

- **Image Optimization:** Automatically adjusts the size and quality of the image to the device and network connection for best end-user experience.

- **Mobile Software Development Kit (SDK):** Offers developers cutting-edge network diagnostic tools for any application without dependencies on infrastructure, enabling them to more easily create high performing and engaging applications.
Reliability

Our reliability solutions improve the overall operational experience of the Internet and allow our customers to run their digital operations much more efficiently. Our key reliability product offerings include:

- **Load Balancing**: Enhances performance and reliability for single, hybrid-cloud, and multi-cloud environments. Our cloud-based products provide local and global load balancing to reduce latency by distributing traffic across multiple servers or by routing traffic to the closest geolocation region.

- **Anycast Network**: Enhances performance and reliability by globally and automatically load balancing Internet-scale traffic across our network based on proximity of request and other factors.

- **Virtual Backbone**: Connects our global network, and by extension, our customer’s Internet properties, into a virtual network that is always encrypted, optimized for performance, and highly redundant.

- **DNS**: Keeps Internet properties online and always available to anyone in the world. Our DNS is one of the largest authoritative DNS networks in the world serving customers including major ecommerce websites, government agencies, and enterprises (products known as “Cloudflare DNS” and “Cloudflare Secondary DNS”).

- **DNS Resolver**: Returns the IP addresses of servers when a user enters a domain name. We are the world’s fastest public DNS Resolver, which benefits our DNS customers.

- **Always Online**: Serves a limited copy of a cached website, to keep it online for a customer’s visitors should the customer’s origin server go down.

Platform

By using our platform, developers can build serverless applications that scale without needing to spend time and effort on infrastructure or operations. This enables them to deliver more performant applications that have instant global scale, all while improving their productivity. Our key serverless products include:

- **Serverless Computing/Programmable Network**: Allows developers to augment existing applications or create entirely new ones through a lightweight execution environment without configuring or maintaining infrastructure (product known as “Cloudflare Workers”).

- **Cloudflare Apps**: Offers an open platform of tools which can be installed instantly with just a few clicks. We have further expanded our offering through Cloudflare Apps with Workers, which allows developers to package Cloudflare Workers, delivering new Cloudflare Workers-powered experiences to our customers.

- **Analytics**: Provides insights into the traffic of our customers’ Internet properties that are unique and proprietary to our platform. We help our customers monitor threats, search for specific search engine crawlers, understand DNS query traffic, and analyze real time data traffic.

Consumer Offerings

Our consumer products make it easy for individuals to have a performant and secure Internet experience. Building consumer products allows us to be on both sides of the network, accelerating our flywheel. Adoption of our consumer offerings make our business offerings more powerful and adoption.

130
of our business offerings improves our consumer offerings. Our consumer offerings have proven to be an effective and differentiated marketing channel to increase the awareness of our brand. Our key consumer product offerings include:

- **1.1.1.1:** A fast and private way to browse the Internet. 1.1.1.1 is a public DNS resolver, but unlike most DNS resolvers, we do not sell user data to advertisers. Our implementation of 1.1.1.1 makes it the fastest resolver available, and we support DNS over HTTPS (DoH) which encrypts and secures consumers’ DNS requests.

- **Warp:** Announced product for release in 2019 that will provide a VPN for consumers. The basic version of Warp will be included as an option with the 1.1.1.1 App for free with a premium version to be available for purchase.
Representative Views of Cloudflare Products

Figure 2: Dashboard of a Cloudflare customer showing blocked and rate limited attack traffic
Figure 3: Dashboard of a Cloudflare customer showing Argo technology more than halving response time
Try the new Speed page to see how your site performs. Activate.

Image Resizing New
You can resize, adjust quality, and convert images to WebP format, on demand. We cache every derived image at the edge, so you store only the original image. This allows you to adapt images to your site's layout and your visitors' screen sizes, quickly and easily, without maintaining a server-side image processing pipeline.

Enhanced HTTP/2 Prioritization New
Optimizes the order of resource delivery, independent of the browser. Greatest improvements will be experienced by visitors using Safari and Edge browsers.

TCP Turbo New
Accelerate latency and throughput with custom-tuned TCP optimizations. Enabled automatically for Pro, Business, and Enterprise customers.

Auto Minify
Reduce the file size of source code on your website. Note: Purge cache to have your change take effect immediately. This setting was last changed 8 days ago.

Polish
Improve image load time by optimizing images hosted on your domain. Optionally, the WebP image codec can be used with supported clients for additional performance benefits. Note: Purge cache to have your change take effect immediately. This setting was last changed 8 months ago.

AMP Real URL New
Display your site's actual URL on your AMP pages, instead of the traditional Google AMP cache URL. This feature is being rolled out in stages. Enable now and you will be notified when it is activated on your site.

Figure 4: Dashboard of a Cloudflare customer showing performance products and configuration options
Figure 5: Cloudflare Load Balancing configuration and events in the Dashboard

Figure 6: Source code written and deployed on Cloudflare Workers
**Birthday Week**

We celebrate Cloudflare’s birthday every year in September by announcing new offerings and capabilities that benefit our customers and the global Internet community. Our mission is to help build a better Internet, and launching new products, features, and initiatives that benefit not only our customers, but also the broader Internet overall, is the best way to fulfill our mission. We expect to continue this annual tradition during September 2019.
Our Customers

We view our two million free and paying customers, which manage over 20 million Internet properties on our platform, as part of a broad, 
global community. In addition to our business customers, we estimate we have over 50 million users of our 1.1.1.1 consumer DNS service, 
2.5 million users of our 1.1.1.1 mobile app, and over 1.6 million users of our 1.1.1.1 mobile app on the waitlist for our Warp mobile VPN.

We are focused on building the best global cloud platform to serve anyone and anything connected to the Internet. We designed our platform 
to be both easy to use and highly configurable, which enables us to serve everyone from individual developers and small businesses to large 
governments and Fortune 1,000 companies that require enterprise-grade solutions. As our customers grow, the scalability of our platform 
allows us to grow with them. By offering our products through a cloud subscription, we are able to expand the market and seamlessly offer 
different levels of service at different price points to meet the needs of each part of our global community.

As of December 31, 2018, we had over 67,000 paying customers and as of June 30, 2019 we had over 74,000 paying customers across more 
than 160 countries. We define a paying customer at the end of any period as a person or entity who has been billed for our services in the last 
month of the period. An entity is defined as a company, a government institution, a non-profit organization, or a distinct business unit of a 
large company that has an active contract with us or one of our partners. Our paying customer base is highly diversified across organizations 
of all sizes in every major industry vertical including technology, healthcare, financial services, consumer and retail, industrial, non-profit, and 
government. We define large customers as paying customers with Annualized Billings greater than $100,000 at the end of the reported 
period. Our large customer count has increased from 95 as of December 31, 2016 to 313 as of December 31, 2018, and to 408 as of June 30, 
2019. No single customer accounted for more than 10% of our revenue in the year ended December 31, 2018 or the six months ended June 
30, 2019.

We are grateful to support customers across a wide array of industries. The following is a representative sampling of our customers in certain 
of these industry verticals:

<table>
<thead>
<tr>
<th>Consumer / Retail</th>
<th>Healthcare / Life Sciences</th>
<th>Software</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brown-Forman</td>
<td>23andMe</td>
<td>Adobe</td>
</tr>
<tr>
<td>L’Oreal</td>
<td>Compus Group Medical</td>
<td>Cadence</td>
</tr>
<tr>
<td>Nestlé Purina</td>
<td>Gilead Sciences</td>
<td>Hubspot</td>
</tr>
<tr>
<td>PUMA</td>
<td>Labcorp</td>
<td>Okta</td>
</tr>
<tr>
<td>Starbucks</td>
<td>Medine Industries</td>
<td>SAP</td>
</tr>
<tr>
<td>Walmart</td>
<td>NHS London Ambulance Transport</td>
<td>Shopify</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education / Non-Profit</th>
<th>Industrial / Transportation</th>
<th>Media / Entertainment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baylor University</td>
<td>Genuine Parts</td>
<td>The Daily Beast</td>
</tr>
<tr>
<td>Cambridge University Press</td>
<td>Mahindra</td>
<td>HarperCollins Publishers</td>
</tr>
<tr>
<td>Ford Foundation</td>
<td>Norwegian Air</td>
<td>Nielsen</td>
</tr>
<tr>
<td>Mozilla</td>
<td>Reliance Steel &amp; Aluminum</td>
<td>Riot Games Direct</td>
</tr>
<tr>
<td>Udacity</td>
<td>United Technologies</td>
<td>RTÉ</td>
</tr>
<tr>
<td>Yale University</td>
<td>Watsco</td>
<td>Sky News</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Finance / Real Estate</th>
<th>Hardware</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coinbase</td>
<td>Avaya</td>
<td>FBI</td>
</tr>
<tr>
<td>First American Bank</td>
<td>Broadcom</td>
<td>Library of Congress</td>
</tr>
<tr>
<td>LendingTree</td>
<td>Dyson Technology</td>
<td>Singapore Post</td>
</tr>
<tr>
<td>Redfin</td>
<td>National Instruments</td>
<td>State of Florida</td>
</tr>
<tr>
<td>S&amp;P Global</td>
<td>Peloton</td>
<td>U.S. Department of State</td>
</tr>
<tr>
<td>SoFi</td>
<td>Ring</td>
<td>U.S. Department of the Interior</td>
</tr>
</tbody>
</table>

137
Customer Case Studies

The examples below illustrate how businesses from different industries and use cases benefit from our platform and products.

Zendesk

The best customer experiences are built with Zendesk. Zendesk's customer service and engagement products are powerful and flexible, and scale to meet the needs of any business. Zendesk serves businesses across hundreds of industries, with more than 145,000 paid customer accounts offering service and support in over 30 languages.

Situation

• Zendesk operated across a hybrid infrastructure comprised of on-premise and multiple legacy point-cloud vendors. This setup proved expensive and difficult to maintain while providing suboptimal edge network performance.

• As Zendesk customers enhanced their customer experience by embedding Zendesk mobile SDKs and Web Widgets into their mobile apps and websites, Zendesk needed a performant and scalable edge network infrastructure with a high degree of control and configurability.

Cloudflare Solution

• Zendesk initially migrated to Cloudflare in 2013 to enhance its security protection and control, via Cloudflare’s self-serve plan. Zendesk signed its first enterprise contract with Cloudflare in 2014, and has since expanded its usage to leverage a broad portfolio of Cloudflare products including Argo Smart Routing, Load Balancing, and Cloudflare Workers.

• In 2017, Zendesk opted to consolidate its edge network infrastructure behind Cloudflare. This not only allowed Zendesk to improve the performance of its software, but also provided Zendesk with a single unified control plane — dramatically reducing total cost of ownership while improving efficiency and ease-of-use.

• By using Cloudflare's platform in front of each of Zendesk's cloud storage and compute vendors, Zendesk is insulated from vendor lock-in. This independent layer of abstraction provides Zendesk leverage in pricing, performance, and functionality between vendors.

• Zendesk has leveraged Argo Smart Routing to accelerate its web traffic by up to 50%, with particularly dramatic improvements in regions with inconsistent Internet coverage including Southeast Asia, Africa, and Australia. These performance gains reduce Zendesk’s need to manage and pay for additional public cloud services from other vendors.

"Before Cloudflare, we leveraged multiple vendors to protect our infrastructure and distribute our content globally — it was expensive and complex to operate and resulted in questionable performance improvement. Consolidating on Cloudflare has given us enterprise-grade defense mechanisms, incredible performance, and impressive reliability all from a single control plane. Better yet, Cloudflare provides a layer of abstraction between our customers and public cloud vendors giving us further flexibility to rapidly evolve our infrastructure in the future."

Jason Smale
Vice President of Engineering, Zendesk
Thomson Reuters
Thomson Reuters is a global brand that operates at the intersection of information and technology, empowering professionals worldwide to better manage their businesses.

**Situation**
- FindLaw, a Thomson Reuters subsidiary, provides a wealth of legal information and online marketing services to law firms.
- FindLaw is responsible for managing the security and performance of thousands of law firms’ websites. FindLaw sought a way to manage these properties from a unified interface, and to rapidly administer security certificates and high performance to these sites.

**Cloudflare Solution**
- FindLaw initially began using Cloudflare’s DNS service in May 2017. After a positive experience, in January 2018, FindLaw expanded its usage to include Firewall, SSL for SaaS, Rate Limiting, Load Balancing, and Argo Smart Routing.
- FindLaw leveraged Cloudflare’s SSL for SaaS product to swiftly deploy modern security certificates to 8,500 of its customers.
- In addition to these products, FindLaw began using Cloudflare Workers in January 2019. As it transitioned its customers’ sites from HTTP to the more secure HTTPS protocol, FindLaw utilized Cloudflare Workers to automatically secure any assets that otherwise would have been unprotected. FindLaw now views Workers as a first-line tool in its network architecture.

> “Cloudflare is an immensely valuable partner for us, helping us ensure our customers’ sites are secure and high-performing. The Cloudflare Workers platform opens up a new world of flexibility, allowing us to fix issues at the network edge, lightning fast — instead of having to wait hours, days, or weeks for server deploys.”

Jesse Haraldson
Principal Software Architect, Thomson Reuters

Optimizely
Optimizely is a leading online testing and experimentation platform, used by many global, marquee brands to ensure their digital experiences are performing to their full potential.

**Situation**
- Optimizely’s core product has historically used a Javascript-based implementation, which runs in the user’s browser. While highly successful in the market, it comes with an inherent tradeoff: the more experiments one of Optimizely’s customers runs, the more Optimizely must consider the potential impact on user browser performance.

**Cloudflare Solution**
- In the summer of 2018, Optimizely began collaborating with Cloudflare to identify ways it could leverage Cloudflare Workers and, by March 2019, Optimizely was actively developing using this product.
Optimizely has been able to overhaul the implementation of its core product for its users by deploying Cloudflare Workers. Rather than execute test logic in the user’s browser, Optimizely is able to perform these complex operations with Cloudflare Workers on the network edge. Optimizely’s revamped implementation allows its customers to run orders-of-magnitude more tests concurrently, without the decrease in performance this would otherwise entail. This additional flexibility empowers Optimizely’s customers with deeper insights into their properties, while expanding Optimizely’s own business opportunity.

“Workers has allowed us to accelerate our product velocity around performance innovation, which I’m very excited about. But that’s just the beginning — there’s a lot that Cloudflare is doing from a technology perspective that we’re very excited to partner on, so that we can bring our innovation to market faster.”

Claire Vo
SVP of Product, Optimizely

Ericsson is one of the leading global networking and telecommunications companies, whose investments in innovation have delivered the benefits of telephony and mobile broadband to billions of people around the world.

Situation

As with many enterprises, Ericsson relied on VPN to secure access for customer projects to central tools. Members of its engineering team routinely encountered issues with the VPN, leading to challenges working remotely and a myriad of support tickets (which consumed additional cycles of engineering resources to resolve).

Cloudflare Solution

In September 2018, a small number of Ericsson engineers began using Cloudflare Access, our Zero Trust Security solution, in lieu of the existing VPN. Initial usage began via members of an internal Ericsson team empowered to explore new products, who signed up for our self-serve plan.

Soon, hundreds of engineers were using Cloudflare Access, leading Ericsson to upgrade to an Enterprise Subscription Plan in December 2018. Today, over 1,000 members of its engineering team and associated technical staff rely on Access for secure authentication.

By migrating secure user authentication from its VPN to Cloudflare Access, Ericsson has mitigated the friction and frustration its engineers were experiencing, while simultaneously reducing the associated support overhead.

“Cloudflare has helped us improve our continuous delivery capabilities by increasing uptime and reducing the costs of managing connectivity between project delivery teams and our delivery platform tools. Cloudflare enables our delivery teams to focus on delivering business value and spend less time managing delivery infrastructure. Cloudflare provides a
very secure and scalable solution that integrates with the enterprise to achieve a seamless user experience for delivery teams.”

Steve Carter
Head of DevOps Tools & Methodology, Ericsson

IBM

IBM is a pioneer and leader in helping businesses leverage technology to maximize productivity, with products and services including high-value cloud capabilities, deep analytics, and artificial intelligence.

• In November 2017, IBM chose Cloudflare as its strategic partner to power IBM Cloud Internet Services, a set of edge network services easily accessed through IBM Cloud and designed to protect and secure websites, applications, and APIs against denial-of-service attacks, customer data compromise, and abusive bots while enhancing application performance and availability.

• Through its partnership with Cloudflare, IBM has become a one-stop shop for security and performance capabilities designed to protect public-facing web content and applications.

Discord

Discord is a leading communication platform for gamers, with over 250 million users and 315 million messages sent per day. Discord’s client application provides high-fidelity Voice over Internet Protocol (VoIP) and chat functionality that makes it a hit with gamers around the world.

Situation

• Discord needed an affordable way to quickly scale beyond its existing infrastructure to support millions of new users each month.

• Because Discord is a gaming service, latency and performance are critical to the user experience.

• Each time Discord releases an update to its client, it must ensure its users can download the client immediately upon release at massive scale, without impacting performance of those using its service for gaming.

• Discord needed to protect its websockets-based traffic from frequent DDoS attacks aimed at disrupting the chat service during live gaming sessions.

Cloudflare Solution

• Discord migrated to Cloudflare’s global cloud platform in August 2015. Cloudflare handles Discord’s client releases seamlessly, while providing integrated enterprise-grade DDoS protection — meaning Discord does not have to choose between performance and security.

• By moving to Cloudflare, Discord achieved significant additional cost savings compared to traditional cloud hosting.

• After its initial positive experience, Discord looked to leverage other aspects of Cloudflare’s platform. Beginning in March 2018, Discord began using Cloudflare Access, our Zero Trust Security solution that provides highly secure identity and access management for internal applications, without a VPN.

• Discord uses Cloudflare Workers for a number of critical use-cases, including serving all of the assets that power Discord’s desktop applications.

“Cloudflare Workers has quickly proven to be a key part of providing a best-in-class user experience. Discord uses it extensively for core application delivery, download
Our distributed and proprietary network is the core of our technology, and enables us to move data seamlessly from nearly any point on earth in a fast, efficient, and reliable manner. Our network has been built from the ground up as a single software stack we developed that runs our products in 193 cities and over 90 countries worldwide. This allows us to scale quickly while offering a wide range of products and simultaneously lowering operating expenses.

Efficient Serverless Network Design

We have developed a single software stack that is responsible for all of our products. We have been able to efficiently scale our network by building it with inexpensive, commodity hardware components that are powered by our proprietary software. This integrated stack has made scaling, debugging, optimizing, and operating our platform easier and cheaper than competing services. It also allows us to deploy changes across our entire worldwide network in a matter of seconds. In addition, we embed encryption chips into the motherboards of our servers that are designed to preclude anyone else from running unauthorized software on our equipment. This allows us to securely, quickly, and inexpensively expand our infrastructure far and wide in order to offer the best service and drive down operating costs.

Our serverless network design allows each individual machine in our global network to run the complete suite of our software and provide all of our products. We have built coordination software that ties together these thousands of machines into a single global network that allows us to efficiently route traffic to different physical locations and to individual machines. This enables us to maximize utilization of our commodity hardware and provide different service levels to different customers. It also allows our network to get more efficient and powerful as we add each incremental server, regardless of where it is located. Every time we add a server or add a new city, our entire network improves.

Network Flexibility

Our platform is API-driven and designed for developers. We have an API-first mentality which means that anything that a customer can do via our web interface can also be performed by our API. This allows our customers to easily embed our service in their own workflows. For example, a customer can use our web interface or API to change its custom configuration and that will be rolled out globally by our configuration software in seconds. This contrasts with many vendors’ solutions where configuration changes can take hours and require professional services.

Our software dynamically spreads loads across our entire distributed network depending on current network conditions and traffic priority. This enables us to deliver different quality of service depending on what customers pay us, ensuring our highest paying customers get the best performance and permitting us to serve our lower paying and free customers from excess capacity.

Given the distributed and highly efficient nature of our network, we can easily develop new features and products on our platform and deploy them without significant incremental costs. The flexibility of our serverless platform now allows us to open it to third parties to write code directly on our network through our Cloudflare Workers product.
Research and Development

Our research and development organization is responsible for the design, development, testing, and delivery of our global platform and products. We have a proven team that constantly works to expand our market, customer and user reach and impact with new, innovative products.

Our R&D team has a unique structure that has allowed us to build a broad swathe of products while continuing to innovate. One group works closely with our product management organization to improve, refine and expand our existing products. A second independent group builds greenfield opportunities that can expand our market and reach new markets. In addition, we have a leading cryptography research team which ensures our platform and customers are secured with the latest cryptography.

We prioritize investment in research and development. Those investments have continued to result in the launch of innovative products that have helped us attract new customers and sell more to our existing customers. Our research and development organization currently is distributed globally across three principal cities: London, United Kingdom, San Francisco, California, and Austin, Texas.

We have built a culture motivated by the mission of helping to build a better Internet. As a result, our engineer turnover rate is approximately half the industry average, and employees are able to move between teams cross-pollinating them with experience and insight. We have a very strong inflow of R&D job applications reflecting our strong engineering heritage and are able to pick and choose the best engineering talent worldwide.

Sales

We have a multi-pronged go to market approach that allows us to efficiently serve the needs of very small to very large customers. By using a combination of self-serve web sales, direct sales, and indirect sales, we are able to serve the greatest diversity of customers across all sizes.

We sell our self-serve plans through our website and hosting partners where a customer can either start on a free or paid plan and, as we demonstrate value, upgrade over time. Our paying self-serve customers are able to sign up for our Pro or Business plans that are payable monthly. Self-serve customers are able to onboard and customize our products through our website and pay for their subscription using a credit card. Our automated and easy to use process enables us to efficiently onboard thousands of new customers per day without requiring any interaction with our sales team. As self-serve customers evolve their usage of our products, some upgrade to an Enterprise plan for greater control, higher service levels, or productivity-related tools.

We sell our Enterprise plan directly through our technically-oriented inside and field sales teams, and also indirectly through our ecosystem of partners. Our Enterprise plan customers typically are replacing on-premise hardware with cloud network services, or consolidating multiple existing cloud services onto one platform with Cloudflare. For large enterprise customers, our relationships often start with a portion of the customer’s overall network needs and expand over time as they consolidate other vendors’ services and increase their adoption of our platform.

Our scalable sales model combined with our fast and easy setup allows our customers to quickly realize the value of our platform and products. This fast time-to-value system is the basis upon which we have built a high-velocity enterprise sales model with industry leading sales cycles. Over the last four quarters, our average sales cycle for customers on annual contracts is less than one quarter. This throughput allows us to efficiently ramp our sales team to world-class productivity levels, that, when coupled with our net expansion rates, drive high return on our sales investments.
Marketing

Our marketing aims to clearly communicate the value of our offerings to a large and diverse set of global customers at scale. We drive organic awareness and adoption of our platform by providing a free self-serve offering that enables millions of users to experience the benefits of our global cloud platform before they adopt our paid self-serve or paid enterprise offerings. Our free service also has the benefit of helping developers understand the power of our platform. These developers often take Cloudflare to work with them, and their enterprises become paying Cloudflare customers. We also share our progress across blogs, social media, and other channels to help build our brand and visibility among technical communities. In addition, our consumer products, including 1.1.1.1 and Warp, provide an effective and differentiated marketing channel to expand the awareness of our brand.

We invest in a variety of targeted digital and non-digital marketing activities and programs to build awareness, engage with prospects, and build pipeline for our global enterprise sales teams. We also share stories of how large enterprises are rapidly adopting our services across use cases, industry verticals, and geographies, to communicate customer trust and our market momentum.

We drive retention and expansion of existing customers by creating rich how-to content and intelligently promoting new product and feature announcements to targeted customers.

Competition

We compete in the market for network services primarily across three categories:

- **On-premise network hardware vendors** such as Cisco Systems, Inc., F5 Networks, Inc., Check Point Software Technologies Ltd., FireEye, Inc., Imperva, Inc., Palo Alto Networks, Inc., Juniper Networks, Inc., and Riverbed Technology, Inc. We compete with these companies to provide security, performance, and reliability services. Today, they represent our primary competition.

  We believe we are positioned favorably against these vendors with our cloud-based, multitenant approach that is better suited to an increasingly cloud-based world and that allows customers to treat our services as operational as opposed to capital costs.

- **Point-cloud solution vendors** in various categories including cloud security vendors (such as Zscaler, Inc. and Cisco Systems, Inc. through Umbrella (formerly known as OpenDNS)), CDN vendors (such as Akamai Technologies, Inc., Limelight Networks, Inc., Fastly, Inc., and Verizon Communications Inc. through Edgecast), DNS services vendors (such as Oracle Corporation through DYN, Neustar, Inc., and UltraDNS Corporation), and cloud SD-WAN vendors.

  These providers are all focused on delivering point-cloud solutions. However, customers are increasingly looking for an integrated platform offering security, performance, and reliability through a single vendor.

- **A subset of services provided by traditional public cloud vendors** such as Amazon.com, Inc. through Amazon Web Services, Alphabet Inc. through Google Cloud Platform, Microsoft Corporation through Azure, and Alibaba Group Holding Limited through Alibaba Cloud. Today, we work closely with these companies, some of whom are both partners and investors. In the long term, we may increasingly compete with them.

  We believe customers want the ability to set a consistent policy across their on-premise, cloud, hybrid, and SaaS vendors, and be able to enforce that policy through an independent platform. Customers are concerned about being locked in to any one public cloud provider. Our ability to efficiently and inexpensively move data between multiple clouds allows our customers to pick and choose the best from any cloud provider without fearing lock-in. Furthermore, unlike some public cloud providers, our business model aligns fully with the interests of our customers. We do not sell user data. We do not aim to compete with our customers.
As we open our serverless platform to third-party developers, we believe we will increasingly compete with public cloud vendors for storage and compute workloads. Because of the efficiency of our Cloudflare Workers product, we are able to offer it at prices that are highly competitive with public cloud vendors, and because it is distributed across our entire network, it enables the development of applications that were not previously possible on the traditional public cloud.

The principal competitive factors in the markets in which we operate include:

- breadth of platform features and continued innovation;
- integrated solutions across security, performance, and reliability;
- unified control plane across on-premise, cloud, hybrid, and SaaS infrastructure;
- performance, availability, and effectiveness;
- platform scalability;
- total cost of ownership;
- ease of adoption and use;
- global network coverage;
- quality of customer support;
- programmability and extensibility of platform; and
- independence, reputation, and trust.

We believe that we are positioned favorably against our competitors based on these principal competitive factors.

Core Values, Initiatives We Support, and Employees

Core Values
Cloudflare’s mission is to help build a better Internet. Our core values are at the heart of how we live up to our mission. We have three core values: we are principled, we are curious, and we are transparent. By principled, we mean thoughtful, consistent, and long-term oriented about what the right course of action is. By curious, we mean taking on big challenges and understanding the why and how behind things. Finally, by transparent, we mean being clear in the why and the how we decide to do things both internally and externally. These core values are embodied in everything we do. They guide our actions on a day to day basis. They highlight to customers and potential prospects what we stand for, and we look for them in all the employees we hire.

Initiatives we support
We have launched various initiatives to help build a better Internet, including:

- **Project Galileo**: For over five years, we have equipped at-risk public interest groups with a set of our products at no cost to defend themselves against attacks that would otherwise censor their work. The nearly 600 recipients of services under Project Galileo include independent journalists reporting on repressive regimes, minority rights and arts groups in closed societies, and civil society organizations supporting democratic movements.
Table of Contents

- Athenian Project: We created Athenian Project to ensure that state and local governments’ election websites have the highest level of protection and reliability for free. During the 2018 elections we provided our products to state and local election officials in nearly half of U.S. states.

Our Employees
As of June 30, 2019, we had 1,069 full-time employees, including 347 employees located outside of the United States. We also engage contractors and consultants. None of our employees are represented by a labor union. We have not experienced any work stoppages and we believe that our employee relations are strong.

Intellectual Property
Our success depends in part upon our ability to protect and use our core technology and intellectual property rights. We rely on a combination of patents, copyrights, trademarks, trade secrets, know-how, contractual provisions and confidentiality procedures to protect our intellectual property rights. As of June 30, 2019, we had over 100 issued patents and 60 pending patent applications in the United States and abroad. These patents and patent applications seek to protect our proprietary inventions relevant to our business. Our issued patents are scheduled to expire between 2030 and 2038, and cover various aspects of our platform and products. In addition, we have registered “Cloudflare” as a trademark in the United States and other jurisdictions and we have filed other trademark applications in the United States. We are also the registered holder of a variety of domestic and international domain names that include “Cloudflare”—including, most importantly, “Cloudflare.com”—and also many variations.

In addition to the protection provided by our intellectual property rights, we enter into proprietary information and invention assignment agreements or similar agreements with our employees, consultants, and contractors. We further control the use of our proprietary technology and intellectual property rights through provisions in our subscription agreements.

Our Facilities
Our corporate headquarters is located in San Francisco, California, pursuant to operating leases that expire at various times between 2022 and 2027. We lease additional offices in the United States and around the world, including in Singapore and London, United Kingdom. We believe that our facilities are suitable to meet our current needs. We intend to expand our current facilities or add new facilities as we add employees and enter new geographic markets, and we believe that suitable additional or alternative space will be available as needed to accommodate any such growth. In addition, we house our network equipment in co-location facilities and ISP-partner facilities located in 193 cities and over 90 countries around the world.

Legal Proceedings
We are not a party to any material legal proceedings. From time to time we may be subject to legal proceedings and claims arising in the ordinary course of business, and an unfavorable resolution of any of these matters could materially affect our future business, results of operations, or financial condition.

146
Future litigation may be necessary, among other things, to defend ourselves or our customers by determining the scope, enforceability, and validity of third-party proprietary rights or to establish our proprietary rights. The results of any litigation cannot be predicted with certainty and, regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.
The following table provides information regarding our executive officers and directors as of August 15, 2019:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive officers:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matthew Prince</td>
<td>44</td>
<td>Chief Executive Officer and Chair of the Board of Directors</td>
</tr>
<tr>
<td>Michelle Zatlyn</td>
<td>40</td>
<td>Chief Operating Officer and Director</td>
</tr>
<tr>
<td>Thomas Seifert</td>
<td>55</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Douglas Kramer</td>
<td>48</td>
<td>General Counsel</td>
</tr>
<tr>
<td><strong>Non-employee directors:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maria Eitel (2)</td>
<td>57</td>
<td>Director</td>
</tr>
<tr>
<td>Carl Ledbetter (1)</td>
<td>70</td>
<td>Director</td>
</tr>
<tr>
<td>Stanley Meresman (1)</td>
<td>72</td>
<td>Director</td>
</tr>
<tr>
<td>Scott Sandell (2)</td>
<td>54</td>
<td>Lead Independent Director</td>
</tr>
</tbody>
</table>

(1) Member of audit committee  
(2) Member of compensation committee  
(3) Member of nominating and corporate governance committee

**Executive officers**

**Matthew Prince.** Mr. Prince is one of our co-founders and has served as our Chief Executive Officer and Chair of our Board of Directors since July 2009. He also co-founded Unspam Technologies, Inc., a software and services company, and has served as its chair since December 2001. Mr. Prince holds a B.A. in English and a minor in Computer Science from Trinity College-Hartford, an M.B.A. from Harvard Business School, and a J.D. from the University of Chicago Law School.

Mr. Prince was selected to serve on our Board of Directors because of the perspective and experience he brings as our Chief Executive Officer and as one of our co-founders.

**Michelle Zatlyn.** Ms. Zatlyn is one of our co-founders and served as our Head of User Experience from 2009 until she was appointed as our Chief Operating Officer in 2016. She has served as a member of our Board of Directors since November 2009. Ms. Zatlyn holds a B.Sc. in Chemistry and Business from McGill University, and an M.B.A. from Harvard Business School.

Ms. Zatlyn was selected to serve on our Board of Directors because of the perspective and experience she brings as our Chief Operating Officer and as one of our co-founders.

**Thomas Seifert.** Mr. Seifert has served as our Chief Financial Officer since June 2017. Prior to joining us, he served as Executive Vice President and Chief Financial Officer of Symantec Corporation, a provider of cybersecurity software and services, from March 2014 to November 2016 and served in an advisory capacity to Symantec from December 2016 to March 2017. From December 2012 to March 2014, Mr. Seifert served as Executive Vice President and Chief Financial Officer of Brightstar Corp., a wireless distribution and services company. From October 2009 to September 2012, he served as Senior Vice President and Chief Financial Officer at Advanced Micro Devices Inc., a semiconductor company, where he additionally served as Interim Chief Executive Officer from January 2011 to August 2011. Mr. Seifert currently serves as a member of the board of directors of IPG Photonics Corporation, a manufacturer of fiber lasers, and CompuGroup Medical SE, an eHealth provider. Mr. Seifert holds a B.A. in Business Administration and an M.B.A. from Friedrich Alexander University in Germany, and an M.A. in Mathematics and Economics from Wayne State University.
Douglas Kramer. Mr. Kramer has served as our General Counsel since August 2016. Prior to joining us, he served as Deputy Administrator of the U.S. Small Business Administration from April 2015 to July 2016. From November 2013 to March 2015, Mr. Kramer served as General Counsel of the United States Agency for International Development. He served in the White House as Staff Secretary and Deputy Assistant to the President from March 2012 to November 2013, and Associate Counsel and Special Assistant to the President of the United States from September 2010 to March 2012. From July 2009 to September 2010, Mr. Kramer served as Counsel to the Assistant Attorney General for the Antitrust Division of the United States Department of Justice. From July 2006 to June 2009, he served as a Partner with the law firm of Polsinelli PC. From 2001 to 2006, Mr. Kramer was an Associate at the law firm of Covington & Burling LLP. Mr. Kramer holds a B.A. in Philosophy and English from Georgetown University, and a J.D. from the University of Chicago Law School.

Non-employee directors

Maria Eitel. Ms. Eitel has served on our Board of Directors since December 2018 and as Chair of our compensation committee since February 2019. Since September 2015, Ms. Eitel has served as the Co-Chair of the Nike Foundation, a non-profit organization funded by NIKE, Inc., and Chair of Girl Effect, an independent non-profit organization she founded with the goal of transforming the lives of adolescent girls. She served as the Founder, CEO and President of the Nike Foundation from March 2005 to September 2015. From January 1998 to March 2005, Ms. Eitel was the first Vice President, Corporate Responsibility of NIKE, a designer, developer, and seller of athletic footwear, apparel, equipment, accessories and services. Ms. Eitel holds a B.A. in Humanistic Studies from McGill University, an M.S. in Foreign Service from Georgetown University and an Honorary Doctorate of Humane Letters from Babson College.

Ms. Eitel was selected to serve on our Board of Directors because of the perspective and experience she brings from her role as an executive in a publicly traded company and from her background in corporate social responsibility.

Carl Ledbetter. Dr. Ledbetter has served as a member of our Board of Directors since November 2009 and as a member of our audit committee since December 2018. He served as a Managing Director of Pelion Venture Partners, a venture capital firm, from June 2003 through June 2019 and currently serves as a Partner. Dr. Ledbetter currently serves on the board of directors of several privately held companies. Dr. Ledbetter holds a B.S. in Mathematics from the University of Redlands, an M.S. in Mathematics from Brandeis University, and a Ph.D. in Mathematics from Clark University.

Dr. Ledbetter was selected to serve on our Board of Directors because of his understanding of networking technology and his experience in the venture capital industry and as a director of several technology companies.

Stanley Meresman. Mr. Meresman has served on our Board of Directors since December 2018 and as Chair of our audit committee since December 2018. During the last 10 years, he has served on the board of directors of various public and private companies, including as chair of the audit committee for certain of these companies. Mr. Meresman previously served as a Venture Partner with Technology Crossover Ventures, a private equity firm, from January 2004 through December 2004, and as its General Partner and Chief Operating Officer from November 2001 to December 2003. He currently serves on the boards of directors, and as chair of the audit committees, of Guardant Health, Inc., a precision oncology company, Medallia, Inc., a customer experience management company, and Snap Inc., a technology and camera company, and previously served as a member of the boards of directors, and chair of the audit committees, of LinkedIn Corporation, a career-focused social networking site acquired by Microsoft Corporation, Meru Networks, Inc., a supplier of wireless local area networks acquired by Fortinet, Inc., Palo Alto Networks, Inc., a cybersecurity company, Riverbed
Technology, Inc., an IT company acquired by Thoma Bravo, LLC, and Zynga Inc., a social gaming company. Mr. Meresman holds a B.S. in Industrial Engineering and Operations Research from the University of California, Berkeley and an M.B.A. from the Stanford Graduate School of Business.

Mr. Meresman was selected to serve as a member of our Board of Directors because of his experience with networking technologies, financial expertise, and years of strategic and management experience in the technology industry.

Scott Sandell. Mr. Sandell has served as a member of our Board of Directors since November 2009 and as a member of our audit committee since December 2018. He has served as Managing General Partner of New Enterprise Associates, Inc. (NEA), a venture capital firm, since April 2017, Co-Managing General Partner from March 2015 to April 2017, and as a General Partner since September 2000. Mr. Sandell joined NEA in January 1996 and served as head of the firm’s technology investing practice for 10 years. He currently serves on the board of directors of Bloom Energy Corporation, a provider of solid-oxide fuel cell systems, and previously served on the board of directors of Fusion-io, Inc., a computer hardware and software systems company acquired by SanDisk Corporation, Tableau Software, Inc., a software company, and Workday, Inc., a provider of on-demand financial management and human capital management software. Mr. Sandell holds an A.B. in Engineering from Dartmouth College and an M.B.A. from Stanford University.

Mr. Sandell was selected to serve on our Board of Directors because of his experience in the venture capital industry and as a director of both publicly and privately held technology companies.

Code of Business Conduct and Ethics

Our Board of Directors intends to adopt a code of business conduct and ethics that applies to all of our employees, officers, and directors, including our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and other executive and senior financial officers. The full text of our code of business conduct and ethics will be posted on the investor relations page on our website. We intend to disclose any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website, or in filings under the Exchange Act.

Board of Directors

Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors consists of six directors, four of whom qualify as “independent” under the listing standards of the New York Stock Exchange (the NYSE). Pursuant to our current certificate of incorporation and amended and restated voting agreement, our current directors were elected as follows:

- Mr. Prince and Ms. Zatlyn were elected as the designees nominated by certain key holders of our outstanding common stock;
- Mr. Sandell was elected as the redeemable convertible preferred stock designee nominated by entities affiliated with NEA;
- Dr. Ledbetter was elected as the redeemable convertible preferred stock designee nominated by entities affiliated with Pelion Ventures; and
- Ms. Eitel, Mr. Meresman, and were elected as the independent directors, with being the independent director designated by entities affiliated with Venrock.

Our amended and restated voting agreement will terminate and the provisions of our current certificate of incorporation by which our directors were elected will be amended and restated in connection with
this offering. After this offering, the number of directors will be fixed by our Board of Directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately prior to the completion of this offering. Each of our current directors will continue to serve as a director until the election and qualification of his or her successor, or until his or her earlier death, resignation, or removal.

**Classified Board of Directors**

We intend to adopt an amended and restated certificate of incorporation that will become effective immediately prior to the completion of this offering. Our amended and restated certificate of incorporation will provide that, immediately after the completion of this offering, our Board of Directors will be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our current directors will be divided among the three classes as follows:

- the Class I directors will be Scott Sandell and Michelle Zatlyn, and their terms will expire at the annual meeting of stockholders to be held in 2020;
- the Class II directors will be Maria Eitel and Matthew Prince, and their terms will expire at the annual meeting of stockholders to be held in 2021; and
- the Class III directors will be Carl Ledbetter and Stanley Meresman, and their terms will expire at the annual meeting of stockholders to be held in 2022.

Each director's term will continue until the election and qualification of his or her successor, or until his or her earlier death, resignation, or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of our directors.

This classification of our Board of Directors may have the effect of delaying or preventing changes in control of our company. See the section titled “Description of Capital Stock—Anti-Takeover Provisions—Amended and Restated Certificate of Incorporation and Amended and Restated Bylaw Provisions” for additional information.

**Director Independence**

Our Board of Directors has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, our Board of Directors has determined that each of our directors, other than Mr. Prince and Ms. Zatlyn, do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the listing standards of the NYSE. In making these determinations, our Board of Directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our Board of Directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, and the transactions involving them described in the section titled “Certain Relationships and Related Party Transactions.”
Lead Independent Director

Our Board of Directors has adopted corporate governance guidelines that provide that one of our independent directors should serve as our Lead Independent Director if the Chair is not independent. Our Board of Directors has appointed Scott Sandell to serve as our Lead Independent Director. As Lead Independent Director, Mr. Sandell will preside over periodic meetings of our independent directors, serve as a liaison between our Chair and our independent directors and perform such additional duties as our Board of Directors may otherwise determine and delegate.

Committees of the Board of Directors

Our Board of Directors has established an audit committee, a compensation committee, and a nominating and corporate governance committee. The composition and responsibilities of each of the committees of our Board of Directors is described below. Members will serve on these committees until their resignation or until as otherwise determined by our Board of Directors.

Audit Committee

Following the completion of this offering, our audit committee will consist of Mr. Meresman and Dr. Ledbetter with Mr. Meresman serving as Chair. Mr. Meresman meets the requirements for independence under the listing standards of the NYSE and SEC rules and regulations. We intend to rely on the phase-in provisions of Rule 10A-3 of the Exchange Act and the NYSE transition rules applicable to companies completing an initial public offering, and we plan to have an audit committee comprised entirely of at least three directors that are independent for purposes of serving on an audit committee within one year after our listing date. Each member of our audit committee also meets the financial literacy and sophistication requirements of the listing standards of the NYSE. In addition, our Board of Directors has determined that Mr. Meresman is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act. Following the completion of this offering, our audit committee will be responsible for, among other things:

- selecting a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- helping to ensure the independence and overseeing performance of the independent registered public accounting firm;
- reviewing and discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and the independent registered public accounting firm, our interim and year-end operating results;
- reviewing our financial statements and our critical accounting policies and estimates;
- reviewing the adequacy and effectiveness of our internal controls;
- developing procedures for employees to submit concerns anonymously about questionable accounting, internal accounting controls, or audit matters;
- overseeing our policies on risk assessment and risk management;
- overseeing compliance with our code of business conduct and ethics;
- reviewing related party transactions;
- pre-approving all audit and all permissible non-audit services to be performed by the independent registered public accounting firm; and
- overseeing the adoption of new accounting standards.
Our audit committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable rules and regulations of the SEC and the listing standards of the NYSE.

**Compensation Committee**

Following the completion of this offering, our compensation committee will consist of Ms. Eitel and Mr. Sandell, with Ms. Eitel serving as Chair, each of whom will meet the requirements for independence under the listing standards of the NYSE and SEC rules and regulations. Each member of our compensation committee will also be a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act. Following the completion of this offering, our compensation committee will be responsible for, among other things:

- reviewing, approving, and determining, or making recommendations to our Board of Directors regarding, the compensation of our executive officers, including our Chief Executive Officer;
- administering our equity compensation plans;
- reviewing, approving, and administering incentive compensation and equity compensation plans;
- reviewing and approving our overall compensation philosophy; and
- making recommendations regarding non-employee director compensation to our full Board of Directors.

Our compensation committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable rules and regulations of the SEC and the listing standards of the NYSE.

**Nominating and Corporate Governance Committee**

Following the completion of this offering, our nominating and corporate governance committee will consist of and , with serving as Chair, each of whom will meet the requirements for independence under the listing standards of the NYSE and SEC rules and regulations. Following the completion of this offering, our nominating and corporate governance committee will be responsible for, among other things:

- identifying, evaluating, and selecting, or making recommendations to our Board of Directors regarding, nominees for election to our Board of Directors and its committees;
- overseeing the evaluation of the performance of our Board of Directors and of individual directors;
- considering and making recommendations to our Board of Directors regarding the composition of our Board of Directors and its committees;
- overseeing our corporate governance practices;
- contributing to succession planning; and
- developing and making recommendations to our Board of Directors regarding corporate governance guidelines and matters.

Our nominating and corporate governance committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable listing standards of the NYSE.
Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our Board of Directors or compensation committee.

Non-Employee Director Compensation

Our employee directors, Mr. Prince and Ms. Zatlyn, have not received any compensation for their services as directors for 2018. For the compensation received by Mr. Prince, see the section titled “Executive Compensation—2018 Summary Compensation Table.”

The following table provides information regarding compensation of our non-employee directors for service as directors for the year ended December 31, 2018. In 2018, we did not pay any compensation to any person who served as a non-employee member of our Board of Directors who is affiliated with our greater than 5% stockholders.

<table>
<thead>
<tr>
<th>Name</th>
<th>Option awards ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maria Eitel (2)</td>
<td>420,046</td>
<td>420,046</td>
</tr>
<tr>
<td>Stanley Meresman (3)</td>
<td>672,074</td>
<td>672,074</td>
</tr>
</tbody>
</table>

(1) The amounts reported represent the aggregate grant date fair value of the stock option granted under our 2010 Plan, calculated in accordance with ASC Topic 718. The assumptions used in calculating the grant-date fair value of the stock options reported in this column are set forth in Note 10 to our consolidated financial statements included elsewhere in this prospectus. These amounts do not reflect the actual economic value that may be realized by the director.

(2) Ms. Eitel became a member of our Board of Directors in December 2018. As of December 31, 2018, Ms. Eitel held a stock option to purchase 110,000 shares of our Class B common stock. The shares subject to the option are immediately exercisable and vest in 16 equal quarterly installments beginning on December 12, 2018, subject to Ms. Eitel’s continuous service to us through each such date. The shares subject to the option shall accelerate and vest in full upon the completion of a change in control.

(3) Mr. Meresman became a member of our Board of Directors in December 2018. As of December 31, 2018, Mr. Meresman held a stock option to purchase 176,000 shares of our Class B common stock. The shares subject to the option are immediately exercisable and vest in 16 equal quarterly installments beginning on December 12, 2018, subject to Mr. Meresman’s continuous service to us through each such date. The shares subject to the option shall accelerate and vest in full upon the completion of a change in control.

In July 2019, our Board of Directors approved new awards of RSUs for 20,000 shares of Class B common stock to Ms. Eitel. The shares vest upon the satisfaction of both a service-based vesting condition and a performance vesting condition. The performance vesting condition will be satisfied upon the first to occur of the following events: (i) a change in control; or (ii) the effective date of our registration statement filed under the Securities Act for the first underwritten public sale of our common stock. The service-based vesting condition is satisfied in 16 equal quarterly installments beginning on February 5, 2019, subject to continued service to us through each such date.

Prior to this offering, we did not have a formal policy with respect to compensation payable to our non-employee directors for service as directors. From time to time, we have granted equity awards to certain non-employee directors to entice them to join our Board of Directors and for their continued service on our Board of Directors. We also have reimbursed our directors for expenses associated with attending meetings of our Board of Directors and committees of our Board of Directors.

In June 2019, our Board of Directors adopted a new compensation policy for our non-employee directors that will be effective as of the date of the effectiveness of the registration statement of which
this prospectus forms a part, subject to the approval of our stockholders prior to such time. This policy was developed with input from our compensation committee’s independent compensation consultant, Compensia, Inc., regarding practices and compensation levels at comparable companies. It is designed to attract, retain, and reward non-employee directors.

Under this director compensation policy, each non-employee director will receive cash and equity compensation for his or her service as a member of our Board of Directors, as described below. We also will continue to reimburse our non-employee directors for reasonable, customary, and documented travel expenses to meetings of our Board of Directors or its committees.

The director compensation policy includes a maximum annual limit of $750,000 of cash compensation and equity awards that may be paid, issued, or granted to a non-employee director in any fiscal year. For purposes of this limitation, the value of an equity award is based on its grant date fair value (determined in accordance with U.S. GAAP). Any cash compensation paid or equity awards granted to a person for his or her services as an employee, or for his or her services as a consultant (other than as a non-employee director), will not count for purposes of the limitation. The maximum limit does not reflect the intended size of any potential compensation or equity awards to our non-employee directors.

**Cash Compensation**

Following the completion of this offering, each non-employee director will be paid an annual cash retainer of $30,000. In addition, each non-employee director will receive the following additional cash compensation under the policy for his or her services:

- $20,000 per year for service as audit committee chair;
- $10,000 per year for service as a member of the audit committee;
- $12,000 per year for service as compensation committee chair;
- $6,000 per year for service as a member of the compensation committee;
- $7,500 per year for service as nominating and corporate governance committee chair; and
- $4,000 per year for service as a member of the nominating and corporate governance committee.

Each non-employee director who serves as a committee chair will receive only the additional annual cash fee as the chair of the committee, and not the additional annual fee as a member of the committee. All cash payments to non-employee directors are paid quarterly in arrears on a prorated basis.

**Equity Compensation**

**Initial Award**

Each person who first becomes a non-employee director after the effective date of the director compensation policy will receive, on the first trading date on or after the date on which the person first becomes a non-employee director, an initial award of RSUs (the Initial Award) covering a number of shares of our common stock having a grant date fair value (determined in accordance with U.S. GAAP) equal to $400,000, rounded to the nearest whole share. The Initial Award will vest in three equal, annual installments on each anniversary of the date of becoming a non-employee director, subject to continuing to provide services to us through each applicable vesting date. If the person was a member of our Board of Directors and also an employee, becoming a non-employee director due to termination of employment will not entitle the person to an Initial Award.
Annual Award

Each non-employee director who has completed at least six months of continuous service as a non-employee director automatically will receive, on the date of each annual meeting of our stockholders following the effective date of the director compensation policy, an annual award of RSUs (the Annual Award) covering a number of shares of our common stock having a grant date fair value (determined in accordance with U.S. GAAP) equal to $200,000, rounded to the nearest whole share. Each Annual Award will vest on the earlier of (i) the one-year anniversary of the date the Annual Award is granted or (ii) the day prior to the date of the annual meeting of our stockholders that next follows the grant date of the Annual Award, subject to continuing to provide service to us through the applicable vesting date.

Change in Control

In the event of a “change in control” (as defined in our 2019 Equity Incentive Plan (2019 Plan)), each non-employee director will fully vest in his or her outstanding company equity awards, provided that the non-employee director continues to be a non-employee director through the date of our change in control.
EXECUTIVE COMPENSATION

Our named executive officers, consisting of our principal executive officer and the three most highly compensated executive officers (other than our principal executive officer), as of December 31, 2018, were:

- Matthew Prince, our Chief Executive Officer;
- Michelle Zatlyn, our Chief Operating Officer;
- Thomas Seifert, our Chief Financial Officer; and
- Douglas Kramer, our General Counsel.

The amounts below represent the compensation paid to our named executive officers for 2018.

2018 Summary Compensation Table

<table>
<thead>
<tr>
<th>Name and principal position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>All other compensation ($) (1)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew Prince</td>
<td>2018</td>
<td>400,000</td>
<td>—</td>
<td>400,000</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michelle Zatlyn</td>
<td>2018</td>
<td>400,000</td>
<td>—</td>
<td>400,000</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thomas Seifert</td>
<td>2018</td>
<td>650,000</td>
<td>40,000</td>
<td>690,000</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Douglas Kramer</td>
<td>2018</td>
<td>537,708</td>
<td>—</td>
<td>537,708</td>
</tr>
<tr>
<td>General Counsel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) The amount disclosed consists of $40,000 related to relocation assistance costs paid in 2018 related to Mr. Seifert’s joining us and relocating to San Francisco, California.
## Outstanding Equity Awards at 2018 Year-End

The following table sets forth information regarding outstanding equity awards held by our named executive officers as of December 31, 2018.

<table>
<thead>
<tr>
<th>Name</th>
<th>Grant Date (1)</th>
<th>Option Exercise Price ($)</th>
<th>Option Expiration Date</th>
<th>Number of Shares of Stock That Have Not Vested (#)</th>
<th>Market Value of Shares or Units of Stock That Have Not Vested ($) (2)</th>
<th>Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Yet Vested (#)</th>
<th>Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Yet Vested ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew Prince</td>
<td>08/08/2017</td>
<td>—</td>
<td>—</td>
<td>4,000,000(4)(5)</td>
<td>34,240,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Michelle Zatlyn</td>
<td>08/08/2017</td>
<td>—</td>
<td>—</td>
<td>4,000,000(4)(5)</td>
<td>2.04 08/07/2027</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Thomas Seifert</td>
<td>06/30/2017</td>
<td>934,056(5)(6)</td>
<td>1.95 06/29/2027</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Douglas Kramer</td>
<td>09/30/2016</td>
<td>—</td>
<td>—</td>
<td>175,000(4)(5)</td>
<td>2.04 07/25/2027</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(1) Each of the outstanding equity awards was granted pursuant to our 2010 Plan.
(2) This amount reflects the fair market value of our Class B common stock of $8.56 as of December 31, 2018 (the determination of the fair market value by our Board of Directors as of the most proximate date) multiplied by the amount shown in the column for the number of shares or units that have not vested.
(3) The shares were acquired pursuant to an early exercise provision and remain subject to our repurchase right in accordance with the vesting schedule of the stock option. This award is subject to vesting acceleration under certain circumstances.
(4) The shares vest upon the satisfaction of both a time-based condition and a performance-based condition. The performance-based condition will be satisfied upon the occurrence of a qualifying event as follows: (i) our equity securities are listed for sale on a public stock exchange; (ii) the closing of a change of control as defined in the 2010 Plan; or (iii) an event occurs that our Board of Directors in its sole discretion deems to be a qualifying event. The shares vest in 48 equal monthly installments beginning on the qualifying event date, subject to continued service to us through each such date. This award is subject to vesting acceleration under certain circumstances.
(5) The shares are subject to an early exercise provision and are immediately exercisable.
(6) The shares underlying this stock option vested as to 1/4 of the total shares on June 1, 2018 and the remaining shares vest in 36 equal monthly installments thereafter, subject to Mr. Seifert’s continued service to us through each such date. This award is subject to vesting acceleration under certain circumstances.
(7) The shares vest in 20 equal monthly installments beginning on January 22, 2019, subject to Mr. Kramer’s continued service to us through each such date. This award is subject to vesting acceleration under certain circumstances.

### Executive Employment Arrangements

**Matthew Prince**

Prior to the completion of this offering, we intend to enter into a confirmatory employment agreement with Matthew Prince, our Chief Executive Officer. The confirmatory employment agreement is not expected to have a specific term and will provide that Mr. Prince is an at-will employee. The agreement will supersede all existing agreements and understandings that Mr. Prince may have concerning his employment relationship with us. The confirmatory employment agreement also is expected to provide Mr. Prince with severance and change in control benefits. Mr. Prince’s current annual base salary is $400,000. Mr. Prince is not currently eligible for an annual target cash incentive payment.
Michelle Zatlyn
Prior to the completion of this offering, we intend to enter into a confirmatory employment agreement with Michelle Zatlyn, our Chief Operating Officer. The confirmatory employment agreement is not expected to have a specific term and will provide that Ms. Zatlyn is an at-will employee. The agreement will supersede all existing agreements and understandings that Ms. Zatlyn may have concerning her employment relationship with us. The confirmatory employment agreement also is expected to provide Ms. Zatlyn with severance and change in control benefits. Ms. Zatlyn’s current annual base salary is $400,000. Ms. Zatlyn is not currently eligible for an annual target cash incentive payment.

Thomas Seifert
Prior to the completion of this offering, we intend to enter into a confirmatory employment agreement with Thomas Seifert, our Chief Financial Officer. The confirmatory employment agreement is not expected to have a specific term and will provide that Mr. Seifert is an at-will employee. The agreement will supersede all existing agreements and understandings that Mr. Seifert may have concerning his employment relationship with us. The confirmatory employment agreement also is expected to provide Mr. Seifert with severance and change in control benefits. Mr. Seifert’s current annual base salary is $650,000. Mr. Seifert is not currently eligible for an annual target cash incentive payment.

Douglas Kramer
Prior to the completion of this offering, we intend to enter into a confirmatory employment agreement with Douglas Kramer, our General Counsel. The confirmatory employment agreement is not expected to have a specific term and will provide that Mr. Kramer is an at-will employee. The agreement will supersede all existing agreements and understandings that Mr. Kramer may have concerning his employment relationship with us. The confirmatory employment agreement also is expected to provide Mr. Kramer with severance and change in control benefits. Mr. Kramer’s current annual base salary is $545,000. Mr. Kramer is not currently eligible for an annual target cash incentive payment.

Potential Payments upon Termination or Change of Control
Prior to the completion of this offering, we anticipate adopting arrangements for our executive officers, including our named executive officers, that provide for payments and benefits on termination of employment or upon a termination in connection with a change of control.

Employee Benefits and Stock Plans

2019 Equity Incentive Plan
Prior to the completion of this offering, our Board of Directors intends to adopt, and we expect our stockholders will approve, our 2019 Plan. We expect that our 2019 Plan will be effective on the business day immediately prior to the effective date of our registration statement related to this offering. Our 2019 Plan will provide for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code (the Code) to our employees, and for the grant of nonstatutory stock options, restricted stock, RSUs, stock appreciation rights, performance shares, performance stock units, and performance awards to our employees, directors, and consultants.

Authorized Shares. A total of shares of our Class A common stock will be reserved for issuance pursuant to our 2019 Plan. In addition, the number of shares of Class A common stock reserved for issuance under our 2019 Plan also will include the number of shares of Class A or Class B common stock subject to outstanding awards granted under our 2010 Plan that, after the date of the
termination of the 2010 Plan, are cancelled, expire, or otherwise terminate without having been exercised in full and the number of shares of Class B common stock that, after the date the 2010 Plan is terminated, are forfeited, tendered to, or withheld by us for payment of an exercise price or for tax withholding, or repurchased by us due to failure to vest (provided that the maximum number of shares of our Class A common stock that may be added to our 2019 Plan pursuant to this provision is shares). The number of shares of our Class A common stock available for issuance under our 2019 Plan also will include an annual increase on the first day of each fiscal year beginning with our 2021 fiscal year, equal to the lowest of:

- shares of our Class A common stock;
- five percent (5%) of the outstanding shares of all classes of our common stock as of the last day of the immediately preceding fiscal year; or
- such lesser number of shares the administrator of our 2019 Plan may determine.

If an option or stock appreciation right award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an exchange program, or, with respect to restricted stock, RSUs, performance shares, performance stock units, or stock-settled performance awards, is forfeited to us, or reacquired by us due to failure to vest, the unpurchased shares (or for awards other than stock options or stock appreciation rights, the forfeited or reacquired shares) will become available for future issuance under the 2019 Plan. With respect to stock appreciation rights, only the net shares actually issued will cease to be available under the 2019 Plan and all remaining shares under stock appreciation rights will remain available for future issuance under the 2019 Plan. Shares that have actually been issued under the 2019 Plan under any award will not be returned to the 2019 Plan and all remaining shares under stock appreciation rights will remain available for future grant or sale under the 2019 Plan. Shares used to pay the exercise price of an award or satisfy the tax withholding obligations related to an award (which withholding amounts may be in amounts greater than the minimum amount required to be withheld, as determined by the administrator of our 2019 Plan) will become available for future issuance under the 2019 Plan. To the extent an award is paid out in cash rather than shares, such cash payment will not reduce the number of shares available for issuance under the 2019 Plan. If awards are granted in substitution for awards outstanding under a plan maintained by an entity acquired by or consolidated with us, such substitute awards will not reduce the number of shares available for issuance under the 2019 Plan.

**Plan administration**. Our Board of Directors or one or more committees appointed by our Board of Directors will administer our 2019 Plan. Our compensation committee is expected to administer our 2019 Plan. Subject to the provisions of our 2019 Plan, the administrator has the power to administer our 2019 Plan and make all determinations deemed necessary or advisable for administering the 2019 Plan, including but not limited to, the power to determine the fair market value of our Class A common stock, approve forms of award agreements for use under the 2019 Plan, select the service providers to whom awards may be granted, determine the number of shares covered by each award, determine the terms and conditions of awards (including, but not limited to, the exercise price, the times or times at which the awards may be exercised, any vesting acceleration or waiver or forfeiture restrictions, and any restriction or limitation regarding any award or the shares relating thereto); interpret the terms of our 2019 Plan and awards granted under it; establish, amend, and rescind rules relating to our 2019 Plan, including creating sub-plans for jurisdictions outside the United States to satisfy the laws of such jurisdictions or to qualify awards for special tax treatment under the laws of such jurisdictions; and modify or amend each award, including but not limited to the discretionary authority to extend the post-termination exercisability period of awards (provided that no option or stock appreciation right will be extended past its original maximum term), delegate ministerial duties to any of our employees, authorize any person to take any steps, and execute, on our behalf, any documents required for an
award previously granted by the administrator to be effective, and to allow a participant to defer the receipt of payment of cash or the delivery of shares that would otherwise be due to such participant under an award. The administrator also has the authority to allow participants the opportunity to transfer outstanding awards to a financial institution or other person or entity selected by the administrator and to institute an exchange program by which outstanding awards may be surrendered or cancelled in exchange for awards of the same type that may have a higher or lower exercise price and/or different terms, awards of a different type and/or cash, or by which the exercise price of an outstanding award is increased or reduced. The administrator’s decisions, determinations, and interpretations are final and binding on all participants to the full extent permitted by law.

**Stock options**. Stock options may be granted under our 2019 Plan and will be designated in the award agreement as either an incentive stock option or a nonstatutory stock option. The exercise price of options granted under our 2019 Plan will be determined by the administrator, provided that each option intended to be an incentive stock option must have an exercise price no less than the fair market value of our Class A common stock on the date of grant. The term of an option intended to be an incentive stock option may not exceed 10 years. However, with respect to any participant who owns more than 10% of the voting power of all classes of our outstanding stock, the term of an incentive stock option must not exceed five years and the exercise price must equal at least 110% of the fair market value of our Class A common stock on the grant date. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, check, or wire transfer, consideration received by us under a cashless exercise arrangement, shares, or other property acceptable to the administrator, as well as other types of consideration permitted by applicable law. After the termination of service of a participant, he or she may exercise his or her option (to the extent vested) for the period of time stated in his or her option agreement. However, in no event may an option be exercised later than the expiration of its term. If exercising an option prior to its expiration is not permitted by applicable law, other than the rules of any stock exchange or quotation system on which our Class A common stock is listed or quoted, the option will remain exercisable until 30 days after the first date on which exercise would be permitted by applicable law, or if earlier, its expiration date.

**Stock appreciation rights**. Stock appreciation rights may be granted under our 2019 Plan. The award agreement evidencing the award will set forth the number of shares subject to the award, its exercise price, its expiration date, and such other terms determined by the administrator. Stock appreciation rights allow the recipient to receive a payment equal to the excess, if any, of the fair market value of our Class A common stock between the exercise date and the date of grant multiplied by the number of shares with respect to which the stock appreciation right is exercised. The administrator will determine whether to pay any increased appreciation in cash or with shares of our Class A common stock, or a combination thereof. If exercising a stock appreciation right prior to its expiration is not permitted by applicable law, other than the rules of any stock exchange or quotation system on which our Class A common stock is listed or quoted, the stock appreciation right will remain exercisable until 30 days after the first date on which exercise would be permitted by applicable law, or if earlier, its expiration date.

**Restricted stock**. Restricted stock may be granted under our 2019 Plan. Restricted stock awards are grants of shares of our Class A common stock that vest in accordance with terms and conditions established by the administrator, and may generally not be sold, transferred, pledged, assigned, or otherwise alienated until the end of the applicable period of restriction. The administrator will determine the number of shares of restricted stock subject to an award and, subject to the provisions of our 2019 Plan, will determine the terms and conditions of such awards, including the period of restriction (if any). Restricted stock awards also may be granted without any period of restriction (e.g., vested stock bonuses). The administrator may impose whatever period of restriction it determines to be appropriate (e.g., the administrator may set restrictions based on the achievement of specific performance goals or
continued service to us); provided, however, that the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Shares of restricted stock will generally be held in escrow until when practicable after the last day of any applicable period of restriction. Recipients of restricted stock awards generally will have voting rights with respect to such shares upon grant without regard to vesting, but shall not have rights to dividends or other distributions, unless otherwise provided by the administrator. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture.

**RSUs.**  RSUs may be granted under our 2019 Plan. Each RSU represents an amount equal to the fair market value of one share of our Class A common stock. Subject to the provisions of our 2019 Plan, the administrator determines the terms and conditions of RSUs, including the vesting criteria and the form and timing of payment. The administrator may set vesting criteria based upon the achievement of company-wide, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the administrator in its discretion. Unless otherwise provided in the award agreement, the administrator may settle earned RSUs in the form of cash, in shares, or in some combination of both. Notwithstanding the foregoing, the administrator, in its sole discretion, may reduce or waive any vesting criteria to earn the RSUs.

**Performance stock units and performance shares.** Performance stock units and performance shares may be granted under our 2019 Plan. Performance stock units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish performance objectives or other vesting provisions in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants. The administrator may set performance objectives based on the achievement of company-wide, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the administrator in its discretion. After the grant of a performance stock unit or performance share, the administrator, in its sole discretion, may reduce or waive any performance criteria or other vesting provisions for such performance stock units or performance shares. Performance units shall have an initial dollar value established by the administrator on or prior to the grant date. Performance shares shall have an initial value equal to the fair market value of our Class A common stock on the grant date. Payment of earned performance stock units and performance shares will be made at the time or times set forth in the award agreement. The administrator, in its sole discretion, may pay earned performance stock units or performance shares in the form of cash, in shares, or in some combination thereof.

**Performance awards.** Performance awards may be granted under our 2019 Plan. Each award agreement evidencing a performance award will set forth the applicable performance period and contain performance objectives based on the achievement of company-wide, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the administrator in its discretion, which will determine the value of the payout for the performance award. Each performance award’s threshold, target, and maximum payout values will be established by the administrator on or before the date of grant. After an applicable performance period, earned performance awards will be paid at the time or times set forth in the award agreement. The administrator, in its sole discretion, may pay earned performance stock units or performance shares in the form of cash, in shares, or in some combination thereof.

**Non-transferability of awards.** Unless the administrator provides otherwise, our 2019 Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime. If the administrator makes an award transferable, such award will contain such additional terms and conditions as the administrator deems appropriate. Any unauthorized transfer of an award will be void.
Table of Contents

Certain adjustments . In the event of certain changes in our capitalization, such as an extraordinary dividend or distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, exchange of our shares or other securities, issuance of warrants or other rights to acquire our securities, other change in our corporate structure, or any similar equity restructuring transaction, to prevent diminution or enlargement of the benefits or potential benefits intended to be provided under our 2019 Plan, the administrator will adjust the number and class of shares that may be delivered under our 2019 Plan and/or the number, class, and price of shares covered by each outstanding award, and the numerical share limits set forth in our 2019 Plan in a manner it deems equitable.

Dissolution or liquidation . In the event of a proposed dissolution or liquidation, the administrator will notify participants at such time prior to the effective date of such proposed transaction as the administrator determines. To the extent it has not been previously exercised, all awards will terminate immediately prior to the consummation of such proposed transaction.

Merger or change in control . Our 2019 Plan provides that in the event of a merger or change in control, as defined under our 2019 Plan, each outstanding award will be treated as the administrator determines, without a requirement to obtain a participant’s consent, including, without limitation, that such award will be continued by the successor corporation or a parent or subsidiary of the successor corporation or that the vesting of any such award may automatically accelerate upon consummation of such transaction. The administrator is not required to treat all awards, all awards held by a participant, or all awards of the same type, similarly. An award will be considered continued if following the transaction (i) the award gives the right to purchase or receive the consideration received in the transaction by holders of a majority of our outstanding Class A common stock with the award otherwise continued in accordance with its terms (including vesting criteria) or (ii) the award is terminated in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise or realization of the award, which payment may be subject to any escrow applicable to holders of our Class A common stock in connection with the transaction. Awards that vest, are earned, or are to be paid out upon the satisfaction of performance goals will generally not be considered assumed if we or any successor corporation modify any such performance goal without participant consent.

The administrator has the authority to modify awards in connection with a change in control or merger (i) in a manner that causes awards to lose tax-preferred status, (ii) to terminate any right of an option to be early exercised, (iii) to proportionately reduce an award’s exercise price in a manner compliant with Treasury regulations issued under Section 409A of the Code, and (iv) to suspend a participant’s right to exercise an option during a limited time period before or following the closing of such transaction without participant consent if administratively necessary or advisable.

In the event that a successor corporation does not continue an outstanding award (or some portion of such award), then such award will fully vest in 100% of all then-unvested stock options and stock appreciation rights, all restrictions on restricted stock and RSUs will lapse, all performance goals or other vesting criteria applicable to such award will be deemed achieved at 100% of target levels, and all other terms and conditions met. If an option or stock appreciation right is not assumed or substituted, the administrator will notify the participant in writing or electronically that such option or stock appreciation right (after considering any applicable vesting acceleration) will be exercisable for a period of time determined by the administrator in its sole discretion and the option or stock appreciation right will terminate upon the expiration of such period.

If an outside director’s awards are assumed or substituted for in a merger or change in control and the service of such outside director is terminated on or following a change in control, other than pursuant to a voluntary resignation, his or her options and stock appreciation rights, if any, will vest fully and

163
become immediately exercisable, all restrictions on his or her restricted stock and RSUs will lapse and all performance goals or other vesting requirements for his or her performance shares and units will be deemed achieved at 100% of target levels, and all other terms and conditions met.

All awards granted under our 2019 Plan are subject to recoupment under any clawback policy that we are required to adopt under applicable law. In addition, the administrator may provide in an award agreement that the recipient’s rights, payments, and benefits with respect to such award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events. In the event of any accounting restatement, the recipient of an award will be required to repay a portion of the proceeds received in connection with the settlement of an award earned or accrued under certain circumstances.

Our Board of Directors or our compensation committee has the authority to amend, alter, suspend, or terminate our 2019 Plan provided such action does not materially impair the rights of any participant, subject to certain exceptions in accordance with the terms of our 2019 Plan. Our ability to grant incentive stock options under the 2019 Plan and the automatic increase in shares under the 2019 Plan will expire in 2029. The 2019 Plan will not expire until terminated by our Board of Directors or our compensation committee.

Prior to the completion of this offering, our Board of Directors intends to adopt, and we expect our stockholders will approve, our 2019 Employee Stock Purchase Plan, or the ESPP. Our ESPP will be effective on the business day immediately prior to the effective date of the registration statement of which this prospectus forms a part. However, no offering period or purchase period under the ESPP will begin unless and until determined by our Board of Directors. The ESPP is intended to have two components: a component intended to qualify as an “employee stock purchase plan” under Section 423 of the Code (the 423 Component) and a component that is not intended to so qualify (the Non-423 Component). Except as otherwise provided, the Non-423 Component will operate and be administered in the same manner as the 423 Component.

A total of shares of our Class A common stock will be available for sale under our ESPP. The number of shares of our Class A common stock that will be available for sale under our ESPP also includes an annual increase on the first day of each fiscal year beginning with our 2021 fiscal year, equal to the lowest of:

- shares of our Class A common stock;
- one percent (1%) of the outstanding shares of all classes of our common stock as of the last day of the immediately preceding fiscal year; or
- such lesser amount as the administrator of our ESPP may determine no later than the last day of the preceding fiscal year.

Our Board of Directors, or a committee appointed by our Board of Directors will administer our ESPP, and have full but non-exclusive authority to interpret the terms of our ESPP and determine eligibility to participate, subject to the conditions of our ESPP, as described below. We expect our compensation committee to administer our ESPP. The administrator will have full and exclusive discretionary authority to construe, interpret, and apply the terms of the ESPP; delegate ministerial duties to any of our employees; designate separate offerings under the ESPP; designate our subsidiaries and affiliates as participating in the 423 Component or Non-423 Component of our ESPP; determine eligibility; adjudicate all disputed claims filed under the ESPP; and establish procedures that it deems necessary or advisable for the administration of the ESPP, including, but not
limited to, adopting such procedures, sub-plans, and appendices to the enrollment agreement as are necessary or appropriate to permit participation in the ESPP by employees who are foreign nationals or employed outside the United States. Unless otherwise determined, employees eligible to participate in each sub-plan will participate in a separate offering or in the Non-423 Component. The administrator’s findings, decisions, and determinations are final and binding on all participants to the full extent permitted by law.

**Eligibility.** Unless otherwise determined by the administrator with respect to a sub-plan or the Non-423 Component if required by applicable laws, all of our employees will be eligible to participate if they are employed by us, or any participating subsidiary, for at least 20 hours per week and five months in any calendar year. The administrator, in its discretion, prior to an enrollment date for all purchase rights granted on such enrollment date in an offering, may determine that an employee who (i) has not completed at least two years of service (or a lesser period of time determined by the administrator), (ii) works not more than 20 hours per week (or a lesser period of time determined by the administrator), (iii) works not more than five months per calendar year (or a lesser period of time determined by the administrator), (iv) is a highly compensated employee within the meaning of Section 414(q) of the Code, and (v) is a highly compensated employee within the meaning of Section 414(q) of the Code with compensation above a certain level or is an officer or subject to disclosure requirements under Section 16(a) of the Exchange Act, is or is not eligible to participate in such offering period. Any eligible employee immediately prior to the first offering period will be automatically enrolled in the first offering period, subject to the timely submission of a subscription agreement in a form approved by the administrator.

However, an employee may not be granted rights to purchase shares of our Class A common stock under our ESPP if such employee:

- immediately after the grant would own capital stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock; or
- holds rights to purchase shares of our Class A common stock under all of our employee stock purchase plans that accrue at a rate that exceeds $25,000 worth of shares of our Class A common stock for each calendar year.

**Offering periods; purchase periods.** Our ESPP includes a component that allows us to make offerings intended to qualify under Section 423 of the Code and a component that allows us to make offerings not intended to qualify under Section 423 of the Code to designated companies, as described in our ESPP. Our ESPP provides for consecutive-month offering periods. The ESPP initially will have purchase periods approximately six (6) months in duration commencing with one exercise date and ending with the next exercise date. The offering periods are scheduled to start on the first trading day on or after [ ] and [ ] of each year, except for the first offering period, which will commence on the first trading day on or after [ ] and will end on the first trading day on or after [ ]. The second offering period will commence on the first trading day on or after [ ] and will end on the first trading day on or after [ ] of each year, except for the first offering period, which will commence on the first trading day on or after completion of this offering and will end on the first trading day on or after [ ]. The administrator has the power to change the duration and commencement date of offering periods under the ESPP, provided that no offering period may have a duration exceeding 27 months.

**Contributions.** Our ESPP permits participants to purchase shares of our Class A common stock through contributions (in the form of payroll deductions or otherwise to the extent permitted by the administrator) of up to [ ] % of their eligible compensation. A participant may purchase a maximum of [ ] shares of our Class A common stock during a purchase period.

**Exercise of purchase right.** If our Board of Directors authorizes an offering and purchase period under the ESPP, amounts contributed and accumulated by the participant during any offering period will be used to purchase shares of our Class A common stock at the end of each purchase period.

165
established by our Board of Directors. The purchase price of the shares will be 85% of the lower of the fair market value of our Class A common stock on the first trading day of each offering period or on the exercise date. Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase shares of our Class A common stock. Participation ends automatically upon termination of employment with us.

Non-transferability. A participant may not transfer rights granted under our ESPP. If our compensation committee permits the transfer of rights, it may only be done by will, the laws of descent and distribution, or as otherwise provided under our ESPP.

Certain adjustments. In the event of certain changes in our capitalization as set forth in our ESPP, to prevent diminution or enlargement of the benefits or potential benefits available under our ESPP, the administrator will adjust the number and class of shares that may be delivered under our ESPP and/or the number, class, and price of shares covered by each outstanding award, and the numerical share limits set forth in our ESPP.

Dissolution or liquidation. In the event of a proposed liquidation or dissolution, the offering period then in progress will be shortened, and a new exercise date occurring before the date of the proposed dissolution or liquidation, unless otherwise provided by the administrator. The administrator will notify each participant that the exercise date has been changed and that the participant’s option will be exercised automatically on the new exercise date unless prior to such date the participant has withdrawn from the offering period.

Merger or change in control. Our ESPP provides that in the event of a merger or change in control, as defined under our ESPP, a successor corporation may assume or substitute each outstanding purchase right. If the successor corporation refuses to assume or substitute for the outstanding purchase right, the offering period then in progress will be shortened, and a new exercise date will be set that will be before the date of the proposed merger or change in control. The administrator will notify each participant that the exercise date has been changed and that the participant’s purchase right will be exercised automatically on the new exercise date unless prior to such date the participant has withdrawn from the offering period.

Amendment; termination. The administrator will have the authority to amend, suspend, or terminate our ESPP, subject to certain exceptions described in our ESPP. Our ESPP automatically will terminate in 2039, unless we terminate it sooner.

2010 Equity Incentive Plan
Our Board of Directors adopted our 2010 Plan in March 2010 and our stockholders approved our 2010 Plan in November 2010. Our 2010 Plan was amended most recently in August 2018 and such amendment was approved by our stockholders in September 2018. Our 2010 Plan provides for the discretionary grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards and RSUs to our employees and consultants, or employees and consultants of our subsidiaries, and our directors. Incentive stock options may be granted only to our employees or employees of our subsidiaries. We have granted options, restricted stock and RSUs under the 2010 Plan and we do not expect to grant any other types of awards under the 2010 Plan prior to its termination.

Authorized shares. Our 2010 Plan will be terminated in connection with this offering, and no awards will be granted under our 2010 Plan after our 2010 Plan is terminated. Our 2010 Plan will continue to govern outstanding awards granted thereunder. As of June 30, 2019, options to purchase an aggregate of 23,558,731 shares of our Class B common stock remained outstanding under our 2010 Plan.
Plan and an aggregate of 6,684,754 shares of our Class B common stock remained restricted stock subject to future vesting requirements.

Plan administration. Our Board of Directors or a duly authorized committee of our Board of Directors administers our 2010 Plan and the awards granted under it. Our Board of Directors also may delegate to one or more of our officers the authority to (i) designate certain participants to receive specified awards and (ii) determine the number of shares subject to such awards. Subject to the terms of our 2010 Plan, the administrator has the authority to determine and amend the terms of awards, including recipients, type of award, the exercise, purchase or strike price of awards, if any, the number of shares subject to each award, the fair market value of a share of our Class B common stock, the vesting schedule applicable to the awards, together with any vesting acceleration, and the form of consideration, if any, payable upon exercise or settlement of the award. The administrator also may construe and interpret our 2010 Plan and awards granted under it, establish, amend, and revoke rules and regulations for the administration of our 2010 Plan, settle all controversies regarding our 2010 Plan and any awards granted under it, approve forms of award agreement for use under our 2010 Plan, adopt procedures and sub-plans for non-U.S. participants, and exercise powers and perform acts as the administrator deems necessary or expedient to promote our interests that are not in conflict with the terms of our 2010 Plan or awards granted under it. The administrator’s determinations, interpretations and constructions made by the administrator in good faith will be final, binding and conclusive on all persons to the maximum extent permitted by law.

The administrator has the power to modify outstanding awards under our 2010 Plan. The plan administrator has the authority, with the consent of any adversely affected option holder, to reduce the exercise price of any outstanding options granted under our 2010 Plan or cancel any outstanding option in exchange for new awards, cash or other consideration, or take any other action that is treated as a repricing under generally accepted accounting principles, with the consent of any adversely affected participant.

Awards. The administrator, in its sole discretion, establishes the terms of all awards granted under our 2010 Plan, consistent with the terms of our 2010 Plan. All awards are subject to the terms and conditions provided in the award agreement and our 2010 Plan.

Stock options. Stock options may be granted under our 2010 Plan. Options granted under our 2010 Plan generally must have an exercise price per share at least equal to the fair market value of a share of our Class B common stock as of the date of grant. The term of an incentive stock option may not exceed 10 years, except that with respect to any participant who owns more than 10% of the combined voting power of all classes of our outstanding stock or any subsidiary, the term must not exceed five years and the exercise price per share must equal at least 110% of the fair market value of a share of our Class B common stock on the grant date. The administrator will determine the methods of payment of the exercise price of an option. After termination of service of an employee, director, or consultant, he or she may exercise his or her option for the period of time as specified in the applicable option agreement. Unless otherwise provided in the applicable award agreement, options generally will remain exercisable (to the extent vested) for eighteen months following service termination, if due to death or in the event of death during a specified period following service termination that occurred other than due to cause, or 12 months following service termination due to disability (or a shorter period not to be less than six months). Unless otherwise provided in the applicable award agreement, in all other cases other than a termination for cause, the option generally will remain exercisable (to the extent vested) for three months following service termination (which period shall not be less than thirty days), or in the case of a termination for cause, the option generally will terminate on the date that the participant’s service terminates. However, in no event may an option be exercised later than its maximum term.
Stock appreciation rights. Stock appreciation rights are granted pursuant to stock appreciation right agreements adopted by the administrator. The administrator determines the per share purchase price or strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of a share of our Class B common stock on the date of grant. A stock appreciation right granted under our 2010 Plan vests at the rate specified in the stock appreciation right agreement and shall be paid in the form of consideration determined by the administrator.

Restricted stock awards. Restricted stock awards are granted pursuant to restricted stock award agreements adopted by the administrator. A restricted stock award may be awarded in consideration for cash, check, bank draft, or money order, past services to us, or any other form of legal consideration that may be acceptable to the administrator and permissible under applicable law. The administrator determines the terms and conditions of restricted stock awards, including vesting and forfeiture terms. If a participant's service relationship with us ceases for any reason, we may receive through a forfeiture condition or a repurchase right any or all of the shares of Class B common stock held by the participant that have not vested as of the date the participant terminates service with us.

RSUs. RSUs are granted pursuant to RSU award agreements adopted by the administrator. Upon vesting, which may be tied to achievement of a performance condition or other requirements, an RSU may be settled by cash, shares, or in some combination of both as deemed appropriate by the administrator or in any other form of consideration set forth in the RSU award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a RSU award. Except as otherwise provided in the applicable award agreement, RSUs that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

Non-transferability of awards. Unless determined otherwise by the administrator, stock options and RSUs granted under our 2010 Plan may not be transferred other than by will, the laws of descent and distribution or as otherwise provided under our 2010 Plan and, are exercisable during the option holder's lifetime only by the option holder. A restricted stock award may only be transferred as permitted in the restricted stock award agreement.

Certain adjustments. In the event of any change made in, or other events that occur with respect to our stock subject to our 2010 Plan or subject to an award granted under our 2010 Plan without the receipt of consideration by us, through a merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination or exchange of shares, change in corporate structure, or other transaction not involving the receipt of consideration by us, the administrator will make appropriate adjustments to the class and maximum number of shares reserved for issuance under our 2010 Plan, the class and maximum number of shares and exercise price, strike price, or purchase price, if applicable, of all outstanding stock awards.

Dissolution or liquidation. Unless provided otherwise in an award agreement, in the event of our dissolution or liquidation, all outstanding awards (other than awards consisting of vested and outstanding shares of our common stock not subject to our right of repurchase) will terminate immediately before the completion of the dissolution or liquidation, and shares of our common stock subject to our repurchase option may be repurchased by us without regard to whether the holder of the award is providing continuing services. The administrator may permit awards to become vested, exercisable, or no longer subject to repurchase or forfeiture before the completion of the dissolution or liquidation but subject to the completion of such transaction.

Corporate transactions. Our 2010 Plan provides that in the event of certain specified significant corporate transactions including: (i) a sale of all or substantially all of our consolidated assets, (ii) the
sale or disposition of at least 90% of our outstanding securities, (iii) the consummation of a merger, consolidation, or similar transaction where we do not survive the transaction, and (iv) the consummation of a merger, consolidation, or similar transaction where we do survive the transaction but the shares of our common stock outstanding prior to such transaction are converted or exchanged into other property by virtue of the transaction, each outstanding award will be treated as the administrator determines unless otherwise provided in an award agreement or other written agreement between us and the award holder. For example, the administrator may arrange for the assumption, continuation, or substitution of an award by a successor corporation and arrange for the assignment of any reacquisition or repurchase rights held by us to a successor corporation. As another example, if awards held by participants whose service to us has not terminated prior to the effective date of such transaction are not assumed, continued, or substituted, the awards held by such participants will terminate if not exercised at or prior to the effective time of the corporate transaction, but any reacquisition or repurchase rights held by us with respect to such awards will lapse, contingent on the effectiveness of such transaction. As a further example, if awards held by participants who no longer provide services to us as of immediately prior to a corporate transaction are not assumed, continued, or substituted, such awards will not accelerate and will be terminated if not exercised prior to the effective date of the transaction, provided that any reacquisition or repurchase rights held by us will not terminate. Notwithstanding the above, if an award will terminate if not exercised prior to the effective date of a corporate transaction, the administrator may provide that the participant may not exercise the award, but will receive a payment equal to the excess, if any, of the value of the property the participant would have received upon exercise of the award prior to the transaction over any exercise price payable by the participant in connection with the exercise.

Amendment; termination. Subject to the terms of our 2010 Plan, our Board of Directors may terminate, amend or modify our 2010 Plan or any portion thereof at any time, although certain amendments require stockholder approval. As noted above, no further awards will be granted under our 2010 Plan after it is terminated in connection with this offering. However, all awards outstanding under our 2010 Plan will continue to be governed by their existing terms following termination of the 2010 Plan.

Executive Incentive Compensation Plan

Our Board of Directors adopted an Executive Incentive Compensation Plan (the Bonus Plan) in August 2019. The Bonus Plan will be administered by a committee appointed by our Board of Directors. Unless and until our Board of Directors determines otherwise, our compensation committee will be the administrator of the Bonus Plan. The Bonus Plan allows our compensation committee to provide cash incentive awards to selected employees, including our named executive officers, determined by our compensation committee, based upon performance goals established by our compensation committee. Our compensation committee, in its sole discretion, will establish a target award for each participant under the Bonus Plan, which may be expressed as a percentage of the participant’s average annual base salary for the applicable performance period, a fixed dollar amount, or such other amount or based on such other formula as our compensation committee determines to be appropriate.

Under the Bonus Plan, our compensation committee will determine the performance goals applicable to awards, which goals may include, without limitation: attainment of research and development milestones, bookings, business divestitures and acquisitions, cash flow, cash position, contract awards or backlog, customer renewals, customer retention rates from an acquired company, subsidiary, business unit or division, earnings (which may include earnings before interest and taxes, earnings before taxes, and net taxes), earnings per share, expenses, gross margin, growth in stockholder value relative to the moving average of the S&P 500 Index or another index, internal rate of return, market share, net income, net profit, net sales, new product development, new product invention or innovation, number of customers, operating cash flow, operating expenses, operating income, operating margin,
overhead or other expense reduction, product defect measures, product release timelines, productivity, profit, retained earnings, return on assets, return on capital, return on equity, return on investment, return on sales, revenue, revenue growth, sales results, sales growth, stock price, time to market, total stockholder return, working capital, unadjusted or adjusted actual contract value, unadjusted or adjusted total contract value, and individual objectives such as peer reviews or other subjective or objective criteria. As determined by our compensation committee, the performance goals may be based on GAAP or non-GAAP results, and any actual results may be adjusted by our compensation committee for one-time items or unbudgeted or unexpected items and/or payments of actual awards under the Bonus Plan when determining whether the performance goals have been met. The goals may be on the basis of any factors our compensation committee determines relevant, and may be on an individual, divisional, business unit, segment, or company-wide basis. Any criteria used may be measured on such basis as our compensation committee determines. The performance goals may differ from participant to participant and from award to award. Our compensation committee also may determine that a target award or a portion thereof will not have a performance goal associated with it but instead will be granted (if at all) in the compensation committee’s sole discretion.

Our compensation committee may, in its sole discretion and at any time, increase, reduce, or eliminate a participant’s actual award, or increase, reduce, or eliminate the amount allocated to the bonus pool. The actual award may be below, at, or above a participant’s target award, in our compensation committee’s discretion. Our compensation committee may determine the amount of any increase, reduction, or elimination on the basis of such factors as it deems relevant, and it will not be required to establish any allocation or weighting with respect to the factors it considers.

Actual awards will generally be paid in cash (or its equivalent) in a single lump sum only after they are earned and approved by our compensation committee. Our compensation committee has the right, in its sole discretion, to settle an actual award with a grant of an equity award under our then-current equity compensation plan, which equity award may have such terms and conditions, including vesting, as our compensation committee determines in its sole discretion. Unless otherwise determined by our compensation committee, to earn an actual award, a participant must be employed by us (or an affiliate of us, as applicable) through the date the bonus is paid. Payment of bonuses occurs as soon as administratively practicable after the end of the applicable performance period, but in no case later than the 15th day of the third month of the fiscal year immediately following the fiscal year in which the bonuses vest.

Our Board of Directors will have the authority to amend or terminate the Bonus Plan provided such action does not alter or impair the existing rights of any participant with respect to any earned bonus without the participant’s consent. The Bonus Plan will remain in effect until terminated in accordance with the terms of the Bonus Plan.

### 401(k) plan

We maintain a tax-qualified 401(k) retirement plan for all U.S. employees who satisfy certain eligibility requirements, including requirements relating to age and length of service. Under our 401(k) plan, employees may elect to defer up to all eligible compensation, subject to applicable annual Code limits. We intend for our 401(k) plan to qualify under Section 401(a) and 501(a) of the Code so that contributions by employees to our 401(k) plan, and income earned on those contributions, are not taxable to employees until withdrawn from our 401(k) plan. The 401(k) plan also permits contributions to be made on a post-tax basis for those employees participating in the Roth 401(k) plan component.
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements, including employment, termination of employment, and change in control arrangements, discussed in the sections titled “Management” and “Executive Compensation,” the following is a description of each transaction since January 1, 2016, and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeded or exceeds $120,000; and
- any of our directors, executive officers, or holders of more than 5% of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest.

Series D Redeemable Convertible Preferred Stock Financing

In September 2018, we sold and issued 13,636,366 shares of our Series D redeemable convertible preferred stock for aggregate gross proceeds of $150.0 million. Entities affiliated with Fidelity, Pelion Ventures, and NEA participated in this transaction and purchased $60.0 million, $32.5 million, and $30.4 million of Series D redeemable convertible preferred stock, respectively. Carl Ledbetter, a member of our Board of Directors, is affiliated with Pelion Ventures. Scott Sandell, a member of our Board of Directors, is affiliated with NEA.

Amended and Restated Investors’ Rights Agreement

We are party to an Amended and Restated Investors’ Rights Agreement (IRA), dated as of September 4, 2018, which provides, among other things, registration rights to certain holders of our capital stock, including entities affiliated with each of Fidelity, NEA, Pelion Ventures, and Venrock. Scott Sandell, a member of our Board of Directors, is affiliated with NEA. Carl Ledbetter, a member of our Board of Directors, is affiliated with Pelion Ventures. See the section titled “Description of Capital Stock—Registration Rights” for additional information regarding these registration rights.

Right of First Refusal

Pursuant to certain of our bylaws, equity compensation plans, and certain agreements with our stockholders, including our Amended and Restated Right of First Refusal and Co-Sale Agreement, dated as of September 4, 2018, we or our assignees have a right to purchase shares of our capital stock which certain stockholders propose to sell to other parties. This right will terminate immediately prior to the completion of this offering. Since January 1, 2016, we have waived our right of first refusal in connection with the sale of certain shares of our capital stock, including sales by certain of our executive officers, resulting in the purchase of such shares by certain of our stockholders, including related persons. See the section titled “Principal Stockholders” for additional information regarding beneficial ownership of our capital stock.

Limitation of Liability and Indemnification of Officers and Directors

We expect to adopt an amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, and which will contain provisions that limit the liability of our directors and officers for monetary damages to the fullest extent permitted by Delaware law.
law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission, or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, we expect to adopt amended and restated bylaws, which will become effective immediately prior to the completion of this offering, and which will provide that we will indemnify, to the fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit, or proceeding by reason of the fact that he or she is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust, or other enterprise. Our amended and restated bylaws are expected to provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit, or proceeding by reason of the fact that he or she is or was one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust, or other enterprise. Our amended and restated bylaws will also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to limited exceptions.

Further, we have entered into or will enter into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit, or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our amended and restated certificate of incorporation, amended and restated bylaws, and the indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder’s investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees, or other agents or is or was serving at our request as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.
We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our Board of Directors.

The underwriting agreement will provide for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act or otherwise.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons controlling our company pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

**Policies and Procedures for Related Party Transactions**

Following the completion of this offering, our audit committee will have the primary responsibility for reviewing and approving or disapproving “related party transactions,” which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed $120,000 and in which a related person has or will have a direct or indirect material interest. Upon completion of this offering, our policy regarding transactions between us and related persons will provide that a related person is defined as a director, executive officer, nominee for director, or greater than 5% beneficial owner of our common stock, in each case since the beginning of the most recently completed year, and any of their immediate family members. Our audit committee charter that will be in effect upon completion of this offering will provide that our audit committee shall review and approve or disapprove any related party transactions.
PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our capital stock as of June 30, 2019, and as adjusted to reflect the sale of our common stock offered by us in this offering assuming no exercise of the underwriters’ option to purchase additional shares of our common stock from us, for:

- each of our named executive officers;
- each of our directors;
- all of our executive officers and directors as a group; and
- each person known by us to be the beneficial owner of more than 5% of the outstanding shares of each of our Class A common stock and Class B common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, and thus it represents sole or shared voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Sections 13(d) and 13(g) of the Securities Act.

We have based our calculation of the percentage of beneficial ownership prior to this offering on 46,360,728 shares of our Class A common stock and 211,982,959 shares of our Class B common stock outstanding as of June 30, 2019, after giving effect to the Capital Stock Conversions.

We have based our calculation of the percentage of beneficial ownership after this offering on           shares of our Class A common stock issued by us in this offering and             shares of Class A common stock and            shares of Class B common stock outstanding immediately after the completion of this offering, assuming that the underwriters will not exercise their option to purchase up to an additional            shares of our Class A common stock from us in full. We have deemed shares of our common stock subject to stock options that are currently exercisable or exercisable within 60 days of June 30, 2019 to be outstanding and to be beneficially owned by the person holding the stock option for the purpose of computing the percentage ownership of that person. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.
Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Cloudflare, Inc., 101 Townsend Street, San Francisco, California 94107.

<table>
<thead>
<tr>
<th>Name of Beneficial Owner</th>
<th>Class A Shares</th>
<th>% of Total Outstanding Before Offering</th>
<th>Class B Shares†</th>
<th>% of Total Voting Power Before Offering</th>
<th>% of Total Outstanding After Offering</th>
<th>% of Total Voting Power After Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew Prince (1)</td>
<td></td>
<td>20.2</td>
<td>42,800,177</td>
<td>16.6</td>
<td>19.8</td>
<td></td>
</tr>
<tr>
<td>Michelle Zatlyn (2)</td>
<td></td>
<td>6.8</td>
<td>14,574,974</td>
<td>5.6</td>
<td>6.6</td>
<td></td>
</tr>
<tr>
<td>Thomas Seifert (3)</td>
<td></td>
<td>1.4</td>
<td>2,892,566</td>
<td>1.1</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Douglas Kramer (4)</td>
<td></td>
<td></td>
<td>609,323</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Maria Eitel (5)</td>
<td></td>
<td></td>
<td>110,000</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Carl Ledbetter (6)</td>
<td>4,250,340</td>
<td>20.9</td>
<td>44,191,318</td>
<td>18.8</td>
<td>20.6</td>
<td></td>
</tr>
<tr>
<td>Scott Sandell (8)</td>
<td>4,059,376</td>
<td>22.9</td>
<td>48,588,474</td>
<td>20.4</td>
<td>22.6</td>
<td></td>
</tr>
<tr>
<td>All executive officers and directors as a group (8 persons) (9)</td>
<td>8,309,716</td>
<td>70.4</td>
<td>147,211,491</td>
<td>61.2</td>
<td>69.3</td>
<td></td>
</tr>
<tr>
<td>Greater than 5% Stockholders:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with NEA (10)</td>
<td>4,059,376</td>
<td>23.0</td>
<td>48,691,964</td>
<td>20.4</td>
<td>22.7</td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with Pelion Ventures (11)</td>
<td>4,250,340</td>
<td>20.9</td>
<td>44,191,318</td>
<td>18.8</td>
<td>20.6</td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with Venrock (12)</td>
<td>489,756</td>
<td>19.5</td>
<td>41,308,180</td>
<td>16.2</td>
<td>19.1</td>
<td></td>
</tr>
<tr>
<td>Entities affiliated with Fidelity (13)</td>
<td>14,326,940</td>
<td>30.9</td>
<td>—</td>
<td>5.5</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Trusts affiliated with Lee Holloway (14)</td>
<td>8,353,227</td>
<td>3.2</td>
<td>—</td>
<td>3.2</td>
<td>*</td>
<td></td>
</tr>
</tbody>
</table>

† The Class B common stock is convertible at any time by the holder into shares of Class A common stock on a share-for-share basis, such that each holder of Class B common stock beneficially owns an equivalent number of Class A common stock.

# Percentage total voting power represents voting power with respect to all shares of our Class A and Class B common stock, as a single class. Each holder of Class B common stock shall be entitled to 10 votes per share of Class B common stock and each holder of Class A common stock shall be entitled to one vote per share of Class A common stock on all matters submitted to our stockholders for a vote. The Class A common stock and Class B common stock vote together as a single class on all matters submitted to a vote of our stockholders, except as may otherwise be required by law.

* Represents beneficial ownership of less than one percent (1%) of the outstanding shares of our common stock.

(1) Includes (i) 27,702,545 shares of Class B common stock held of record by Mr. Prince, of which 4,000,000 may be repurchased by us at the original exercise price; (ii) 2,190,572 shares of Class B common stock held of record by The Matthew Prince 2016 Annuity Trust dated March 29, 2016, for which Mr. Prince serves as co-trustee and investment advisor; (iii) 1,013,584 shares of Class B common stock held of record by The Matthew Prince 2017 Annuity Trust dated July 12, 2017, for which Mr. Prince serves as co-trustee and investment advisor; (iv) 1,694,456 shares of Class B common stock held of record by The Matthew Prince 2018 Annuity Trust dated October 26, 2018, for which Mr. Prince serves as co-trustee and investment advisor; (v) 800,000 shares of Class B common stock held of record by The Prince Family Exempt Irrevocable Trust dated March 29, 2016, for which Mr. Prince serves as an investment advisor; and (vi) 9,399,020 shares of Class B common stock subject to options exercisable within 60 days of June 30, 2019, none of which are fully vested.

(2) Includes (i) 8,532,756 shares of Class B common stock held of record by Ms. Zatlyn; (ii) 1,242,218 shares of Class B common stock held of record by The Sutherland/Zatlyn 2017 Annuity Trust dated December 15, 2017, for which Ms. Zatlyn serves as co-trustee; (iii) 800,000 shares of Class B common stock held of record by The Sutherland/Zatlyn 2019 Annuity Trust dated February 28, 2019, for which Ms. Zatlyn serves as co-trustee; and (iv) 4,000,000 shares of Class B common stock subject to options exercisable within 60 days of June 30, 2019, none of which are fully vested.

(3) Includes (i) 512,225 shares of Class B common stock held of record by Mr. Seifert and (ii) 2,380,341 shares of Class B common stock subject to options exercisable within 60 days of June 30, 2019, of which 271,178 are fully vested.
(4) Includes (i) 434,323 shares of Class B common stock held of record by Mr. Kramer, of which 250,636 may be repurchased by us at the original exercise price; and (ii) 176,000 shares of Class B common stock subject to options exercisable within 60 days of June 30, 2019, of which none are fully vested.

(5) Includes 110,000 shares of Class B common stock held of record by Ms. Eitel, of which 96,250 may be repurchased by us at the original exercise price.

(6) Includes 4,250,340 shares of Class A common stock and 44,191,318 shares of Class B common stock disclosed in footnote (11) below that are held of record by entities affiliated with Pelion Ventures.

(7) Includes 176,000 shares of Class B common stock subject to options exercisable within 60 days of June 30, 2019, of which 22,000 are fully vested.

(8) Includes 4,059,376 shares of Class A common stock and 48,588,474 shares of Class B common stock disclosed in footnote (10) below that are held of record by New Enterprise Associates 13, LP (NEA 13).

(9) Includes (i) 8,309,716 shares of Class A common stock and 147,211,491 shares of Class B common stock beneficially owned by our executive officers and directors and (ii) 6,731,341 shares of Class B common stock subject to options exercisable within 60 days of June 30, 2019 and held by our executive officers and directors, of which 293,178 are fully vested.

(10) Includes (i) 4,059,376 shares of Class A common stock and 48,588,474 shares of Class B common stock held of record by NEA Ventures 2010, L.P. (Ven 2010). The securities directly held by NEA 13 and indirectly held by NEA Partners 13 LP (NEA Partners 13), the sole general partner of NEA 13, and NEA 13 GP LTD (NEA 13 LTD), is the sole general partner of NEA Partners 13. The individual Directors of NEA 13 LTD (collectively, the NEA 13 Directors) are Peter J. Barris, Forest Baskett, Patrick J. Kerins, David M. Moit, and Scott Sandell, one of our directors. The securities directly held by Ven 2010 are indirectly held by Karen P. Welsh, the general partner of Ven 2010. The address for each of these entities is c/o New Enterprise Associates, Inc., 1954 Greenspring Drive, Suite 600, Timonium, Maryland 21093.

(11) Includes (i) 8,316,841 shares of Class A common stock and 2,826,097 shares of Class B common stock held of record by Pelion Ventures V, L.P. (PV V); (ii) 211,603 shares of Class A common stock and 719,071 shares of Class B common stock held of record by Pelion Ventures V-A, L.P. (PV V-A); (iii) 252,550 shares of Class A common stock and 858,224 shares of Class B common stock held of record by Pelion Ventures V Financial Institutions Fund, L.P. (PV V Financial); (iv) 497,996 shares of Class B common stock held of record by Pelion Ventures VI, L.P. (PV VI); (v) 34,051 shares of Class B common stock held of record by Pelion Ventures VI-A, L.P. (PV VI-A); (vi) 2,954,546 shares of Class A common stock and 622,265 shares of Class B common stock held of record by Pelion Opportunity Fund I, LLC (POF I); (vii) 19,904,114 shares of Class B common stock held of record by UV Partners IV-A, L.P. (UVP IV-A), and (ix) 12,269,977 shares of Class B common stock held of record by UV Partners IV Financial Institutions Fund, L.P. (UVP IV Financial). Pelion Venture Partners V, LLC (PV V LLC) is the General Partner of PV V and PV V-A. Pelion Ventures V Financial Institutions GP, LLC (PV V Financial GP) is the General Partner of PV V Financial. Pelion Venture Partners VI, LLC (PV VI) is the General Partner of PV VI and PV VI-A. Pelion Opportunities Partners I, LLC (POP I) is the Manager of POP I. UV Partners IV GP, LLC (UVP IV GP) is the General Partner of UVP IV and UVP IV-A. UV Partners IV Financial Institutions GP, LLC (UVP IV Financial GP) is the General Partner of UVP IV. Pelion Inc. is the Manager of PVP V LLC, PV V Financial GP, PV VI, POP I, UVP IV GP, and UVP IV Financial GP. Blake Modersitzki serves as the Managing Member and Carl Ledbetter, one of our directors, serves as a Special Advisor to Pelion Inc and each share voting and dispositive power with respect to shares of Class A common stock and Class B common stock held of record by PV V, PV V-A, PV V Financial, PV VI, PV VI-A, POP I, UVP IV, UVP IV-A, and UV Partners IV Financial. The address for these entities is 2750 E Cottonwood Parkway, Suite 600, Salt Lake City, Utah 84121.

(12) Includes (i) 441,907 shares of Class A common stock and 37,272,400 shares of Class B common stock held of record by Venrock Associates V, L.P. (VAV); (ii) 37,466 shares of Class A common stock and 3,160,080 shares of Class B common stock held of record by Venrock Partners V, L.P. (VVP); and (iii) 10,383 shares of Class A common stock and 858,224 shares of Class B common stock held of record by Venrock Entrepreneurs Fund V, L.P. (VEF5). Venrock Management V, LLC (VMS) is the sole general partner of VAV; Venrock Management V, LLC (VPM5) is the sole general partner of VVP and VEF Management V, LLC (VEFM5) is the sole general partner of VEF5. Each of VMS, VPM5, and VEFM5 has three or more managing members that share voting and dispositive power with respect to the shares held of record by VAV, VVP and VEF5. The address for these entities is 3340 Hillview Avenue, Palo Alto, California 94304.

(13) Consists of 14,326,940 shares of Class A common stock held of record by 22 accounts managed by direct or indirect subsidiaries of FMR LLC. Abigail P. Johnson is a Director, the Chairman, the Chief Executive Officer, and the President of FMR LLC. Members of the Johnson family are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B stockholders have entered into a stockholders’ voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the stockholders’ voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act of 1940 (the Fidelity Funds), advised by Fidelity Management & Research Company, a wholly owned subsidiary of FMR LLC, which power resides in the Fidelity Funds’ Boards of Trustees. Fidelity Management & Research Company carries out the voting.
Includes (i) 6,052,012 shares of Class A common stock held of record by The LKH Family Trust U/T/A dated August 28, 2017, for which Kristin Holloway serves as trustee; (ii) 1,018,862 shares of Class A common stock held of record by The LH 2017 Grantor Retained Annuity Trust-I, for which Kristin Holloway serves as trustee; (iii) 1,072,636 shares of Class A common stock held of record by The LH 2017 Grantor Retained Annuity Trust-II, for which Kristin Holloway serves as trustee; and (iv) 242,217 shares of Class A common stock held of record by The LH 2017 Grantor Retained Annuity Trust-III, for which Kristin Holloway serves as trustee.
DESCRIPTION OF CAPITAL STOCK

General

The following description summarizes certain important terms of our capital stock, as they are expected to be in effect immediately prior to the completion of this offering. We expect to adopt an amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately prior to the completion of this offering, and this description summarizes the provisions that are expected to be included in such documents. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of the matters set forth in this section titled “Description of Capital Stock,” you should refer to our amended and restated certificate of incorporation, amended and restated bylaws and amended and restated investors’ rights agreement, which are included as exhibits to the registration statement to which this prospectus relates, and to the applicable provisions of Delaware law.

Immediately following the completion of this offering, our authorized capital stock will consist of shares of capital stock, $0.001 par value per share, of which:

- shares are designated as Class A common stock;
- shares are designated as Class B common stock; and
- shares are designated as preferred stock.

Assuming the completion of the Capital Stock Conversions, which will occur immediately prior to the completion of this offering, as of June 30, 2019, there were 46,360,728 shares of our Class A common stock outstanding, held by 236 stockholders of record, and 211,982,959 shares of our Class B common stock outstanding, held by 313 stockholders of record. Pursuant to our amended and restated certificate of incorporation, our Board of Directors will have the authority, without stockholder approval except as required by the listing standards of the New York Stock Exchange (the NYSE), to issue additional shares of our Class A common stock.

Common Stock

We have two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion.

Dividend Rights

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our common stock are entitled to receive dividends out of funds legally available if our Board of Directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our Board of Directors may determine. See the section titled “Dividend Policy” for additional information.

Voting Rights

Prior to the completion of this offering, holders of our Class A common stock and Class B common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. Following the completion of this offering, holders of Class A common stock will be entitled to one vote for each share held on all matters submitted to a vote of stockholders and holders of our Class B
common stock will be entitled to 10 votes for each share held, except as otherwise required by law. The holders of our Class A common stock and Class B common stock vote together as a single class, unless otherwise required by law.

Delaware law could require either holders of our Class A common stock and our Class B common stock to vote separately as a single class in the following circumstances:

- if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the par value of a class of stock, then that class would be required to vote separately to approve the proposed amendment; and
- if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters or changes the powers, preferences, or special rights of a class of stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

Stockholders do not have the ability to cumulate votes for the election of directors. Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect at the closing of this offering will provide for a classified Board of Directors consisting of three classes of approximately equal size, each serving staggered three-year terms. Only the directors in one class will be subject to election by a plurality of the votes cast at each annual meeting of stockholders, with the directors in the other classes continuing for the remainder of their respective three-year terms.

**No Preemptive or Similar Rights**

Our common stock is not entitled to preemptive rights, and is not subject to conversion, redemption, or sinking fund provisions.

**Right to Receive Liquidation Distributions**

If we become subject to a liquidation, dissolution, or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

**Conversion of Class B Common Stock**

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. Following the completion of this offering, shares of Class B common stock will automatically convert into shares of Class A common stock upon sale or transfer of such shares and upon the cessation of employment by holders of our Class B common stock (other than Mr. Prince and Ms. Zatlyn), but excluding certain transfers permitted by our amended and restated certificate of incorporation.
Fully Paid and Non-Assessable

In connection with this offering, our legal counsel will opine that the shares of our Class A common stock to be issued in this offering will be fully paid and non-assessable.

Preferred Stock

Our Board of Directors is authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences, and rights of the shares of each series and any of its qualifications, limitations, or restrictions, in each case without further vote or action by our stockholders. Our Board of Directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our Board of Directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, or preventing a change in control of our company and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plan to issue any shares of preferred stock.

Options

As of June 30, 2019, we had outstanding options to purchase an aggregate of 23,558,731 shares of our Class B common stock, with a weighted-average exercise price of $2.27 per share, under our equity compensation plans. Options granted under our 2010 Plan generally vest upon the satisfaction of a service-based vesting condition over a four-year period.

RSUs

As of June 30, 2019, there were 4,148,564 shares of our Class B common stock subject to RSUs outstanding under our 2010 Plan. RSUs granted under our 2010 Plan generally vest upon the satisfaction of both a service-based vesting condition and a performance vesting condition, as defined below, occurring before these RSUs expire. The service-based vesting condition is typically satisfied over a four-year period, which (i) in certain cases is satisfied with respect to 25% of the RSUs upon completion of one year of service measured from the vesting commencement date, and the balance being satisfied in successive equal quarterly installments over the next three-year period, and (ii) in other cases is satisfied in successive equal quarterly installments over such four-year period. The performance vesting condition occurs on the earlier of (A) an acquisition or change in control of us or (B) the effective date of the registration statement as filed with the SEC in connection with our initial public offering. In connection with this offering, for those RSUs that will be fully vested after completion of this offering, the settlement date for such vested RSUs will be the later of (x) the next trading day following the 180-day lockup period after this offering (or, if earlier than the 180-day period, March 15, 2020) and (y) the next regular quarterly settlement date for the applicable vested RSU. As of the date of this prospectus, we would have 632,721 shares of common stock subject to RSUs that would settle no later than March 15, 2020. For additional information, please refer to the description of the lock-up agreement in the section titled “Underwriting.”
Registration Rights

After the completion of this offering, certain holders of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act. These registration rights are contained in our IRA. We and certain holders of our redeemable convertible preferred stock are parties to our IRA. Immediately prior to the completion of this offering, each share of outstanding redeemable convertible preferred stock will convert automatically into one share of Class B common stock, in the case of Series A redeemable convertible preferred stock, Series B redeemable convertible preferred stock or Series C redeemable convertible preferred stock, or Class A common stock, in the case of Series D redeemable convertible preferred stock. The registration rights set forth in our IRA will expire five years following the completion of this offering, or, with respect to any particular stockholder, when such stockholder is able to sell all of its shares on any one day pursuant to Rule 144 of the Securities Act or a similar exemption. We will pay the registration expenses (other than underwriting discounts, selling commissions, and transfer taxes) of the holders of the shares registered pursuant to the registrations described below, including the fees and disbursements of one special counsel for the selling stockholders in an amount not to exceed $30,000. In an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include. In connection with this offering, we expect that substantially all of the stockholders that have registration rights will agree not to sell or otherwise dispose of any of our securities without our prior written consent and the underwriters for a period of 180 days after the date of this prospectus, subject to certain terms and conditions. See the section titled “Shares Eligible for Future Sale—Lock-Up and Market Standoff Agreements” for additional information regarding such restrictions.

Demand Registration Rights

After the completion of this offering, the holders of up to 150,002,517 shares of our Class B common stock and 31,381,152 shares of our Class A common stock will be entitled to certain demand registration rights. At any time beginning 180 days after the effective date of this offering, the holders of at least 50% of these shares then outstanding can request that we register the offer and sale of their shares. We are obligated to effect only two such registrations. If we determine that it would be materially detrimental to us and our stockholders to effect such a demand registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 90 days.

Piggyback Registration Rights

After the completion of this offering, if we propose to register the offer and sale of our Class A common stock under the Securities Act, in connection with the public offering of such Class A common stock, the holders of up to 150,002,517 shares of our Class B common stock and 31,381,152 shares of our Class A common stock will be entitled to certain “piggyback” registration rights allowing the holders to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to (i) a registration relating to the sale of securities to our employees pursuant to an equity plan, (ii) a registration related to any employee benefit plan or a corporate reorganization or other transaction covered by Rule 145 promulgated under the Securities Act, (iii) a registration on any registration form which does not permit secondary sales or does not include substantially the same information as would be required to be included in a registration statement covering the public offering of our Class A common stock, or (iv) a registration in which the only Class A common stock being registered is Class A common stock issuable upon conversion of debt securities that are also being registered, the holders of these shares are entitled to notice of the registration and have the right, subject to certain limitations, to include their shares in the registration.
S-3 Registration Rights

After the completion of this offering, the holders of up to 150,002,517 shares of our Class B common stock and 31,381,152 shares of our Class A common stock will be entitled to certain Form S-3 registration rights. The holders of at least 20% of these shares then outstanding may make a written request that we register the offer and sale of their shares on a registration statement on Form S-3 if we are eligible to file a registration statement on Form S-3 so long as the request covers securities the anticipated aggregate public offering price of which, net of underwriting discounts and commissions, is at least $1,000,000. These stockholders may make an unlimited number of requests for registration on Form S-3; however, we will not be required to effect a registration on Form S-3 if we have effected two such registrations within the 12-month period preceding the date of the request. Additionally, if we determine that it would be materially detrimental to us and our stockholders to effect such a registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 90 days.

Anti-Takeover Provisions

Certain provisions of Delaware law, our amended and restated certificate of incorporation to be effective immediately prior to the completion of this offering, and our amended and restated bylaws to be effective immediately prior to the completion of this offering, which are summarized below, may have the effect of delaying, deferring, or discouraging another person from acquiring control of us. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Delaware Law

We will be governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- the transaction was approved by the board of directors prior to the time that the stockholder became an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which employees do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

In general, Section 203 defines a “business combination” to include mergers, asset sales, and other transactions resulting in financial benefit to a stockholder and an “interested stockholder” as a person who, together with affiliates and associates, owns, or, within three years, did own, 15% or more of the corporation’s outstanding voting stock. These provisions may have the effect of delaying, deferring, or preventing changes in control of our company.
Amended and restated certificate of incorporation and Amended and Restated Bylaw Provisions

Our amended and restated certificate of incorporation to be effective immediately prior to the completion of this offering and our amended and restated bylaws to be effective immediately prior to the completion of this offering will include a number of provisions that could deter hostile takeovers or prevent changes in control of our Board of Directors or management team, including the following:

**Dual-class stock.** As described above in the section titled "—Common Stock," our amended and restated certificate of incorporation will provide for a dual class common stock structure, which will provide our pre-offering investors and co-founders, which includes certain of our executive officers, employees, directors, and their affiliates, with significant influence over matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets.

**Board of Directors vacancies.** Our amended and restated certificate of incorporation and amended and restated bylaws will authorize only our Board of Directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our Board of Directors will be permitted to be set only by a resolution adopted by a majority vote of our entire Board of Directors. These provisions would prevent a stockholder from increasing the size of our Board of Directors and then gaining control of our Board of Directors by filling the resulting vacancies with its own nominees. This will make it more difficult to change the composition of our Board of Directors and will promote continuity of management.

**Classified Board of Directors.** Our amended and restated certificate of incorporation and amended and restated bylaws will provide that our Board of Directors is classified into three classes of directors. A third party may be discouraged from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified Board of Directors. See the section titled "Management—Classified Board of Directors."

**Stockholder action; special meeting of stockholders.** Our amended and restated certificate of incorporation will provide that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, a holder controlling a majority of our capital stock would not be able to amend our amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws. Our amended and restated bylaws will further provide that special meetings of our stockholders may be called only by a majority of our entire Board of Directors, the Chair of our Board of Directors, or our Chief Executive Officer, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

**Advance notice requirements for stockholder proposals and director nominations.** Our amended and restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our amended and restated bylaws will also specify certain requirements regarding the form and content of a stockholder’s notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of our company.
No cumulative voting. The Delaware General Corporation Law provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation’s certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation will not provide for cumulative voting.

Directors removed only for cause. Our amended and restated certificate of incorporation will provide that stockholders may remove directors only for cause.

Amendment of charter and bylaws provisions. Any amendment of the above provisions in our amended and restated certificate of incorporation and Bylaws will require approval by holders of at least two-thirds of the voting power of our then outstanding capital stock.

Issuance of undesignated preferred stock. Our Board of Directors will have the authority, without further action by our stockholders, to issue up to [insert number] shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our Board of Directors. The existence of authorized but unissued shares of preferred stock would enable our Board of Directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or other means.

Exclusive Forum

Our amended and restated bylaws will provide that the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders; (iii) any action arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws; or (iv) any other action asserting a claim that is governed by the internal affairs doctrine, in all cases subject to the court having jurisdiction over indispensable parties named as defendants. The provisions would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Additionally, nothing in our amended and restated bylaws will preclude stockholders that assert claims under the Securities Act from bringing such claims in state or federal court, subject to applicable law. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers.

Transfer Agent and Registrar

Upon completion of this offering, the transfer agent and registrar for our common stock will be Computershare Trust Company, N.A. The transfer agent and registrar’s address is 250 Royall Street, Canton, Massachusetts 02021.

Limitations of Liability and Indemnification

See the section titled “Certain Relationships and Related Party Transactions—Limitation of Liability and Indemnification of Officers and Directors.”

Listing

We have applied to list our Class A common stock on the NYSE under the symbol “NET.”
SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our Class A common stock, and we cannot predict the effect, if any, that market sales of shares of our Class A common stock or the availability of shares of our Class A common stock for sale will have on the market price of our Class A common stock prevailing from time to time. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares of our Class A common stock will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our Class A common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and could impair our ability to raise equity capital in the future.

Following the completion of this offering, based on the number of shares of our capital stock outstanding as of June 30, 2019, we will have a total of               shares of our Class A common stock outstanding and              shares of our Class B common stock outstanding. Of these outstanding shares, all               shares of our Class A common stock sold in this offering will be freely tradable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act, would only be able to be sold in compliance with the Rule 144 limitations described below.

The remaining outstanding shares of our common stock will be deemed “restricted securities” as defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below. As a result of the lock-up and market standoff agreements described below and the provisions of our IRA described under the section titled “Description of Capital Stock—Registration Rights,” and subject to the provisions of Rule 144 or Rule 701, shares of our Class A common stock will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all               shares of our Class A common stock sold in this offering will be immediately available for sale in the public market; and
- beginning 181 days after the date of this prospectus (subject to the terms of the lock-up and market standoff agreements described below) additional shares will become eligible for sale in the public market, of which shares will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below.

Lock-Up and Market Standoff Agreements

Our executive officers, directors, and substantially all the other holders of our capital stock and securities convertible into or exchangeable for our capital stock have agreed that, subject to certain exceptions, for a period of 180 days after the date of this prospectus (the lock-up period), they will not, without the prior written consent of the representatives, dispose of or hedge any shares or any securities convertible into or exchangeable for shares of our capital stock; provided that if (i) at least 120 days have elapsed since the date of this prospectus, (ii) we have publicly released our earnings results for the fiscal year ended December 31, 2019, and (iii) the lock-up period is scheduled to end during a broadly applicable period during which trading in our securities would not be permitted under our insider trading policy (a blackout period), or within five trading days prior to a blackout period, the lock-up period will end 10 trading days prior to the commencement of such blackout period. The representatives may, in their discretion, release any of the securities subject to these lock-up agreements at any time. In addition, our executive officers, directors, and substantially all the holders
of our capital stock and securities convertible into or exchangeable for our capital stock have entered into market standoff agreements with us under which they have agreed that, subject to certain exceptions, for a period of 180 days after the date of this prospectus, they will not, without our prior written consent, dispose of or hedge any shares or any securities convertible into or exchangeable for shares of our common stock.

In addition, we will enter into a lock-up agreement with the underwriters under which we will agree not to sell any of our capital stock for 180 days following the date of this prospectus, subject to certain exceptions including, but not limited to, our issuance of shares of common stock or certain other securities in connection with our acquisition of the securities, business, technology, property, or other assets of another person or entity or pursuant to an employee benefit plan that we assumed in connection with such acquisition, or our joint ventures, commercial relationships, and other strategic transactions, provided that each recipient executes and delivers a lock-up agreement with substantially the same restrictions to which our executive officers, directors, and certain other holders of our capital stock and securities convertible into or exchangeable for our capital stock are subject.

Rule 144

In general, Rule 144 provides that once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares of our common stock proposed to be sold for at least six months is entitled to sell those shares without complying with the manner of sale, volume limitation, or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, Rule 144 provides that our affiliates or persons selling shares of our common stock on behalf of our affiliates are entitled to sell upon expiration of the market standoff agreements and lock-up agreements described above, within any three-month period, a number of shares of our common stock that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal shares immediately after the completion of this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales of common stock made in reliance upon Rule 144 by our affiliates or persons selling shares of our common stock on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our capital stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation, or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 180 days after the date of this prospectus before selling those shares pursuant to Rule 701.
Registration Rights

Pursuant to our IRA, after the completion of this offering, the holders of up to 150,002,517 shares of our Class B common stock and 31,381,152 shares of our Class A common stock, or certain of their transferees, will be entitled to certain rights with respect to the registration of the offer and sale of those shares, as converted into an equivalent number of shares of our Class A common stock upon such offer and sale, under the Securities Act. See the section titled "Description of Capital Stock—Registration Rights" for a description of these registration rights. If the offer and sale of these shares of our Class A common stock are registered, the shares will be freely tradable without restriction under the Securities Act, subject to the Rule 144 limitations applicable to affiliates, and a large number of shares may be sold into the public market.

Registration Statement

We intend to file a registration statement on Form S-8 under the Securities Act promptly after the completion of this offering to register shares of our common stock subject to RSUs and options outstanding, as well as reserved for future issuance, under our equity compensation plans. The registration statement on Form S-8 is expected to become effective immediately upon filing, and shares of our common stock covered by the registration statement will then become eligible for sale in the public market, subject to the Rule 144 limitations applicable to affiliates, vesting restrictions, and any applicable market standoff agreements and lock-up agreements. See the section titled "Executive Compensation—Employee Benefit and Stock Plans" for a description of our equity compensation plans.
MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS
OF OUR CLASS A COMMON STOCK

The following is a summary of the material U.S. federal income tax consequences to certain non-U.S. holders (as defined below) of the ownership and disposition of our Class A common stock but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations promulgated thereunder, administrative rulings, and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those set forth below. No ruling from the Internal Revenue Service (the IRS), has been, or will be, sought with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained.

This summary does not address the tax considerations arising under the laws of any non-U.S., state, or local jurisdiction, or under U.S. federal gift and estate tax laws, except to the limited extent set forth below. In addition, this discussion does not address the application of the Medicare contribution tax on net investment income or any tax considerations applicable to a non-U.S. holder’s particular circumstances or non-U.S. holders that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions (except to the extent specifically set forth below), regulated investment companies, or real estate investment trusts;
- persons subject to the alternative minimum tax;
- tax-exempt organizations or governmental organizations;
- controlled foreign corporations, passive foreign investment companies, or corporations that accumulate earnings to avoid U.S. federal income tax;
- brokers or dealers in securities or currencies;
- traders in securities or other persons that elect to use a mark-to-market method of accounting for their holdings in our stock;
- U.S. expatriates or certain former citizens or long-term residents of the United States;
- partnerships or entities classified as partnerships for U.S. federal income tax purposes or other pass-through entities (and investors therein);
- persons who hold our Class A common stock as a position in a hedging transaction, “straddle,” “conversion transaction,” or other risk reduction transaction or integrated investment;
- persons who hold or receive our Class A common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons who do not hold our Class A common stock as a capital asset within the meaning of Section 1221 of the Code;
- persons deemed to sell our Class A common stock under the constructive sale provisions of the Code;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our Class A common stock being taken into account in an “applicable financial statement” as defined in Section 451(b) of the Code;
- persons that own, or are deemed to own, more than five percent of our Class A common stock (except to the extent specifically set forth below); or
- persons that own, or are deemed to own, our Class B common stock.
In addition, if a partnership or entity classified as a partnership for U.S. federal income tax purposes holds our Class A common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our Class A common stock, and partners in such partnerships, should consult their tax advisors.

You are urged to consult your tax advisor with respect to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences of the acquisition, ownership, and disposition of our Class A common stock arising under the U.S. federal estate or gift tax rules, under the laws of any state, local, non-U.S., or other taxing jurisdiction, or under any applicable tax treaty.

Non-U.S. Holder Defined

For purposes of this discussion, you are a non-U.S. holder if you are a holder of our common stock that is not a partnership (or entity or arrangement treated as a partnership for U.S. federal income tax purposes) and is not any of the following:

- an individual who is a citizen or resident of the United States (for U.S. federal income tax purposes);
- a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof or other entity treated as such for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more “United States persons” (within the meaning of Section 7701(a)(3) of the Code) who have the authority to control all substantial decisions of the trust or (y) which has made a valid election to be treated as a U.S. person.

Distributions

As described in the section titled “Dividend Policy,” we have never declared or paid cash dividends on our capital stock and do not anticipate paying any dividends on our capital stock in the foreseeable future. However, if we do make distributions on our Class A common stock, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce your basis in our Class A common stock, but not below zero, and then will be treated as gain from the sale of stock as described below under “—Gain on Disposition of Our Class A Common Stock.”

Except as otherwise described below in the discussions of effectively connected income (in the next paragraph), backup withholding and FATCA, any dividend paid to you generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty between the United States and your country of residence. In order to receive a reduced treaty rate, you must provide us with an IRS Form W-8BEN, IRS Form W-8BEN-E, or other appropriate version of IRS Form W-8, including any required attachments and your taxpayer identification number, certifying qualification for the reduced rate; additionally, you will be required to update such Forms and certifications from time to time as required by law. If your shares of our Class A common stock are eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by
timely filing an appropriate claim for refund with the IRS. If you hold our Class A common stock through a financial institution or other agent acting on your behalf, you will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. You should consult your tax advisor regarding their entitlement to benefits under an applicable income tax treaty.

Dividends received by you that are effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, attributable to a permanent establishment or fixed base maintained by you in the United States) are generally exempt from such withholding tax, subject to the discussions below on backup withholding and FATCA withholding. In order to obtain this exemption, you must provide us with an IRS Form W-8ECI or other applicable IRS Form W-8, including any required attachments and your taxpayer identification number; additionally, you will be required to update such forms and certifications from time to time as required by law. Such effectively connected dividends, although not subject to U.S. federal withholding tax, are includable on your U.S. income tax return and generally taxed to you at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. If you are a corporate non-U.S. holder, dividends you receive that are effectively connected with your conduct of a U.S. trade or business may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty between the United States and your country of residence. You should consult your tax advisor regarding any applicable tax treaties that may provide for different rules.

**Gain on Disposition of Our Class A Common Stock**

Except as otherwise described below in the discussion of backup withholding, you generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our Class A common stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, the gain is attributable to a permanent establishment or fixed base maintained by you in the United States);
- you are a non-resident alien individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs, and other conditions are met; or
- our Class A common stock constitutes a United States real property interest by reason of our status as a “United States real property holding corporation,” or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding your disposition of, or your holding period for, our Class A common stock, and, in the case where shares of our Class A common stock are regularly traded on an established securities market, you own, or are treated as owning, more than 5% of our Class A common stock at any time during the foregoing period.

Generally, a corporation is a “United States real property holding corporation” if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for United States federal income tax purposes). We believe that we are not currently and will not become a USRPHC for U.S. federal income tax purposes, and the remainder of this discussion assumes this is the case. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our Class A common stock is regularly traded on an established securities market, such Class A common stock will be treated as U.S. real
property interests only if you actually or constructively hold more than 5% of such regularly traded Class A common stock at any time during the shorter of the five-year period preceding your disposition of, or your holding period for, our Class A common stock. No assurance can be provided that our Class A common stock will be regularly traded on an established securities market at all times for purposes of the rules described above.

If you are a non-U.S. holder described in the first bullet above, you will generally be required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates (and a corporate non-U.S. holder described in the first bullet above also may be subject to the branch profits tax at a 30% rate), unless otherwise provided by an applicable income tax treaty between the United States and your country of residence. If you are a non-U.S. holder described in the second bullet above, you will generally be required to pay a flat 30% tax (or such lower rate specified by an applicable income tax treaty between the United States and your country of residence) on the gain derived from the sale, which gain may be offset by certain U.S. source capital losses (provided you have timely filed U.S. federal income tax returns with respect to such losses). You should consult your tax advisor with respect to whether any applicable income tax or other treaties may provide for different rules.

Federal Estate Tax

Our Class A common stock beneficially owned by an individual who is not a citizen or resident of the United States (as defined for U.S. federal estate tax purposes) at the time of their death will generally be includable in the decedent’s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise. You should consult your tax advisor regarding the U.S. federal estate tax consequences of the ownership or disposition of our Class A common stock.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of dividends paid to you, your name and address, and the amount of tax withheld, if any. A similar report will be sent to you. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in your country of residence.

Payments of dividends or of proceeds on the disposition of stock made to you may be subject to information reporting and backup withholding at a current rate of 24% unless you establish an exemption, for example, by properly certifying your non-U.S. status on an IRS Form W-8BEN, IRS Form W-8BEN-E, or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that you are a United States person as defined under the Code.

Backup withholding is not an additional tax; rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

FATCA

The Foreign Account Tax Compliance Act and the rules and regulations promulgated thereunder (collectively, FATCA), generally impose a U.S. federal withholding tax of 30% on dividends on and gross proceeds from the sale or other disposition of our Class A common stock paid to a "foreign
financial institution” (as specially defined under these rules), unless such institution enters into an agreement with the U.S. government to
withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding the U.S. account holders
of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign
entities with U.S. owners) or otherwise establishes an exemption. FATCA also generally imposes a U.S. federal withholding tax of 30% on
dividends on and gross proceeds from the sale or other disposition of our Class A common stock paid to a “non-financial foreign entity” (as
specially defined under these rules) unless such entity provides the withholding agent with a certification identifying certain substantial direct
and indirect U.S. owners of the entity, certifies that there are none, or otherwise establishes and certifies to an exemption. The withholding
provisions under FATCA generally apply to dividends on our Class A common stock. The Treasury Secretary has issued proposed
regulations providing that the withholding provisions under FATCA do not apply with respect to payment of gross proceeds from a sale or
other disposition of our Class A common stock, which may be relied upon by taxpayers until final regulations are issued. An intergovernmental
agreement between the United States and your country of tax residence may modify the requirements described in this paragraph. If a
dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under “—Distributions,” the
withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. Non-U.S. holders should consult their
own tax advisors regarding the possible implications of FATCA on their investment in our Class A common stock.

Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state, and local, and non-U.S. tax
consequences of purchasing, holding, and disposing of our common stock, including the consequences of any proposed change
in applicable laws.
UNDERWRITING

We and the underwriters named below have entered into an underwriting agreement with respect to the shares of Class A common stock being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares of Class A common stock indicated in the following table. Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and J.P. Morgan Securities LLC are the representatives of the underwriters.

<table>
<thead>
<tr>
<th>Underwriters</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goldman Sachs &amp; Co. LLC</td>
<td></td>
</tr>
<tr>
<td>Morgan Stanley &amp; Co. LLC</td>
<td></td>
</tr>
<tr>
<td>J.P. Morgan Securities LLC</td>
<td></td>
</tr>
<tr>
<td>Jefferies LLC</td>
<td></td>
</tr>
<tr>
<td>Wells Fargo Securities, LLC</td>
<td></td>
</tr>
<tr>
<td>RBC Capital Markets, LLC</td>
<td></td>
</tr>
<tr>
<td>JMP Securities LLC</td>
<td></td>
</tr>
<tr>
<td>Evercore Group L.L.C.</td>
<td></td>
</tr>
<tr>
<td>Needham &amp; Company, LLC</td>
<td></td>
</tr>
<tr>
<td>Oppenheimer &amp; Co. Inc.</td>
<td></td>
</tr>
<tr>
<td>BTIG, LLC</td>
<td></td>
</tr>
<tr>
<td>SunTrust Robinson Humphrey, Inc.</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until such option is exercised.

The underwriters have an option to buy up to an additional shares of Class A common stock from us to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase an additional shares of Class A common stock.

<table>
<thead>
<tr>
<th>Per share</th>
<th>No Exercise</th>
<th>Full Exercise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Shares of Class A common stock sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to per share from the initial public offering price. After the initial offering of the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part. Sales of shares made outside of the United States may be made by affiliates of the underwriters.

Our officers, directors, and the holders of substantially all the shares of our capital stock and securities convertible into or exchangeable for our capital stock have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into
or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the
date of this prospectus, except with the prior written consent of Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and J.P. Morgan
Securities LLC; provided that if (i) at least 120 days have elapsed since the date of this prospectus, (ii) we have publicly released our earnings
results for the fiscal year ended December 31, 2019, and (iii) the lock-up period is scheduled to end during a broadly applicable period during
which trading in our securities would not be permitted under our insider trading policy (a blackout period), or within five trading days prior to a
blackout period, the lock-up period will end 10 trading days prior to the commencement of such blackout period. This agreement does not
apply to any existing employee benefit plans. See the section titled “Shares Eligible for Future Sale” for a discussion of certain transfer
restrictions.

Prior to the offering, there has been no public market for our Class A common stock. The initial public offering price will be negotiated among
us and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to
prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of
our management, and the consideration of the above factors in relation to market valuation of companies in related businesses.

We have applied to list our Class A common stock on the NYSE under the symbol "NET."

In connection with the offering, the underwriters may purchase and sell shares of our Class A common stock in the open market. These
transactions may include short sales, stabilizing transactions, and purchases to cover positions created by short sales. Short sales involve the
sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the
amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater
than the amount of additional shares for which the underwriters’ option described above may be exercised. The underwriters may cover any
covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining
the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for
purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above.
"Naked" short sales are any short sales that create a short position greater than the amount of additional shares for which the option
described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A
naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the
common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions
consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the
underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in
stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may
have the effect of preventing or retarding a decline in the market price of our Class A common stock, and together with the imposition of the
penalty bid, may stabilize, maintain, or otherwise affect the market price of the common stock. As a result, the price of the common stock may
be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may
end any of these activities at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.
We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

**Other Relationships**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage, and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color, or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

**Selling Restrictions**

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

**European Economic Area**

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (a Relevant Member State), an offer to the public of our common shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member

195
State of our Class A common stock may be made at any time under the following exemptions under the Prospectus Directive:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives for any such offer; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression “offer to the public” in relation to our Class A common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and our common shares to be offered so as to enable an investor to decide to purchase our common shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended), including by Directive 2010/73/EU, and includes any relevant implementing measure in the Relevant Member State.

This European Economic Area selling restriction is in addition to any other selling restrictions set out below.

**United Kingdom**

In the United Kingdom, this prospectus is only addressed to and directed as qualified investors who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order); or (ii) high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Any investment or investment activity to which this prospectus relates is available only to relevant persons and will only be engaged with relevant persons. Any person who is not a relevant person should not act or relay on this prospectus or any of its contents.

**Canada**

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption form, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory of these rights or consult with a legal advisor.
Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

**Hong Kong**

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (Companies (Winding Up and Miscellaneous Provisions) Ordinance) or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (Securities and Futures Ordinance), or (ii) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

**Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for 6 months after that corporation has acquired the shares under Section 275 of the SFA except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (ii) where such transfer arises from an offer in that corporation’s securities pursuant to Section 275(1A) of the SFA, (iii) where no consideration is or will be given for the transfer, (iv) where the transfer is by operation of law, (v) as specified in Section 276(7) of the SFA, or (vi) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (Regulation 32).

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor,
the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that trust has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

**Japan**

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the FIEA). The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.
LEGAL MATTERS

Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California, which has acted as our counsel in connection with this offering, will pass upon the validity of the shares of our Class A common stock being offered by this prospectus. The underwriters have been represented by Fenwick & West LLP, Mountain View, California.

EXPERTS

The consolidated financial statements of Cloudflare, Inc. at December 31, 2017 and 2018, and for each of the years in the three-year period ended December 31, 2018, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our Class A common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our Class A common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document is not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. You may obtain copies of this information from an SEC maintained Internet website that contains reports, proxy statements, and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements, and other information with the SEC. These periodic reports, proxy statements, and other information will be available for inspection and copying at the SEC’s website referred to above. We also maintain a website at www.cloudflare.com. Upon completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.
CLOUDFLARE, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Comprehensive Loss
Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

F-1
Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Cloudflare, Inc.:

Opinion on the Consolidated Financial Statements
We have audited the accompanying consolidated balance sheets of Cloudflare, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2018, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders’ deficit, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion
These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company’s auditor since 2014.

Santa Clara, California
May 24, 2019
# CLOUDFLARE, INC.

## CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th>December 31, 2018</th>
<th>June 30, 2019 (Unaudited) Pro Forma June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$24,444</td>
<td>$25,055</td>
<td>$42,394</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>48,963</td>
<td>135,602</td>
<td>82,294</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>11,476</td>
<td>25,155</td>
<td>29,926</td>
</tr>
<tr>
<td>Contract assets</td>
<td>3,710</td>
<td>1,552</td>
<td>1,705</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>3,431</td>
<td>9,373</td>
<td>9,687</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$92,024</td>
<td>$196,737</td>
<td>$166,006</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>51,423</td>
<td>73,210</td>
<td>84,640</td>
</tr>
<tr>
<td>Goodwill</td>
<td>4,083</td>
<td>4,083</td>
<td>4,083</td>
</tr>
<tr>
<td>Acquired intangible assets, net</td>
<td>673</td>
<td>156</td>
<td>94</td>
</tr>
<tr>
<td>Deferred contract acquisition costs, noncurrent</td>
<td>10,765</td>
<td>15,940</td>
<td>19,482</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>2,437</td>
<td>6,371</td>
<td>6,371</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>1,738</td>
<td>1,883</td>
<td>6,183</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$163,143</td>
<td>$298,380</td>
<td>$286,859</td>
</tr>
<tr>
<td><strong>Liabilities, Redeemable Convertible Preferred Stock and Stockholders’ (Deficit) Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$4,725</td>
<td>$14,285</td>
<td>$17,128</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>8,893</td>
<td>15,699</td>
<td>18,577</td>
</tr>
<tr>
<td>Note payable, current portion</td>
<td>396</td>
<td>255</td>
<td>74</td>
</tr>
<tr>
<td>Liability for early exercise of unvested stock options</td>
<td>1,262</td>
<td>14,323</td>
<td>14,952</td>
</tr>
<tr>
<td>Deferred contract acquisition costs, noncurrent</td>
<td>11,927</td>
<td>16,817</td>
<td>28,757</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$27,163</td>
<td>$61,379</td>
<td>$77,488</td>
</tr>
<tr>
<td>Note payable, net of current portion</td>
<td>255</td>
<td></td>
<td>1,007</td>
</tr>
<tr>
<td>Build-to-suit lease financing obligation</td>
<td>10,313</td>
<td>10,443</td>
<td>10,490</td>
</tr>
<tr>
<td>Deferred revenue, noncurrent</td>
<td>207</td>
<td>220</td>
<td>1,007</td>
</tr>
<tr>
<td>Redeemable convertible preferred stock warrant liability</td>
<td>398</td>
<td>1,618</td>
<td>1,945</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>3,095</td>
<td>6,704</td>
<td>9,843</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$41,431</td>
<td>80,364</td>
<td>100,773</td>
</tr>
<tr>
<td>Commitments and contingencies (Note 7)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Redeemable Convertible Preferred Stock</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemable convertible preferred stock; $0.001 par value; 152,199, 168,108, and 168,108 shares authorized as of December 31, 2017, December 31, 2018, and June 30, 2019 (unaudited), respectively; 152,022, 165,658, and 165,658 shares issued and outstanding with aggregate liquidation preference of $180,737, $332,041, and $332,041 as of December 31, 2017, December 31, 2018, and June 30, 2019 (unaudited), respectively; 168,108 shares authorized, no shares issued and outstanding as of June 30, 2019, pro forma (unaudited)</td>
<td>$181,546</td>
<td>$331,521</td>
<td>$331,521</td>
</tr>
<tr>
<td><strong>Stockholders’ (Deficit) Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock; $0.001 par value; 760,000, 850,000, and 850,000 shares authorized as of December 31, 2017, December 31, 2018, and June 30, 2019 (unaudited), respectively; 79,116, 91,542, and 92,668 shares issued and outstanding as of December 31, 2017, December 31, 2018, and June 30, 2019 (unaudited), respectively; 850,000 shares authorized, 256,344 shares issued and outstanding as of June 30, 2019, pro forma (unaudited)</td>
<td>79</td>
<td>85</td>
<td>86</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>48,907</td>
<td>82,345</td>
<td>87,111</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(108,714)</td>
<td>(195,878)</td>
<td>(232,696)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income (loss)</td>
<td>(106)</td>
<td>(57)</td>
<td>86</td>
</tr>
<tr>
<td><strong>Total stockholders’ (deficit) equity</strong></td>
<td>(59,834)</td>
<td>(113,505)</td>
<td>(145,435)</td>
</tr>
<tr>
<td><strong>Total liabilities, redeemable convertible preferred stock and stockholders’ (deficit) equity</strong></td>
<td>$163,143</td>
<td>$298,380</td>
<td>$286,859</td>
</tr>
</tbody>
</table>

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

F-3
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$84,791</td>
<td>$134,915</td>
<td>$192,674</td>
<td>$87,105</td>
<td>$129,151</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>23,962</td>
<td>28,788</td>
<td>43,537</td>
<td>19,372</td>
<td>29,192</td>
</tr>
<tr>
<td>Gross profit</td>
<td>60,829</td>
<td>106,127</td>
<td>149,137</td>
<td>67,733</td>
<td>99,959</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>40,122</td>
<td>61,899</td>
<td>94,394</td>
<td>41,744</td>
<td>66,653</td>
</tr>
<tr>
<td>Research and development</td>
<td>23,663</td>
<td>33,650</td>
<td>54,463</td>
<td>24,286</td>
<td>36,517</td>
</tr>
<tr>
<td>General and administrative</td>
<td>14,073</td>
<td>20,308</td>
<td>85,179</td>
<td>33,041</td>
<td>33,707</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>77,858</td>
<td>115,857</td>
<td>234,036</td>
<td>99,071</td>
<td>136,877</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(17,029)</td>
<td>(9,730)</td>
<td>(84,899)</td>
<td>(31,338)</td>
<td>(36,918)</td>
</tr>
<tr>
<td>Non-operating income (expense):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>626</td>
<td>762</td>
<td>1,895</td>
<td>460</td>
<td>1,743</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(654)</td>
<td>(862)</td>
<td>(992)</td>
<td>(475)</td>
<td>(563)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>(208)</td>
<td>115</td>
<td>(2,091)</td>
<td>(663)</td>
<td>(379)</td>
</tr>
<tr>
<td>Total non-operating income (expense), net</td>
<td>(236)</td>
<td>15</td>
<td>(1,188)</td>
<td>(678)</td>
<td>801</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(17,265)</td>
<td>(9,715)</td>
<td>(86,087)</td>
<td>(32,016)</td>
<td>(36,117)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>69</td>
<td>1,033</td>
<td>1,077</td>
<td>472</td>
<td>703</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(17,334)</td>
<td>$(10,748)</td>
<td>$(87,164)</td>
<td>$(32,488)</td>
<td>$(36,820)</td>
</tr>
<tr>
<td>Net loss per share attributable to common stockholders, basic and diluted</td>
<td>$(0.23)</td>
<td>$(0.14)</td>
<td>$(1.08)</td>
<td>$(0.41)</td>
<td>$(0.43)</td>
</tr>
<tr>
<td>Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted</td>
<td>75,721</td>
<td>77,147</td>
<td>80,981</td>
<td>78,828</td>
<td>85,382</td>
</tr>
<tr>
<td>Pro forma net loss per share, basic and diluted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted-average shares used in computing pro forma net loss per share, basic and diluted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
CLOUDFLARE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th></th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(17,334)</td>
<td>$(10,748)</td>
<td>$(87,164)</td>
</tr>
<tr>
<td>Other comprehensive income (loss):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in unrealized gain (loss) on investments, net of tax</td>
<td>55</td>
<td>(17)</td>
<td>49</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive loss</td>
<td>$(17,279)</td>
<td>$(10,765)</td>
<td>$(87,115)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
## CLOUDFLARE, INC.

### CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS’ DEFICIT

(in thousands)

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
<th>Additional paid-in capital</th>
<th>Accumulated deficit</th>
<th>Accumulated other comprehensive income (loss)</th>
<th>Total stockholders’ deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of December 31, 2015</strong></td>
<td>152,022</td>
<td>$181,546</td>
<td>75,562</td>
<td>$76</td>
<td>$37,741</td>
<td>$(80,632)</td>
<td>$$(144)</td>
</tr>
<tr>
<td>Redeemable convertible preferred stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options</td>
<td>—</td>
<td>—</td>
<td>974</td>
<td>1</td>
<td>832</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock in connection with acquisition</td>
<td>—</td>
<td>—</td>
<td>76</td>
<td>—</td>
<td>124</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Repurchases of unvested common stock</td>
<td>—</td>
<td>—</td>
<td>(33)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock related to early exercised stock options</td>
<td>—</td>
<td>—</td>
<td>14</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Vesting of early exercised stock options</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>143</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,748</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>55</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2016</strong></td>
<td>152,022</td>
<td>181,546</td>
<td>76,593</td>
<td>77</td>
<td>44,588</td>
<td>$(97,966)</td>
<td>$(89)</td>
</tr>
<tr>
<td>Redeemable convertible preferred stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options</td>
<td>—</td>
<td>—</td>
<td>1,461</td>
<td>2</td>
<td>1,053</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Repurchases of unvested common stock</td>
<td>—</td>
<td>—</td>
<td>(11)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock related to early exercised stock options</td>
<td>—</td>
<td>—</td>
<td>997</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Vesting of early exercised stock options</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>455</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Vesting of restricted stock</td>
<td>—</td>
<td>—</td>
<td>76</td>
<td>—</td>
<td>5</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,806</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>55</td>
</tr>
<tr>
<td>Redeemable convertible preferred stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of Series D redeemable convertible preferred stock, net of issuance costs of $25</td>
<td>13,636</td>
<td>149,975</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options</td>
<td>—</td>
<td>—</td>
<td>5,481</td>
<td>6</td>
<td>4,406</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Repurchases of unvested common stock</td>
<td>—</td>
<td>—</td>
<td>(36)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock related to early exercised stock options</td>
<td>—</td>
<td>—</td>
<td>6,906</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Vesting of early exercised stock options</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,415</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Vesting of restricted stock</td>
<td>—</td>
<td>—</td>
<td>75</td>
<td>—</td>
<td>3</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>27,614</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(87,164)</td>
<td>—</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>49</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2018</strong></td>
<td>165,658</td>
<td>331,521</td>
<td>91,542</td>
<td>85</td>
<td>82,345</td>
<td>$(195,879)</td>
<td>$(57)</td>
</tr>
</tbody>
</table>

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

F-6
# CLOUDFLARE, INC.

## CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT—CONTINUED

(continues)

<table>
<thead>
<tr>
<th>Redeemable convertible preferred stock</th>
<th>Common stock</th>
<th>Additional paid-in capital</th>
<th>Accumulated deficit</th>
<th>Accumulated other comprehensive income (loss)</th>
<th>Total stockholders’ deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2018 (unaudited)</strong></td>
<td>152,022</td>
<td>$181,546</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Issuance of common stock upon exercise of stock options (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>185</td>
<td>—</td>
<td>242</td>
</tr>
<tr>
<td><strong>Repurchases of unvested common stock (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>(7)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Issuance of common stock related to early exercised stock options (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>661</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Vesting of early exercised stock options (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>198</td>
</tr>
<tr>
<td><strong>Stock-based compensation (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,126</td>
</tr>
<tr>
<td><strong>Net loss (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Other comprehensive income (loss) (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance as of June 30, 2018 (unaudited)</strong></td>
<td>152,022</td>
<td>$181,546</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Redeemable convertible preferred stock</th>
<th>Common stock</th>
<th>Additional paid-in capital</th>
<th>Accumulated deficit</th>
<th>Accumulated other comprehensive income (loss)</th>
<th>Total stockholders’ deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2019 (unaudited)</strong></td>
<td>165,658</td>
<td>$331,521</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Issuance of common stock upon exercise of stock options (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>235</td>
<td>1</td>
<td>385</td>
</tr>
<tr>
<td><strong>Repurchases of unvested common stock (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>(31)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Issuance of common stock related to early exercised stock options (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>189</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Vesting of early exercised stock options (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>942</td>
</tr>
<tr>
<td><strong>Stock-based compensation (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,116</td>
</tr>
<tr>
<td><strong>Net loss (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Other comprehensive income (loss) (unaudited)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance as of June 30, 2019 (unaudited)</strong></td>
<td>165,658</td>
<td>$331,521</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

F-7
CLOUDFLARE, INC.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT—
CONTINUED
(in thousands)

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
<th>Additional paid-in capital</th>
<th>Accumulated deficit</th>
<th>Accumulated other comprehensive income (loss)</th>
<th>Total stockholders' deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance of common stock upon exercise of stock options (unaudited)</td>
<td>—</td>
<td>—</td>
<td>555</td>
<td>—</td>
<td>596</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Repurchases of unvested common stock (unaudited)</td>
<td>—</td>
<td>—</td>
<td>(24)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock related to early exercised stock options (unaudited)</td>
<td>—</td>
<td>—</td>
<td>1,232</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Vesting of early exercised stock options (unaudited)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>366</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation (unaudited)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,947</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other comprehensive income (loss) (unaudited)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>42</td>
</tr>
<tr>
<td>Balance as of June 30, 2018 (unaudited)</td>
<td>152,022</td>
<td>$ 181,546</td>
<td>80,879</td>
<td>$ 79</td>
<td>$ 51,816</td>
<td>(141,202)</td>
<td>$ (64)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
<th>Additional paid-in capital</th>
<th>Accumulated deficit</th>
<th>Accumulated other comprehensive income (loss)</th>
<th>Total stockholders' deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of December 31, 2018</td>
<td>165,658</td>
<td>$ 331,521</td>
<td>91,542</td>
<td>$ 85</td>
<td>$ 82,345</td>
<td>(195,878)</td>
<td>$ (57)</td>
</tr>
<tr>
<td>Issuance of common stock in connection with acquisition (unaudited)</td>
<td>—</td>
<td>—</td>
<td>7</td>
<td>—</td>
<td>18</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock upon exercise of stock options (unaudited)</td>
<td>—</td>
<td>—</td>
<td>581</td>
<td>1</td>
<td>1,066</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Repurchases of unvested common stock (unaudited)</td>
<td>—</td>
<td>—</td>
<td>(40)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock related to early exercised stock options (unaudited)</td>
<td>—</td>
<td>—</td>
<td>596</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Vesting of early exercised stock options (unaudited)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,438</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation (unaudited)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,444</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net loss (unaudited)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(36,820)</td>
<td>—</td>
</tr>
<tr>
<td>Other comprehensive income (loss) (unaudited)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>123</td>
<td>—</td>
</tr>
<tr>
<td>Balance as of June 30, 2019 (unaudited)</td>
<td>165,658</td>
<td>$ 331,521</td>
<td>92,686</td>
<td>$ 86</td>
<td>$ 87,111</td>
<td>(232,698)</td>
<td>$ 66</td>
</tr>
</tbody>
</table>

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

F-8
### Table of Contents

CLOUDFLARE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Cash Flows From Operating Activities</td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(17,334)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to cash provided by (used in) operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>8,355</td>
</tr>
<tr>
<td>Amortization of deferred contract acquisition costs</td>
<td>1,602</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>5,700</td>
</tr>
<tr>
<td>Net accretion of discounts and amortization of premiums on marketable securities</td>
<td>662</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(530)</td>
</tr>
<tr>
<td>Provision for bad debt</td>
<td>—</td>
</tr>
<tr>
<td>Change in fair value of redeemable convertible preferred stock warrant liability</td>
<td>(30)</td>
</tr>
<tr>
<td>Other</td>
<td>9</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities, net of effect of acquisitions:</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>(6,680)</td>
</tr>
<tr>
<td>Contract assets</td>
<td>(635)</td>
</tr>
<tr>
<td>Deferred contract acquisition costs</td>
<td>(5,011)</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>(784)</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>(194)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1,247</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>2,765</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(3,020)</td>
</tr>
<tr>
<td>Liability for early exercise of unvested stock options</td>
<td>1</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>559</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td><strong>(13,318)</strong></td>
</tr>
<tr>
<td>Cash Flows From Investing Activities</td>
<td></td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(15,898)</td>
</tr>
<tr>
<td>Capitalized internal-use software</td>
<td>(2,660)</td>
</tr>
<tr>
<td>Cash paid for acquisitions, net of cash acquired</td>
<td>(1,376)</td>
</tr>
<tr>
<td>Purchases of marketable securities</td>
<td>(74,891)</td>
</tr>
<tr>
<td>Sales of marketable securities</td>
<td>1,301</td>
</tr>
<tr>
<td>Maturities of marketable securities</td>
<td>78,260</td>
</tr>
<tr>
<td>Other investing activities</td>
<td>8</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td><strong>(15,256)</strong></td>
</tr>
<tr>
<td>Cash Flows From Financing Activities</td>
<td></td>
</tr>
<tr>
<td>Proceeds from issuance of preferred stock, net of issuance costs</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from the exercise of stock options</td>
<td>833</td>
</tr>
<tr>
<td>Proceeds from the early exercise of stock options</td>
<td>24</td>
</tr>
<tr>
<td>Repurchases of unvested common stock</td>
<td>(20)</td>
</tr>
<tr>
<td>Payments on note payable</td>
<td>(507)</td>
</tr>
<tr>
<td>Payments on related party promissory note payable</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from build-to-suit lease financing obligation drawdown</td>
<td>88</td>
</tr>
<tr>
<td>Payments of deferred offering costs</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td><strong>418</strong></td>
</tr>
<tr>
<td>Net increase (decrease) in cash, cash equivalents, and restricted cash</td>
<td>(28,156)</td>
</tr>
<tr>
<td>Cash, cash equivalents, and restricted cash, beginning of period</td>
<td>42,475</td>
</tr>
<tr>
<td><strong>Cash, cash equivalents, and restricted cash, end of period</strong></td>
<td><strong>$14,319</strong></td>
</tr>
</tbody>
</table>

**Supplemental Disclosure of Cash Flow Information:**

- Cash paid for interest: $636 million
- Cash paid for taxes: $4 million

**Supplemental Disclosure of Non-cash Investing and Financing Activities:**

- Issuance of common stock related to acquisitions: $124 million
- Stock-based compensation capitalized for software development: $47 million
- Net change in accounts payable and accrued expenses related to property and equipment: $2,032 million
- Vesting of early exercised stock options: $143 million
- Construction in progress related to build-to-suit lease financing obligation: $42 million

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

F-9
Note 1. Organization

Organization and Description of Business

Cloudflare, Inc. (the Company, or Cloudflare) was incorporated in Delaware in July 2009. The Company has built a global cloud platform that delivers a broad range of network services to businesses of all sizes and geographies, making them more secure, enhancing the performance of their business-critical applications, and eliminating the cost and complexity of managing individual network hardware. Cloudflare provides businesses a scalable, easy-to-use, unified control plane to deliver security, performance, and reliability across their on-premise, hybrid, cloud, and SaaS applications. The Company’s headquarters are located in San Francisco, California.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP) and include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The Company’s fiscal year ends on December 31.

Unaudited Interim Consolidated Financial Information

The accompanying interim consolidated balance sheet as of June 30, 2019 and the consolidated statements of operations, of comprehensive loss, and of cash flows for the six months ended June 30, 2018 and 2019, the consolidated statement of redeemable convertible preferred stock and stockholders’ deficit for the six months ended June 30, 2019, and the related footnote disclosures are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP. In management’s opinion, the unaudited interim consolidated financial statements include all adjustments necessary to state fairly the Company’s financial position as of June 30, 2019 and its results of operations and cash flows for the six months ended June 30, 2018 and 2019. The financial data and the other information disclosed in these notes to the consolidated financial statements related to these six-month periods are unaudited. The results for the six months ended June 30, 2019 are not necessarily indicative of the results expected for the full year ending December 31, 2019 or any future period.

Unaudited Pro Forma Balance Sheet Information

Immediately prior to the completion of a qualifying initial public offering, as described in Note 8, (i) all outstanding redeemable convertible preferred stock other than Series D redeemable convertible preferred stock will automatically convert into shares of Class B common stock, and (ii) all shares of Series D redeemable convertible preferred stock will automatically convert into shares of Class A common stock. The unaudited pro forma balance sheet information gives effect to the conversion of the redeemable convertible preferred stock into 31,381,152 shares of Class A common stock and 134,276,690 shares of Class B common stock as of June 30, 2019. Additionally, as described in “Stock-based Compensation” below, the Company has granted qualified event options (QE Options) and restricted stock units (QE RSUs) to employees and contractors which vest on the satisfaction of both a service-based condition and a performance condition. For QE Options, the performance condition will be satisfied upon the occurrence of a qualifying event as follows: (i) the Company’s equity
securities are listed for sale on a public stock exchange, (ii) the closing of a change in control as defined in the Company’s 2010 Equity Incentive Plan (the 2010 Plan), or (iii) an event occurs that the Company’s board of directors in its sole discretion deems to be a qualifying event. For QE Options, the service-based condition is satisfied by rendering service from the date of grant through the qualified event, as well as a four year vesting period commencing with the qualified event. For QE RSUs, the performance condition will be satisfied upon the occurrence of a qualifying event as follows: (i) the closing of a change in control as defined in the 2010 Plan, or (ii) the effective date of a registration statement of the Company filed under the Securities Act of 1933, as amended (Securities Act) for the first underwritten public sale of its common stock. The QE RSUs have a service-based vesting condition typically satisfied over a four year vesting period. The Company expects to record stock-based compensation expense in connection with its initial public offering (IPO), related to the QE Options for the service period rendered from the date of grant through the equity securities listing date and for the QE RSUs that vest in connection with the IPO. Accordingly, the unaudited pro forma balance sheet information as of June 30, 2019 gives effect to stock-based compensation expense of $14.7 million associated with these QE Options and QE RSUs, for the QE Options service period rendered from the date of grant through June 30, 2019 and for the QE RSUs for which the service-based condition was satisfied as of June 30, 2019. This pro forma adjustment related to stock-based compensation expense of $14.7 million has been reflected as an increase to additional paid-in capital and accumulated deficit. No RSUs have been included in the unaudited pro forma balance sheet disclosure of shares outstanding as the settlement of these shares will take place subsequent to the IPO. Payroll tax expenses and other withholding obligations have not been included in the pro forma adjustments. RSU holders will generally incur taxable income based upon the value of the shares on the date they are settled. The Company is required to withhold taxes on such value at applicable minimum statutory rates. The Company is unable to quantify these obligations as of June 30, 2019 and will remain unable to quantify them until the settlement of the RSUs, as the withholding obligations will be based on the value of the shares on the settlement date.

Unaudited Pro Forma Net Loss per Share

The unaudited pro forma net loss per share attributable to common stockholders for the year ended December 31, 2018 and the six months ended June 30, 2019 has been computed to give effect to the automatic conversion of all outstanding redeemable convertible preferred stock into shares of Class B common stock other than Series D redeemable convertible preferred stock which automatically converts into shares of Class A common stock immediately prior to the completion of a qualifying initial public offering using the if converted method as though the conversion had occurred as of the beginning of the period or the original date of issuance, if later. The liquidation and dividend rights are identical among Class A and Class B common stock, and all classes of common stock share equally in the Company’s earnings and losses. Accordingly, net loss has been reallocated to Class A and Class B common stock on a proportional basis.

In addition, the pro forma share amounts include the QE RSUs granted to employees with both service-based and performance vesting conditions, for which the service-based condition was satisfied as of June 30, 2019. These RSUs will vest upon the satisfaction of the performance condition in connection with the IPO. Stock-based compensation expense associated with the QE Options and QE RSUs is excluded from this pro forma presentation. If the qualifying initial public offering had occurred on December 31, 2018 or June 30, 2019, the Company would have recorded $6.1 million or $14.7 million, respectively, of stock-based compensation expense related to these QE Options and QE RSUs.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in
the consolidated financial statements and accompanying notes to the consolidated financial statements. Such estimates include, but are not limited to, deferred contract acquisitions costs, the period of benefit generated from the Company’s deferred contract acquisition costs, the capitalization and estimated useful life of internal-use software, the assessment of recoverability of intangible assets and their estimated useful lives, useful lives of property and equipment, the valuation and recognition of stock-based compensation expense, uncertain tax positions, and the recognition and measurement of current and deferred income tax assets and liabilities. Management bases these estimates and assumptions on historical experience and on various other assumptions that are believed to be reasonable. Actual results could differ materially from these estimates.

Concentrations of Risks

The Company’s revenue is reliant on its customers utilizing Internet-based services. These services can be prone to rapid changes in technology and government regulation. If the Company were unable to keep pace with customers’ needs and continue to improve its technological capabilities, or if another firm were to introduce competitive products, or a government jurisdiction were to enact legislation detrimental to the Company’s business, such an event or events could adversely affect the Company’s operating results.

The Company serves its customers from co-location facilities located in various cities and countries around the world. The Company has internal procedures to restore services in the event of disasters at its current co-location facilities. Even with these procedures for disaster recovery in place, the Company’s services could be significantly interrupted during the implementation of restoration procedures.

The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents, marketable securities, and accounts receivable. Although the Company maintains cash deposits, cash equivalent balances, and marketable securities with multiple financial institutions, the deposits, at times, may exceed federally insured limits. Cash and cash equivalents may be withdrawn or redeemed on demand. The Company believes that the financial institutions that hold its cash and cash equivalents are financially sound and, accordingly, minimal credit risk exists with respect to these balances. The Company also maintains investments in U.S. treasury securities, U.S. government agency securities, commercial paper, and corporate bonds that carry high credit ratings and accordingly, minimal credit risk exists with respect to these balances. Cash equivalents consist of money market funds, commercial paper, and corporate bonds which are invested through financial institutions in the United States.

The Company’s accounts receivable are derived from net revenue to customers located throughout the world. The Company grants credit to its customers in the normal course of business.

For the year ended December 31, 2016, one customer accounted for 11% of total revenue. For the years ended December 31, 2017 and 2018, no customer accounted for more than 10% of the Company’s revenue. For the six months ended June 30, 2018 and 2019 (unaudited), no customer accounted for more than 10% of the Company’s revenue. No customer represented 10% or more of accounts receivable, net as of December 31, 2017 and 2018, and June 30, 2019 (unaudited).

Revenue Recognition

The Company elected to early adopt Accounting Standards Codification (ASC) Topic 606, Revenue From Contracts With Customers (ASC 606), effective as of January 1, 2017, retrospectively to the earliest year presented. Under this transition method, the Company is presenting the consolidated financial statements for the year ended December 31, 2016, as if ASC 606 had been effective for that period.
In accordance with ASC 606, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to receive in exchange for these services. To achieve this standard, the Company applies the following five steps:

1. **Identify the contract with a customer**

   The Company considers the terms and conditions of the contracts and its customary business practices in identifying its contracts under ASC 606. The Company determines it has a contract with a customer when the contract is approved, the Company can identify each party's rights regarding the services to be transferred, the Company can identify the payment terms, the Company has determined that collectibility is probable, and the contract has commercial substance. The Company applies judgment in determining that collectibility is probable, which is based on a variety of factors, including the customer’s historical payment experience or, in the case of a new customer, credit and financial information relevant to the customer.

2. **Identify the performance obligations in the contract**

   Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available to the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. The Company’s performance obligation primarily consists of subscription and support services, as they are provided over the same service period.

3. **Determine the transaction price**

   The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring services to the customer. Usage based variable consideration is recognized in the period it is incurred. None of the Company’s contracts contain a significant financing component.

4. **Allocate the transaction price to performance obligations in the contract**

   The subscription and support services in the Company’s contracts are considered a single performance obligation, and thus the entire transaction price is allocated to the single performance obligation.

5. **Recognize revenue when or as the Company satisfies a performance obligation**

   Revenue is recognized at the time the related performance obligation is satisfied by transferring the service to a customer. Revenue is recognized when control of the services is transferred to the Company’s customers, in an amount that reflects the consideration that the Company expects to be entitled to receive in exchange for those services.

The Company generates sales directly through its sales team and through its channel partners. Revenue from sales to channel partners are recorded once all the revenue recognition criteria above are met. Channel partners generally receive an order from an end-customer prior to placing an order with the Company. Payment from channel partners is not contingent on the partner’s collection from end-customers. The Company has determined that it is acting as an agent in these arrangements and records this revenue on a net basis.
Subscription and Support Revenue

The Company generates revenue primarily from sales to its customers of subscriptions to access its platform, together with related support services. Arrangements with customers generally do not provide the customer with the right to take possession of the Company’s software operating its global cloud platform at any time. Instead, customers are granted continuous access to the Company’s global cloud platform over the contractual period. Access to the Company’s platform and products is considered a monthly series comprising one performance obligation. A time-elapsed output method is used to measure progress because the Company transfers control evenly over the contractual period. Accordingly, the fixed consideration related to subscription and support revenue is generally recognized on a straight-line basis over the contract term beginning on the date that the Company’s service is made available to the customer. Usage-based consideration is primarily related to fees charged for the Company's customer’s use of excess bandwidth when accessing the Company’s platform in a given period and is recognized as revenue in the period in which the usage occurs.

The typical subscription and support term for the Company’s enterprise customers is one year and subscription and support term lengths range from one to three years. Most of the Company’s contracts with enterprise customers are non-cancelable over the contractual term. Customers typically have the right to terminate their contracts for cause if the Company fails to perform in accordance with the contractual terms. For the Company’s self-serve customers, subscription and support terms are typically monthly.

Variable Consideration

If the Company’s services do not meet certain service level commitments, its customers are entitled to receive service credits, and in certain cases, refunds, each representing a form of variable consideration. Revenue from sales is recorded at the net sales price, which is the transaction price, and includes estimates of these forms of variable consideration to the extent that a significant reversal of cumulative revenue will not occur in a future period. The Company has historically not experienced any significant incidents affecting the defined levels of reliability and performance as required by its subscription contracts. Accordingly, any estimated refunds related to these agreements in the consolidated financial statements are not material during the periods presented.

Usage-based consideration is primarily related to fees charged for the Company’s customer’s use of excess bandwidth when accessing the Company’s platform in a given period and is recognized as revenue in the period in which the usage occurs.

Disaggregation of Revenue

Subscription and support revenue is recognized over time and accounted for substantially all of the Company’s revenue for the years ended December 31, 2016, 2017, and 2018, and for the six months ended June 30, 2018 and 2019 (unaudited).
The following table summarizes the revenue by region based on the billing address of customers who have contracted to use the Company’s global cloud platform:

<table>
<thead>
<tr>
<th>Region</th>
<th>Year Ended December 31, (in thousands)</th>
<th>Percentage of Revenue</th>
<th>Year Ended December 31, (in thousands)</th>
<th>Percentage of Revenue</th>
<th>Year Ended December 31, (in thousands)</th>
<th>Percentage of Revenue</th>
<th>Year Ended December 31, (in thousands)</th>
<th>Percentage of Revenue</th>
<th>Year Ended December 31, (in thousands)</th>
<th>Percentage of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>43,185</td>
<td>64,940</td>
<td>92,652</td>
<td>92,652</td>
<td>40,960</td>
<td>47%</td>
<td>63,966</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe, Middle East, and Africa</td>
<td>17,688</td>
<td>31,882</td>
<td>48,438</td>
<td>48,438</td>
<td>22,727</td>
<td>26%</td>
<td>30,623</td>
<td>24%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>8,498</td>
<td>15,465</td>
<td>26,305</td>
<td>26,305</td>
<td>11,534</td>
<td>13%</td>
<td>19,494</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>10,053</td>
<td>14,425</td>
<td>12,546</td>
<td>12,546</td>
<td>6,232</td>
<td>8%</td>
<td>6,295</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>5,367</td>
<td>8,203</td>
<td>12,733</td>
<td>12,733</td>
<td>5,652</td>
<td>6%</td>
<td>8,773</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>84,791</td>
<td>134,915</td>
<td>192,674</td>
<td>192,674</td>
<td>87,105</td>
<td>100%</td>
<td>129,151</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following table summarizes the revenue from contracts by type of customer:

<table>
<thead>
<tr>
<th>Type</th>
<th>Year Ended December 31, (in thousands)</th>
<th>Percentage of Revenue</th>
<th>Year Ended December 31, (in thousands)</th>
<th>Percentage of Revenue</th>
<th>Year Ended December 31, (in thousands)</th>
<th>Percentage of Revenue</th>
<th>Year Ended December 31, (in thousands)</th>
<th>Percentage of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Channel partners</td>
<td>3,446</td>
<td>4%</td>
<td>7,849</td>
<td>6%</td>
<td>13,231</td>
<td>7%</td>
<td>5,718</td>
<td>7%</td>
</tr>
<tr>
<td>Direct customers</td>
<td>81,345</td>
<td>96%</td>
<td>127,066</td>
<td>94%</td>
<td>179,443</td>
<td>93%</td>
<td>81,387</td>
<td>93%</td>
</tr>
<tr>
<td>Total</td>
<td>84,791</td>
<td>100%</td>
<td>134,915</td>
<td>100%</td>
<td>192,674</td>
<td>100%</td>
<td>87,105</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Contract Balances**

Contract liabilities consist of deferred revenue and include payments received in advance of performance under the contract. Such amounts are recognized as revenue over the contractual period. For the years ended December 31, 2016, 2017, and 2018, the Company recognized revenue of $9.6 million, $6.6 million, and $11.9 million, respectively, that was included in the corresponding contract liability balance at the beginning of the periods presented. For the six months ended June 30, 2018 and 2019 (unaudited), the Company recognized revenue of $10.0 million and $13.1 million, respectively, that was included in the corresponding contract liability balance at the beginning of the periods presented.

The Company receives payments from customers based upon contractual billing schedules; accounts receivable are recorded when the right to consideration becomes unconditional. Standard payment terms are due upon receipt. Contract assets include amounts related to the Company’s contractual right to consideration for both completed and partially completed performance obligations that have not been invoiced.
Costs to Obtain and Fulfill a Contract

The Company capitalizes sales commission and associated payroll taxes paid to internal sales personnel that are incremental to the acquisition of channel partner and direct customer contracts. These costs are recorded as deferred contract acquisition costs on the consolidated balance sheets. The Company determines whether costs should be deferred based on its sales compensation plans, if the commissions are in fact incremental and would not have occurred absent the customer contract.

Sales commissions for renewal of a contract are not considered commensurate with the commissions paid for the acquisition of the initial contract. Commissions paid upon the initial acquisition of a contract are amortized over an estimated period of benefit of three years while commissions paid for renewal contracts are amortized over the contractual term of the renewals. Amortization of deferred contract acquisition costs is recognized on a straight-line basis commensurate with the pattern of revenue recognition and included in sales and marketing expense in the consolidated statements of operations. The Company determines the period of benefit for commissions paid for the acquisition of the initial contract by taking into consideration the expected subscription term and expected renewals of its customer contracts, the duration of its relationships with its customers, customer retention data, its technology development lifecycle, and other factors. The Company periodically reviews the carrying amount of deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred costs. The Company did not recognize any impairment losses of deferred contract acquisition costs during the periods presented.

The following table summarizes the activity of the deferred contract acquisition costs:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$2,335</td>
<td>$5,744</td>
</tr>
<tr>
<td>Capitalization of contract acquisition costs</td>
<td>5,011</td>
<td>8,976</td>
</tr>
<tr>
<td>Amortization of deferred contract acquisition costs</td>
<td>(1,602)</td>
<td>(3,955)</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$5,744</td>
<td>$10,765</td>
</tr>
</tbody>
</table>

Remaining Performance Obligations

The typical subscription and support term is one year and subscription and support term lengths range from one to three years. Most of the Company’s subscription and support contracts are non-cancelable over the contractual term. Customers typically have the right to terminate their contracts for cause if the Company fails to perform. As of December 31, 2018 and June 30, 2019 (unaudited), the aggregate amount of the transaction price allocated to remaining performance obligations was $141.4 million and $173.6 million, respectively. As of December 31, 2018, the Company expected to recognize 82% of its remaining performance obligations as revenue over the next 12 months and 18% of its remaining performance obligations as revenue over the next three years. As of June 30, 2019 (unaudited), the Company expected to recognize 82% of its remaining performance obligations as revenue over the next 12 months and 18% of its remaining performance obligations as revenue over the next three years.

Nonmonetary Transactions

From time to time, the Company enters into nonmonetary arrangements. In the year ended December 31, 2018 and the six months ended June 30, 2018 and 2019 (unaudited), the Company
did not participate in any significant nonmonetary transactions. In the years ended December 31, 2016 and 2017, the Company participated in nonmonetary transactions with three of its customers in exchange for those customers agreeing to become vendors providing services to the Company. In accordance with ASC 606, at contract inception, the Company measures and records the transaction price for nonmonetary transactions that meet certain criteria at the estimated fair value of the non-cash consideration received from the customer; if the Company cannot reasonably estimate the fair value of the non-cash consideration, the Company will measure the consideration indirectly by reference to the standalone selling price of the goods or services promised to the customer in exchange for the consideration. Services delivered to the Company and provided by the Company are recognized as the services or capacity is delivered, which also may require estimates. The estimated fair value of the services was derived from internal margin metrics and third-party comparable pricing. Nonmonetary transaction revenue was $5.8 million and $7.0 million for the years ended December 31, 2016 and 2017, respectively. Nonmonetary transaction expense, recognized as a component of cost of revenue and of sales and marketing expense in the consolidated statements of operations, was $5.8 million and $7.0 million for the years ended December 31, 2016 and 2017, respectively. The Company concluded that one of the three arrangements was not in the scope of ASC 606 and could not be recognized at fair value as the transaction did not have commercial substance. There were no significant exchanges of services under that contract during the periods presented.

**Accounts Receivable and Allowance**

Accounts receivable are recorded at the invoiced amount and are non-interest bearing. Accounts receivable are stated at their net realizable value, net of an allowance. Credit is extended to customers based on an evaluation of their financial condition and other factors. In determining the necessary allowance, the Company considers the current aging and financial condition of its customers, the amount of receivables in dispute, and current payment patterns. Accounts receivable are written off against the allowance when management determines a balance is uncollectible and the Company no longer actively pursues collection of the receivable. The Company does not have any off-balance-sheet credit exposure related to its customers. As of December 31, 2016 and 2017, the Company’s allowance for doubtful accounts was zero. As of December 31, 2018 and June 30, 2019 (unaudited), the Company’s allowance for doubtful accounts was $0.2 million and $0.5 million, respectively. Bad debt expense for the year ended December 31, 2018 was $1.1 million. Bad debt expense for the six months ended June 30, 2018 and 2019 (unaudited) was $1.0 million and $0.5 million, respectively. The write-off of uncollectible accounts receivable for the year ended December 31, 2018 was $0.9 million and for the six months ended June 30, 2018 and 2019 (unaudited) was $0.06 million and $0.09 million, respectively.

**Cost of Revenue**

Cost of revenue consists primarily of expenses that are directly related to providing the Company’s service to its paying customers. These expenses include expenses related to operating in co-location facilities, network and bandwidth costs, depreciation of the Company’s equipment located in co-location facilities, related overhead costs, the amortization of the Company’s capitalized internal-use software, and the amortization of acquired developed technologies. Cost of revenue also includes employee-related costs, including salaries, bonuses, benefits, and stock-based compensation for employees whose primary responsibilities relate to supporting the Company’s paying customers and delivering paid customer support. Other costs included in cost of revenue include credit card fees related to processing customer transactions and allocated overhead costs.

**Research and Development**

The Company charges costs related to research, design, and development of products to research and development expense in the consolidated statements of operations as incurred. Research and
development expenses support the Company’s efforts to add new features to its existing offerings and to ensure the security, performance, and reliability of its global cloud platform. The majority of the Company’s research and development expenses result from employee-related costs, including salaries, bonuses and benefits, consulting costs, depreciation of equipment used in research and development, and allocated overhead costs.

**Advertising Expense**

Advertising costs are charged to sales and marketing expense in the consolidated statements of operations as incurred. Advertising expense for the years ended December 31, 2016, 2017, and 2018 was $2.2 million, $5.9 million, and $10.4 million, respectively. Advertising expense for the six months ended June 30, 2018 and 2019 (unaudited) was $4.1 million and $8.4 million, respectively.

**Stock-based Compensation**

The Company recognizes stock-based compensation expense based on the fair value of the awards granted. The Company estimates the fair value of each stock-based payment award on the grant date using the Black-Scholes option pricing model.

The Black-Scholes option pricing model requires the use of highly subjective assumptions, including the option’s expected term, the fair value of the underlying common stock, the expected volatility of the price of the common stock, risk-free interest rates, and the expected dividend yield of the common stock. The assumptions used to determine the fair value of the stock-based awards are management’s best estimates and involve inherent uncertainties and the application of judgment. Stock-based compensation expense for awards with service-based vesting only is recognized on a straight-line basis over the requisite service period of the awards, which is generally four years. The Company accounts for forfeitures as they occur.

The Company has granted QE Options and QE RSUs to employees and contractors which vest on the satisfaction of both a service-based condition and a performance condition. For QE Options, the performance condition will be satisfied upon the occurrence of a qualifying event as follows: (i) the Company’s equity securities are listed for sale on a public stock exchange, (ii) the closing of a change in control, as defined in the 2010 Plan, or (iii) an event occurs that the Company’s board of directors in its sole discretion deems to be a qualifying event. For QE Options, the service-based condition is satisfied by rendering service from the date of grant through the qualified event, as well as a four year vesting period commencing with the qualified event. For QE RSUs, the service-based condition will be satisfied upon the occurrence of a qualifying event as follows: (i) the closing of a change in control as defined in the 2010 Plan, or (ii) the effective date of a registration statement of the Company filed under the Securities Act for the first underwritten public sale of its common stock. The QE RSUs have a service-based vesting condition satisfied over a four year vesting period. Awards which contain both service-based and performance conditions are recognized using the accelerated attribution method once the performance condition is probable of occurring. A change in control event, listing of equity securities event, and effectiveness of a registration statement event are not deemed probable until consummated. Accordingly, no expense is recorded related to these awards until the performance condition becomes probable of occurring. In connection with its IPO, the Company expects to record stock-based compensation expense for the QE Options for the service period rendered from the date of grant through the equity securities listing date and for the QE RSUs that vest in connection with the IPO.

**Income Taxes**

The Company accounts for income taxes using the asset and liability method. Deferred income taxes are recognized by applying the enacted statutory tax rates applicable to future years to differences.
between the carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and tax credit carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance to amounts that are more likely than not to be realized.

The Company recognizes tax benefits from uncertain tax positions only if it believes that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement.

**Foreign Currency Remeasurement**

The Company's functional currency of its foreign subsidiaries is the U.S. dollar. The monetary assets and liabilities that are denominated in a currency other than U.S. dollar of the Company's foreign subsidiaries are remeasured into U.S. dollars at the exchange rate on the balance sheet date, while nonmonetary items are remeasured at historical rates. Revenue and expenses are remeasured at average exchange rates during the period. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in other income (expense), net in the consolidated statements of operations. The Company recognized a remeasurement loss of $0.2 million for the year ended December 31, 2016, a remeasurement gain of $0.2 million for the year ended December 31, 2017, and a remeasurement loss of $0.3 million for the year ended December 31, 2018. The Company recognized remeasurement losses of $0.3 million and $0.01 million for the six months ended June 30, 2018 and 2019 (unaudited), respectively.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid investments with an original maturity from the date of purchase of 90 days or less.

**Restricted Cash**

At December 31, 2017, the Company had $2.4 million in restricted cash related to an irrevocable standby letter of credit established according to the requirements under a lease agreement. At December 31, 2018 and June 30, 2019 (unaudited), the Company had $6.4 million in restricted cash related to irrevocable standby letters of credit established according to the requirements under lease agreements.

** Marketable Securities**

**Available-for-sale securities**

The Company's marketable securities consist of U.S. treasury securities, U.S. government agency securities, commercial paper, and corporate bonds. The Company has designated all marketable securities as available-for-sale and therefore, such marketable securities are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive loss on the consolidated balance sheets. For securities sold prior to maturity, the cost of securities sold is based on the specific identification method. Realized gains and losses on the sale of marketable securities are recorded in other income (expense), net in the consolidated statements of operations. Securities with original maturities greater than three months and remaining maturities less than one year are classified as marketable securities. Securities with remaining maturities greater than one year are classified as long-term investments.
Other-than-temporary impairment

All of the Company’s investments are subject to a periodic impairment review. The Company recognizes an impairment charge when a decline in the fair value of its investments below the cost basis is determined to be other-than-temporary. Factors considered in determining whether a loss is temporary include the extent and length of time the investment’s fair value has been lower than its cost basis, the financial condition and near-term prospects of the investee, the extent of the loss related to credit of the issuer, the expected cash flows from the security, the Company’s intent to sell the security, and whether or not the Company will be required to sell the security prior to the expected recovery of the investment’s amortized cost basis. No such impairment charges were recorded during the years ended December 31, 2016, 2017, and 2018, and the six months ended June 30, 2018 and 2019 (unaudited).

Fair Value Measurements

The carrying value of the Company’s financial instruments, including cash equivalents, marketable securities, accounts receivable, accounts payable, and accrued expenses, approximates fair value due to their short-term nature.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which is generally as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Servers—network infrastructure</td>
<td>4 years</td>
</tr>
<tr>
<td>Buildings</td>
<td>30 years</td>
</tr>
<tr>
<td>Office and computer equipment</td>
<td>2 years</td>
</tr>
<tr>
<td>Office furniture</td>
<td>3 years</td>
</tr>
<tr>
<td>Software</td>
<td>3 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Lesser of useful life or term of lease</td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>Lesser of useful life or term of lease</td>
</tr>
</tbody>
</table>

Expenditures for maintenance and repairs are expensed as incurred.

Build-to-Suit Leases

The Company capitalizes construction in progress and records a corresponding long-term liability for build-to-suit lease agreements where the Company is considered the accounting owner during the construction period. For the building under build-to-suit lease arrangements where the Company has taken occupancy, the Company determined that it continued to be the deemed owner of this building. This is principally due to the Company's significant investment in tenant improvements. As a result, the building is being depreciated over the useful life. At occupancy, the long-term construction obligations are considered long-term finance lease obligations. Assets capitalized under build-to-suit leases were $13.0 million as of December 31, 2017, December 31, 2018, and June 30, 2019 (unaudited). Depreciation expense for these assets was $0.3 million, $0.4 million, and $0.4 million for the years ended December 31, 2016, 2017, and 2018, respectively, and $0.2 million for the six months ended June 30, 2018 and 2019 (unaudited).

Capitalized Internal-Use Software Development Costs

Certain development costs related to the Company’s global cloud platform during the application development stage are capitalized. Costs incurred in the preliminary stages of development are
analogous to research and development activities and are expensed as incurred. The preliminary stage includes such activities as conceptual formulation of alternatives, evaluation of alternatives, determination of existence of needed technology, and final selection of alternatives. Once the application development stage is reached, internal and external costs are capitalized until the software is substantially complete and ready for its intended use. Capitalized costs are recorded as part of property and equipment, net. Capitalized internal-use software is amortized on a straight-line basis over its estimated useful life, which is generally three years, and is recorded as cost of revenue in the consolidated statements of operations. Capitalization of costs associated with the development of software for internal-use totaled $2.7 million, $4.0 million, and $9.6 million for the years ended December 31, 2016, 2017, and 2018, respectively, and $3.7 million and $7.6 million for the six months ended June 30, 2018 and 2019 (unaudited), respectively. Amortization expense for capitalized internal-use software totaled $0.1 million, $1.0 million, and $3.3 million for the years ended December 31, 2016, 2017, and 2018, respectively, and $1.1 million and $2.8 million for the six months ended June 30, 2018 and 2019 (unaudited), respectively.

**Business Combinations**

The Company includes the results of operations of the businesses that the Company acquires from the date of acquisition. The fair value of the assets acquired and liabilities assumed is based on their estimated fair values as of the respective date of acquisition. The excess purchase price over the fair value of the net assets acquired and liabilities assumed is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires significant judgment and estimates including the selection of valuation methodologies, future expected cash flows, discount rates, and useful lives. The Company’s estimates of fair value are based on assumptions believed to be reasonable, but which are inherently uncertain and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, the Company may record adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. At the conclusion of the measurement period, or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are reflected in the consolidated statements of operations.

When the Company issues payments or grants of equity to selling stockholders in connection with an acquisition, the Company evaluates whether the payments or awards are compensatory. This evaluation includes whether cash payments or stock award vesting is contingent on the continued employment of the selling stockholder beyond the acquisition date. If continued employment is required for the cash to be paid or stock awards to vest, the award is treated as compensation for post-acquisition services and is recognized as compensation expense.

Transaction costs associated with business combinations are expensed as incurred, and are included in general and administrative expense in the Company’s consolidated statements of operations.

**Goodwill and Intangible Assets**

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net tangible and identifiable intangible assets acquired. The carrying amount of goodwill is reviewed for impairment at least annually, in the fourth quarter, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. At December 31, 2017 and 2018, and June 30, 2019 (unaudited), the Company had a single operating segment and reporting unit structure. As part of the annual goodwill impairment test, the Company first performs a qualitative assessment to determine whether further impairment testing is necessary. If, as a result of the qualitative assessment, it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the quantitative impairment test will be required. If the Company has determined it necessary to perform a
quantitative impairment assessment, the Company will compare the fair value of the reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, limited to the total amount of goodwill of the reporting unit. The Company did not recognize any goodwill impairment charges for any of the periods presented.

Intangible assets are carried at cost, net of accumulated amortization. Intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company estimates the useful life by estimating the expected period of economic benefit. The estimated useful life of the Company’s acquired developed technology intangible assets is two years.

Indefinite lived intangibles are assessed annually for impairment, which includes an assessment of whether there were any triggering events that required an impairment assessment of the Company’s definite lived intangible assets, and whether it was more likely than not that the Company’s indefinite lived intangible asset was impaired. The Company’s indefinite lived intangible asset arose from an asset acquisition in November 2017. As a result of acquiring assets the Company recognized $0.3 million of in-process research and development. The Company began amortizing the in-process research and development as developed technology in 2018. The Company performed an evaluation for impairment and determined there was no impairment for the years ended December 31, 2017 and 2018, and the six months ended June 30, 2018 and 2019 (unaudited).

**Impairment of Long-Lived Assets**

The Company evaluates long-lived assets, which include depreciable tangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable. The recoverability of these assets is measured by comparing the carrying amounts to the future undiscounted cash flows these assets are expected to generate. The Company recognizes an impairment in the event the carrying amount of such assets exceeds the fair value attributable to such assets. There were no events or changes in circumstances that indicated the long-lived assets were impaired during any of the periods presented.

**DeferredOffering Costs**

Deferred offering costs are capitalized and consist of fees and expenses incurred in connection with the anticipated sale of the Company’s common stock in the IPO, including the legal, accounting, printing, and other IPO-related costs. Upon completion of the IPO, these deferred offering costs will be reclassified to stockholders’ (deficit) equity and recorded against the proceeds from the offering. As of December 31, 2017 and 2018, the Company had not incurred such costs. The balance of deferred offering costs as of June 30, 2019 (unaudited) was $2.9 million, which is included in other noncurrent assets on the consolidated balance sheets.

**Operating Leases**

The Company recognizes rent expense on a straight-line basis over the non-cancelable term of the operating lease. The difference between rent expense and rent paid is recorded as deferred rent in accrued expenses and other current liabilities and other noncurrent liabilities on the consolidated balance sheets.

**Legal Contingencies**

The Company accrues a liability for an estimated loss for legal contingencies if the potential loss from any claim or legal proceeding is considered probable, and the amount can be reasonably estimated. The Company believes there are no legal proceedings pending that could have, individually or in the aggregate, a material adverse effect on its results of operations or financial condition.
Redeemable Convertible Preferred Stock Warrant Liability

Warrants to purchase shares of the Company’s redeemable convertible preferred stock are classified as noncurrent liabilities on the consolidated balance sheets at fair value upon issuance because the underlying shares of redeemable convertible preferred stock are redeemable at the option of the holders upon the occurrence of certain deemed liquidation events considered not solely within the Company’s control, which may therefore obligate the Company to transfer assets at some point in the future. The warrants are subject to remeasurement to fair value at each balance sheet date and any change in fair value is recognized as a component of other income (expense), net, in the consolidated statements of operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrants, the completion of a deemed liquidation event, conversion of redeemable convertible preferred stock into common stock, or until the redeemable convertible preferred stock can no longer trigger a deemed liquidation event. At that time, the redeemable convertible preferred stock warrant liability will be reclassified to redeemable convertible preferred stock or additional paid-in capital, as applicable.

Net Loss per Share Attributable to Common Stockholders

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. The Company considers its redeemable convertible preferred stock to be participating securities. The Company also considers any shares issued on the early exercise of stock options subject to repurchase to be participating securities because holders of such shares have nonforfeitable dividend rights in the event a dividend is paid on common stock. Under the two-class method, net income is attributed to common stockholders and participating securities based on their participation rights. The holders of the redeemable convertible preferred stock, as well as the holders of early exercised shares subject to repurchase, do not have a contractual obligation to share in the losses of the Company. As such, the Company’s net losses for the years ended December 31, 2016, 2017, and 2018, and the six months ended June 30, 2018 and 2019 were not allocated to these participating securities.

Under the two-class method, basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase.

Diluted net loss per share attributable to common stockholders adjusts basic net loss per share for the effect of dilutive securities, including stock options. As the Company has reported losses for all periods presented, all potentially dilutive securities are antidilutive and accordingly, basic net loss per share equals diluted net loss per share.

Segment and Geographic Information

The Company has one reportable and operating segment. Financial information about the Company’s operating segment and geographic areas is presented in Note 15 to these consolidated financial statements.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (FASB) issued ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The new standard will simplify the measurement of goodwill by eliminating step two of the two-step impairment test. Step two measures a goodwill impairment loss by comparing the implied fair value of a reporting
unit’s goodwill with the carrying amount of that goodwill. The new guidance requires an entity to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. For public business entities, it is effective for annual periods beginning after December 15, 2019, and interim periods therein. For all other public entities, it is effective for annual periods beginning after December 15, 2020, and interim periods therein. For all other entities, it is effective for annual periods beginning after December 15, 2021, and interim periods therein. Early adoption is permitted. The Company early adopted this ASU effective January 1, 2018, noting no impact on the consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting, which provides clarity in applying the guidance in Topic 718 around modifications of share-based payment awards. For all entities, it is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted for public entities for reporting periods for which financial statements have not yet been issued and all other entities for reporting periods for which financial statements have not yet been available for issuance. The Company adopted this ASU effective January 1, 2018, noting no material impact on the consolidated financial statements.

In March 2018, the FASB issued ASU No. 2018-05, Income Taxes (Topic 740): Amendments to SEC paragraphs pursuant to SEC Staff Accounting Bulletin No. 118. The Amendments in this update add various SEC paragraphs pursuant to the issuance of SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118). SAB 118 directs taxpayers to consider the implications of the Tax Cuts and Jobs Act (TCJA) as provisional when it does not have the necessary information available, prepared, or analyzed in reasonable detail to complete its accounting for the change in the tax law. The standard was effective upon issuance. The Company has completed accounting for the tax effects of the TCJA in 2018 at the close of the measurement period on December 22, 2018. Refer to Note 12 to these consolidated financial statements for further information.

In June 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. The updated guidance simplifies the accounting for nonemployee share-based payment transactions. The amendments in the new guidance specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. For public business entities, it is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. For all other entities, it is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. The Company early adopted the standard prospectively as of January 1, 2018 and the impact of the adoption, including the cumulative effect of the adoption, did not have a material impact on the Company’s consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), and since that date, has issued several ASUs to further clarify certain aspects of ASU 2016-02 and provide entities with practical expedients that may be elected upon adoption. ASU 2016-02 introduces the recognition of right-of-use assets and lease liabilities by lessees for all leases on the consolidated balance sheets. For the consolidated statements of operations, the ASU retains the distinction between finance leases and operating leases, with the classification criteria for distinguishing between finance leases and operating
leases are substantially similar to the previous lease guidance. In transition, lessees and lessors are required to recognize and measure leases at either the beginning of the earliest period presented using a modified retrospective approach, or at the adoption date recognizing the cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The effective date and transition requirements of ASU 2016-02, for public business entities, is interim and annual periods beginning on or after December 15, 2018, with early adoption permitted. For all other entities, ASU 2016-02 is effective for annual periods beginning on or after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The Company intends to adopt the ASU beginning January 1, 2020, and has elected to apply the alternate transition method by recording a cumulative-effect adjustment to the opening balance of retained earnings (accumulated deficit) in the period of adoption. The Company is currently evaluating the effect that this ASU will have on its consolidated financial statements.

In July 2017, the FASB issued ASU No. 2017-11, Earnings Per Share (Topic 260): Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. This ASU reduces the complexity associated with an issuer’s accounting for certain financial instruments with characteristics of liabilities and equity. Specifically, the FASB determined that a down round feature would no longer cause a freestanding equity-linked financial instrument (or an embedded conversion option) to be accounted for as a derivative liability at fair value with changes in fair value recognized in current earnings. For public business entities, it is effective for fiscal years beginning after December 15, 2018, and interim periods therein. For all other entities, it is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the potential impact of this ASU on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (ASC 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement. This guidance provides that implementation costs be evaluated for capitalization using the same criteria as that used for internal-use software development costs, with amortization expense being recorded in the same income statement expense line as the hosted service costs and over the expected term of the hosting arrangement. For public business entities, it is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, it is effective for fiscal years beginning after December 15, 2020, and interim periods beginning after December 15, 2021. Early adoption of the amendments in this update is permitted, including adoption in any interim period, for all entities. The Company is currently evaluating the potential impact of this ASU on its consolidated financial statements.

Recently Adopted Accounting Pronouncements (unaudited)

In February 2018, the FASB issued ASU No. 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which provides financial statement preparers with an option to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. For all entities, it is effective for fiscal years beginning after December 15, 2018, and interim periods therein. Early adoption is permitted. The amendments in this ASU should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company adopted this ASU effective January 1, 2019, noting no material impact on the Company’s consolidated financial statements.
Note 3. Business Combinations

In December 2016, the Company completed its acquisition of Eager Platform Company (Eager). Eager developed an app store which allows non-technical website owners to install plugins to improve their websites. This technology makes it easy for companies to release their tools on content management system platforms. With this acquisition the Company bolstered its app store. The total purchase consideration for this acquisition was $1.7 million, consisting of cash of $1.6 million and $0.1 million in shares of the Company’s common stock. In addition to the purchase consideration, the Company provided for an additional $1.4 million, of which $0.3 million was in the form of restricted stock to employees for future services and milestones. The remaining $1.1 million relates to cash payments, a portion of which was paid at the acquisition close and the remainder was paid to employees for future services and milestones.

Note 4. Fair Value Measurements

Fair value is defined as the exchange price that would be received from sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Assets and liabilities measured at fair value are classified into the following categories:

• Level I: Observable inputs are unadjusted quoted prices in active markets for identical assets or liabilities;

• Level II: Observable inputs are quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments; and

• Level III: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs are based on the Company’s own assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

The Company classifies its cash equivalents, which are comprised of highly liquid money market funds, commercial paper, and corporate bonds within Level I of the fair value hierarchy because they are valued based on quoted market prices in active markets. The Company classifies its investments, which are comprised of U.S. treasury securities, U.S. government agency securities, commercial paper, and corporate bonds, within Level II of the fair value hierarchy because the fair value of these securities is priced by using inputs based on non-binding market consensus prices that are primarily corroborated by observable market data or quoted market prices for similar instruments. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each period. There were no transfers between levels during the periods presented.
The following tables summarize the Company’s cash and available-for-sale securities’ amortized cost, unrealized gains (losses), and fair value by significant investment category reported as cash and cash equivalents, restricted cash, marketable securities, or long-term investments as of December 31, 2017 and 2018, and June 30, 2019.

### Table 1: Cash and Available-for-Sale Securities

<table>
<thead>
<tr>
<th>Reported as:</th>
<th>Cash &amp; Cash Equivalents</th>
<th>Marketable Securities</th>
<th>Long-term Investments</th>
<th>Long-term Restricted Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$17,023</td>
<td>$17,023</td>
<td>$17,023</td>
<td></td>
</tr>
</tbody>
</table>

### Table 2: December 31, 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Amortized Cost</th>
<th>Unrealized Gain</th>
<th>Unrealized (Loss)</th>
<th>Fair Value</th>
<th>Cash &amp; Cash Equivalents</th>
<th>Marketable Securities</th>
<th>Long-term Investments</th>
<th>Long-term Restricted Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$17,023</td>
<td>$17,023</td>
<td>$17,023</td>
<td></td>
<td>$17,023</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level I:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>8,758</td>
<td>—</td>
<td>—</td>
<td>8,758</td>
<td>6,321</td>
<td></td>
<td></td>
<td>2,437</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>30,020</td>
<td>—</td>
<td>(39)</td>
<td>29,981</td>
<td>1,100</td>
<td>28,881</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. treasury securities</td>
<td>10,622</td>
<td>—</td>
<td>(19)</td>
<td>10,603</td>
<td>—</td>
<td>10,603</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government agency securities</td>
<td>9,497</td>
<td>—</td>
<td>(18)</td>
<td>9,479</td>
<td>—</td>
<td>9,479</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>50,139</td>
<td>—</td>
<td>(76)</td>
<td>50,063</td>
<td>1,100</td>
<td>48,963</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets measured at fair value on a recurring basis</td>
<td>$75,920</td>
<td>—</td>
<td>(76)</td>
<td>$75,844</td>
<td>$24,444</td>
<td>$48,963</td>
<td></td>
<td>$2,437</td>
</tr>
</tbody>
</table>
The aggregate fair value of the Company’s money market funds approximated amortized cost and, as such, there were no unrealized gains or losses on money market funds as of December 31, 2017 and 2018, and June 30, 2019 (unaudited). Realized gains and losses, net of tax, were not material for any of the periods presented.

The amortized cost of available-for-sale investments with maturities less than one year was $49.0 million, $135.6 million, and $82.2 million as of December 31, 2017 and 2018, and June 30, 2019 (unaudited), respectively. The amortized cost of available-for-sale investments with maturities greater than one year was zero as of December 31, 2017 and 2018, and June 30, 2019 (unaudited).

As of December 31, 2017 and 2018, net unrealized losses on investments were $0.1 million and $0.06 million net of tax, respectively, and were included in accumulated other comprehensive loss on the consolidated balance sheets. As of June 30, 2019 (unaudited), net unrealized gains on investments were $0.1 million net of tax, and were included in accumulated other comprehensive income on the consolidated balance sheets. The unrealized gains and losses on the available-for-sale investments are related to U.S. treasury securities, U.S. government agency securities, and corporate bonds. The Company determined these unrealized losses to be temporary. Factors considered in determining whether a loss is temporary included the length of time and extent to which the investment’s fair value has been less than the cost basis, the financial condition and near-term prospects of the investee, the extent of the loss related to credit of the issuer, the expected cash flows from the security, the Company’s intent to sell the security, and whether or not the Company will be required to sell the security before the recovery of its amortized cost.

<table>
<thead>
<tr>
<th></th>
<th>Reported as:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash &amp; Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Marketable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Long-term</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Long-term</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Restricted Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortized Cost</td>
<td>$ 4,410</td>
<td></td>
<td></td>
<td>$ 4,410</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized Gain</td>
<td>—</td>
<td></td>
<td></td>
<td>—</td>
<td>$ 4,410</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized (Loss)</td>
<td>—</td>
<td></td>
<td></td>
<td>—</td>
<td>$ 4,410</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair Value</td>
<td>$ 4,410</td>
<td></td>
<td></td>
<td>$ 4,410</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable Securities</td>
<td>—</td>
<td></td>
<td></td>
<td>—</td>
<td>$ 4,410</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term Investments</td>
<td>—</td>
<td></td>
<td></td>
<td>—</td>
<td>—</td>
<td>$ 4,410</td>
<td></td>
</tr>
<tr>
<td>Restricted Cash</td>
<td>—</td>
<td></td>
<td></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$ 4,410</td>
</tr>
</tbody>
</table>

**Level I:**
- **Money market funds**
  - Amortized Cost: $42,358
  - Unrealized Gain: —
  - Unrealized (Loss): —
  - Fair Value: 42,358
  - Cash & Cash Equivalents: 35,987
  - Marketable Securities: —
  - Long-term Investments: —
  - Long-term Restricted Cash: 6,371

**Level II:**
- **Corporate bonds**
  - Amortized Cost: 11,832
  - Unrealized Gain: 10
  - Unrealized (Loss): —
  - Fair Value: 11,842
  - Cash & Cash Equivalents: —
  - Marketable Securities: 11,842
  - Long-term Investments: —
  - Long-term Restricted Cash: —

- **U.S. treasury securities**
  - Amortized Cost: 61,340
  - Unrealized Gain: 84
  - Unrealized (Loss): —
  - Fair Value: 61,424
  - Cash & Cash Equivalents: —
  - Marketable Securities: 61,424
  - Long-term Investments: —
  - Long-term Restricted Cash: —

- **U.S. government agency securities**
  - Amortized Cost: 1,099
  - Unrealized Gain: 2
  - Unrealized (Loss): —
  - Fair Value: 1,101
  - Cash & Cash Equivalents: —
  - Marketable Securities: 1,101
  - Long-term Investments: —
  - Long-term Restricted Cash: —

- **Commercial paper**
  - Amortized Cost: 9,924
  - Unrealized Gain: —
  - Unrealized (Loss): —
  - Fair Value: 9,924
  - Cash & Cash Equivalents: 1,997
  - Marketable Securities: 7,927
  - Long-term Investments: —
  - Long-term Restricted Cash: —

Subtotal
- Amortized Cost: 84,195
- Unrealized Gain: 96
- Unrealized (Loss): —
- Fair Value: 84,291
- Cash & Cash Equivalents: 1,997
- Marketable Securities: 82,294
- Long-term Investments: —
- Long-term Restricted Cash: —

Total assets measured at fair value on a recurring basis
- Amortized Cost: $130,963
- Unrealized Gain: 96
- Unrealized (Loss): —
- Fair Value: $131,059
- Cash & Cash Equivalents: $42,394
- Marketable Securities: $82,294
- Long-term Investments: —
- Long-term Restricted Cash: 6,371
The Company classifies financial instruments in Level III of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model. In addition to these unobservable inputs, the valuation models for Level III financial instruments typically also rely on a number of inputs that are readily observable, either directly or indirectly. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability. The gains and losses presented below include changes in the fair value related to both observable and unobservable inputs. The Company's only Level III financial instruments are its redeemable convertible preferred stock warrants.

The following tables summarize the Company's redeemable convertible preferred stock warrant liability measured and recorded at fair value as of December 31, 2017 and 2018, and June 30, 2019:

<table>
<thead>
<tr>
<th>Date</th>
<th>Fair Value (in thousands)</th>
<th>Reported as Long-Term Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemable convertible preferred stock warrant liability</td>
<td>$ 398</td>
<td>$ 398</td>
</tr>
<tr>
<td>Balance as of December 31, 2017</td>
<td>$ 398</td>
<td>$ 398</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Fair Value (in thousands)</th>
<th>Reported as Long-Term Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemable convertible preferred stock warrant liability</td>
<td>$ 1,618</td>
<td>$ 1,618</td>
</tr>
<tr>
<td>Balance as of December 31, 2018</td>
<td>$ 1,618</td>
<td>$ 1,618</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Fair Value (in thousands, unaudited)</th>
<th>Reported as Long-Term Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemable convertible preferred stock warrant liability</td>
<td>$ 1,945</td>
<td>$ 1,945</td>
</tr>
<tr>
<td>Balance as of June 30, 2019</td>
<td>$ 1,945</td>
<td>$ 1,945</td>
</tr>
</tbody>
</table>
Refer to Note 8 to these consolidated financial statements for further information on the redeemable convertible preferred stock warrants, including the assumptions used to determine their fair value.

**Note 5. Balance Sheet Components**

**Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017 (in thousands)</th>
<th>December 31, 2018 (in thousands)</th>
<th>June 30, 2019 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid expenses</td>
<td>$2,373</td>
<td>$5,581</td>
<td>$5,403</td>
</tr>
<tr>
<td>Deposits</td>
<td>309</td>
<td>2,635</td>
<td>2,614</td>
</tr>
<tr>
<td>Other</td>
<td>749</td>
<td>1,157</td>
<td>1,670</td>
</tr>
<tr>
<td><strong>Total prepaid expenses and other current assets</strong></td>
<td><strong>$3,431</strong></td>
<td><strong>$9,373</strong></td>
<td><strong>$9,687</strong></td>
</tr>
</tbody>
</table>
**Property and Equipment, Net**

Property and equipment, net consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th>June 30, 2019 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
<td>(in thousands)</td>
</tr>
<tr>
<td>Servers—network infrastructure</td>
<td>$ 46,321</td>
<td>$ 57,089</td>
</tr>
<tr>
<td>Buildings</td>
<td>13,035</td>
<td>13,035</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>8,217</td>
<td>14,848</td>
</tr>
<tr>
<td>Capitalized internal-use software</td>
<td>6,703</td>
<td>16,344</td>
</tr>
<tr>
<td>Office and computer equipment</td>
<td>2,161</td>
<td>6,552</td>
</tr>
<tr>
<td>Office furniture</td>
<td>1,747</td>
<td>3,573</td>
</tr>
<tr>
<td>Software</td>
<td>606</td>
<td>847</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>320</td>
<td>772</td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(27,736)</td>
<td>(39,899)</td>
</tr>
<tr>
<td>Gross property and equipment</td>
<td>79,159</td>
<td>113,109</td>
</tr>
<tr>
<td>Total property and equipment, net</td>
<td>$51,423</td>
<td>$73,210</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense on property and equipment for the years ended December 31, 2016, 2017, and 2018 was $8.3 million, $11.7 million, and $18.4 million, respectively, and for the six months ended June 30, 2018 and 2019 (unaudited) was $8.0 million and $13.1 million, respectively.

**Acquired Intangible Assets, Net**

Acquired intangible assets, net consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th>December 31, 2018</th>
<th>June 30, 2019 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td>(in thousands)</td>
<td>(in thousands, unaudited)</td>
</tr>
<tr>
<td>Developed technology</td>
<td>$ 923</td>
<td>$ 250</td>
<td>$ 250</td>
</tr>
<tr>
<td>In-process research and development</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total acquired intangible assets, net</td>
<td>$ 1,173</td>
<td>$ 250</td>
<td>$ 250</td>
</tr>
</tbody>
</table>

F-31
The Company recorded, at the time of the acquisition, acquired in-process research and development for projects in progress that had not yet reached technological feasibility. The Company began amortizing the in-process research and development as developed technology in 2018 using the straight-line method over its estimated useful life.

Amortization of acquired intangible assets for the years ended December 31, 2016, 2017, and 2018 was $0.04 million, $0.5 million, and $0.5 million, respectively, and for the six months ended June 30, 2018 and 2019 (unaudited) was $0.2 million and $0.06 million, respectively.

As of December 31, 2018 and June 30, 2019, the estimated future amortization expense of acquired intangible assets was as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>Year ending December 31,</th>
<th>Estimated Amortization (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2019</td>
<td>125</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2020</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>156</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2019</th>
<th>Year ending December 31,</th>
<th>Estimated Amortization (in thousands, unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2019 (remaining six months)</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2020</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>94</strong></td>
</tr>
</tbody>
</table>

**Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th>December 31, 2018</th>
<th>June 30, 2019 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued compensation and benefits</td>
<td>$5,166</td>
<td>$7,075</td>
<td>$8,743</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>656</td>
<td>4,072</td>
<td>5,216</td>
</tr>
<tr>
<td>Customer refunds and credits</td>
<td>373</td>
<td>2,336</td>
<td>2,063</td>
</tr>
<tr>
<td>Accrued co-location and bandwidth</td>
<td>1,303</td>
<td>1,119</td>
<td>1,409</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>897</td>
<td>225</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>498</td>
<td>872</td>
<td>1,146</td>
</tr>
<tr>
<td><strong>Total accrued expenses and other current liabilities</strong></td>
<td><strong>$8,893</strong></td>
<td><strong>$15,699</strong></td>
<td><strong>$18,577</strong></td>
</tr>
</tbody>
</table>
Other Noncurrent Liabilities

Other noncurrent liabilities consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019 (in thousands)</th>
<th>June 30, 2019 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect tax reserves</td>
<td>$1,371</td>
<td>$4,137</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>1,416</td>
<td>1,659</td>
</tr>
<tr>
<td>Other</td>
<td>308</td>
<td>908</td>
</tr>
<tr>
<td>Total other noncurrent liabilities</td>
<td>$3,095</td>
<td>$6,704</td>
</tr>
</tbody>
</table>

Note 6. Note Payable

In July 2015 and November 2015, the Company entered into three separate Installment Purchase Agreements (the IPA Agreements) totaling $1.7 million for computer equipment and maintenance with one of its suppliers. The IPA Agreements are collateralized by the equipment purchased from the supplier and bear interest ranging from 2.9% to 5.0%. At December 31, 2017, December 31, 2018, and June 30, 2019 (unaudited), the Company had $0.6 million, $0.3 million, and $0.1 million, respectively, outstanding under this facility.

Aggregate annual future payments due on the Company’s outstanding IPA Agreements balance as of December 31, 2018 were as follows:

<table>
<thead>
<tr>
<th>Amount (in thousands)</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payments</td>
<td>$259</td>
</tr>
<tr>
<td>Less amount representing interest</td>
<td>(4)</td>
</tr>
<tr>
<td>Total note payable</td>
<td>255</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(255)</td>
</tr>
<tr>
<td>Note payable, net of current portion</td>
<td>$—</td>
</tr>
</tbody>
</table>

Aggregate annual future payments due on the Company’s outstanding IPA Agreements balance as of June 30, 2019 were as follows:

<table>
<thead>
<tr>
<th>Amount (in thousands, unaudited)</th>
<th>2019 (remaining six months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payments</td>
<td>$75</td>
</tr>
<tr>
<td>Less amount representing interest</td>
<td>(1)</td>
</tr>
<tr>
<td>Total note payable</td>
<td>74</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(74)</td>
</tr>
<tr>
<td>Note payable, net of current portion</td>
<td>$—</td>
</tr>
</tbody>
</table>

Note 7. Commitments and Contingencies

Operating Leases

The Company has entered into various non-cancelable operating lease agreements for certain of its offices and co-location facilities with lease periods expiring between the years ending December 31,
2019 and 2027. Certain of these arrangements have free or escalating rent payment provisions. The Company recognizes rent expense on a straight-line basis over the lease period. The difference between the rent paid and the straight-line rent is recorded as deferred rent, which is included in accrued expenses and other current liabilities and other non-current liabilities on the consolidated balance sheets. Rent expense was $2.8 million, $3.9 million, and $7.3 million for the years ended December 31, 2016, 2017, and 2018, respectively, and $3.3 million and $5.3 million for the six months ended June 30, 2018 and 2019 (unaudited), respectively. Refer to the table below for the aggregate future minimum lease payments under non-cancelable operating leases as of December 31, 2018 and June 30, 2019 (unaudited).

**Bandwidth & Co-location Commitments**

The Company enters into long-term non-cancelable agreements with providers in various countries to purchase capacity, such as bandwidth and co-location space, for the Company’s global cloud platform. Bandwidth and co-location costs for paying customers are recorded as cost of revenue in the consolidated statements of operations and as sales and marketing expense in the consolidated statements of operations for free customers. Such costs totaled $17.7 million, $19.2 million, and $27.5 million for the years ended December 31, 2016, 2017, and 2018, respectively, and $12.7 million and $17.1 million for the six months ended June 30, 2018 and 2019 (unaudited), respectively. Refer to the table below for long-term bandwidth and co-location commitments under non-cancelable contracts with various networks and Internet service providers as of December 31, 2018 and June 30, 2019 (unaudited).

**Purchase Commitments**

Open purchase commitments are for the purchase of services under non-cancelable contracts. They are not recorded as liabilities on the consolidated balance sheets as of December 31, 2018 and June 30, 2019 (unaudited) as the Company has not yet received the related services. Refer to the table below for purchase commitments under non-cancelable contracts with various vendors as of December 31, 2018.

<table>
<thead>
<tr>
<th>Payments Due by Period as of December 31, 2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$105,525</td>
<td>$33,041</td>
<td>$22,183</td>
<td>$15,052</td>
<td>$9,470</td>
<td>$6,444</td>
</tr>
</tbody>
</table>

(1) Open purchase commitments are for the purchase of services under non-cancelable contracts. They were not recorded as liabilities on the consolidated balance sheet as of December 31, 2018 as the Company had not yet received the related services.
(2) Long-term commitments for bandwidth usage and co-location with various networks and Internet service providers. The costs for services not yet received were not recorded as liabilities on the consolidated balance sheet as of December 31, 2018.
(3) Office space and equipment under non-cancelable operating leases. Total payments listed represent total minimum future lease payments.
(4) Consists of note payable and amount includes accrued interest at the contractual rate.
Refer to the table below for purchase commitments under non-cancelable contracts with various vendors as of June 30, 2019.

### Payments Due by Period as of June 30, 2019

<table>
<thead>
<tr>
<th></th>
<th>2019 (remaining six months)</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>$103,211</td>
<td>$17,387</td>
<td>$28,998</td>
<td>$19,267</td>
<td>$10,785</td>
<td>$7,071</td>
</tr>
<tr>
<td><strong>Non-cancelable:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open purchase agreements (1)</td>
<td>$12,399</td>
<td>$502</td>
<td>$1,518</td>
<td>$1,881</td>
<td>$1,458</td>
<td>$1,373</td>
</tr>
<tr>
<td>Bandwidth and co-location commitments (2)</td>
<td>$38,893</td>
<td>$11,620</td>
<td>$16,274</td>
<td>$7,472</td>
<td>$2,001</td>
<td>$1,158</td>
</tr>
<tr>
<td>Operating lease obligations (3)</td>
<td>$51,844</td>
<td>$5,190</td>
<td>$11,206</td>
<td>$9,914</td>
<td>$7,326</td>
<td>$4,540</td>
</tr>
<tr>
<td>Other commitments (4)</td>
<td>75</td>
<td>75</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$103,211</td>
<td>$17,387</td>
<td>$28,998</td>
<td>$19,267</td>
<td>$10,785</td>
<td>$7,071</td>
</tr>
</tbody>
</table>

1. Open purchase commitments are for the purchase of services under non-cancelable contracts. They were not recorded as liabilities on the consolidated balance sheet as of June 30, 2019 as the Company had not yet received the related services.
2. Long-term commitments for bandwidth usage and co-location with various networks and Internet service providers. The costs for services not yet received were not recorded as liabilities on the consolidated balance sheet as of June 30, 2019.
3. Office space and equipment under non-cancelable operating leases. Total payments listed represent total minimum future lease payments.
4. Consists of note payable and amount includes accrued interest at the contractual rate.

### Build-to-Suit Lease Financing Obligation

The Company entered into a lease whereby the Company is deemed the accounting owner under build-to-suit lease accounting. The fair value of the leased property and corresponding financing obligation are included in property and equipment, net and build-to-suit lease financing obligation, respectively, on the consolidated balance sheets as of December 31, 2017 and 2018, and June 30, 2019 (unaudited). As of December 31, 2018, the Company’s future minimum lease payments required under this non-cancelable obligation were as follows:

<table>
<thead>
<tr>
<th>Build-to-Suit Lease (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ending December 31,</td>
</tr>
<tr>
<td>2019</td>
</tr>
<tr>
<td>2020</td>
</tr>
<tr>
<td>2021</td>
</tr>
<tr>
<td>2022</td>
</tr>
<tr>
<td>2023</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
</tr>
</tbody>
</table>
As of June 30, 2019, the Company’s future minimum payments required under this non-cancelable obligation were as follows:

<table>
<thead>
<tr>
<th>Year ending December 31,</th>
<th>Build-to-Suit Lease (in thousands, unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 (remaining six months)</td>
<td>$1,313</td>
</tr>
<tr>
<td>2020</td>
<td>2,673</td>
</tr>
<tr>
<td>2021</td>
<td>2,753</td>
</tr>
<tr>
<td>2022</td>
<td>2,355</td>
</tr>
<tr>
<td>2023</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total minimum lease payments</strong></td>
<td><strong>$9,094</strong></td>
</tr>
</tbody>
</table>

The Company recognizes an increase in the fair value of the asset as additional building costs are incurred during the construction period and a corresponding increase in the build-to-suit lease financing obligation for any construction costs to be reimbursed by the landlord. As of December 31, 2017 and 2018, and June 30, 2019 (unaudited), $10.3 million, $10.4 million, and $10.5 million, respectively, of build-to-suit lease financing obligation was included on the consolidated balance sheets.

**Legal Matters**

From time to time the Company is a party to various legal proceedings that arise in the ordinary course of business. In addition, third parties may from time to time assert claims against the Company in the form of letters and other communications. Management currently believes that there is no pending or threatened legal proceeding to which the Company is a party that is likely to have a material adverse effect on the Company’s consolidated financial statements. However, the results of legal proceedings are inherently unpredictable and if an unfavorable ruling were to occur in any of the legal proceedings there exists the possibility of a material adverse effect on the Company’s financial position, results of operations, and cash flows. The Company accrues for legal proceedings that it considers probable and for which the loss can be reasonably estimated. The Company discloses potential losses when they are reasonably possible. Legal costs incurred and expected to be incurred related to litigation matters are expensed as incurred.

The Company’s platform and associated products are subject to various restrictions under U.S. export control and sanctions laws and regulations, including the U.S. Department of Commerce’s Export Administration Regulations (EAR) and various economic and trade sanctions regulations administered by the U.S. Department of the Treasury’s Office of Foreign Assets Controls (OFAC). The U.S. export control laws and U.S. economic sanctions laws include restrictions or prohibitions on the sale or supply of certain products and services to U.S. embargoed or sanctioned countries, governments, persons and entities and also require authorization for the export of certain encryption items. In addition, various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements and have enacted or could enact laws that could limit the Company’s ability to distribute its platform.

Although the Company takes precautions to prevent its platform and associated products from being accessed or used in violation of such laws, the Company may have inadvertently allowed its platform and associated products to be accessed or used by some customers in apparent violation of U.S. economic sanctions laws, including by users in embargoed or sanctioned countries, and the Company may have exported or allowed the download of certain software prior to making required filings with the U.S. Department of Commerce’s Bureau of Industry and Security. As a result, the Company has
submitted to OFAC and to the Bureau of Industry and Security a voluntary self-disclosure concerning potential violations, and the Company has submitted a voluntary self-disclosure to the Census Bureau regarding potential violations of the Foreign Trade Regulations related to some incorrect electronic export information statements to the U.S. government for certain hardware exports, which were authorized. If the Company is found to be in violation of U.S. economic sanctions or export control laws, it could result in substantial fines and penalties for the Company and for the individuals working for the Company. The Company may also be adversely affected through other penalties, reputational harm, loss of access to certain markets or otherwise. No loss has been recognized in the consolidated financial statements for this loss contingency as it is not probable a loss has been incurred and the range of a possible loss is not yet estimable.

**Note 8. Redeemable Convertible Preferred Stock**

As of December 31, 2017 and 2018, and June 30, 2019 (unaudited), the Company’s redeemable convertible preferred stock consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th></th>
<th>December 31, 2018 and June 30, 2019 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares Authorized</td>
<td>Shares Issued and Outstanding</td>
<td>Carrying Value</td>
</tr>
<tr>
<td>Series A</td>
<td>50,041</td>
<td>50,041</td>
<td>$1,985</td>
</tr>
<tr>
<td>Series B</td>
<td>59,286</td>
<td>59,109</td>
<td>19,927</td>
</tr>
<tr>
<td>Series C</td>
<td>25,127</td>
<td>25,127</td>
<td>49,942</td>
</tr>
<tr>
<td>Series D</td>
<td>17,745</td>
<td>17,745</td>
<td>109,692</td>
</tr>
<tr>
<td></td>
<td>152,199</td>
<td>152,022</td>
<td>$181,546</td>
</tr>
</tbody>
</table>

The holders of the Company’s redeemable convertible preferred stock have various rights, preferences and privileges, which are summarized as follows:

**Dividend Rights**

Each holder of the shares of Series A, B, C, and D redeemable convertible preferred stock shall be entitled to receive, out of available funds and assets, noncumulative dividends at the rate of 8% of the original issue price, per annum, payable in preference and priority to any payment of any dividends on common stock when, as and if declared by the Company’s board of directors. After payment of such dividends, any additional dividends are distributed among the holders of redeemable convertible preferred stock and common stock pro rata on an if-converted basis. No dividends are payable to Series A, B, or C redeemable convertible preferred stock unless dividends on Series D redeemable convertible preferred stock have been declared and paid. The right to receive dividends on shares of redeemable convertible preferred stock is not cumulative. As of December 31, 2018 and June 30, 2019 (unaudited), the Company had declared no dividends to date.
**Liquidation Preference**

In the event of any liquidation, dissolution, or winding up of the Company, the holders of Series D redeemable convertible preferred stock then outstanding shall be entitled to be paid prior to the holders of the common stock and Series A, B, and C redeemable convertible preferred stock, at the greater of an amount per share equal to the original issue price plus any dividends declared but unpaid or the amount on an as converted to common stock basis. After such payment has been made, the holders of the Series A, B, and C redeemable convertible preferred stock then outstanding shall be entitled to be paid, out of the available funds and assets, prior to the holders of the common stock, at the greater of an amount per share equal to their respective original issue price plus any dividends declared but unpaid, or the amount on an as converted to common stock basis. If assets are not sufficient to permit such payment, payment will be made ratably among the holders of the redeemable convertible preferred stock in proportion to the full amounts to which they would otherwise be entitled. Upon completion of the distribution to preferred stockholders, the remaining assets and funds of the Company available for distribution to stockholders shall be distributed among the holders of common stock pro rata based on the number of shares of common stock held by each holder. A deemed liquidation event includes a merger or consolidation with another entity; a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the Company’s assets; the transfer or disposition of a majority of the Company’s voting stock; or a liquidation, dissolution or winding up of the Company.

**Conversion Rights**

Each outstanding share of the Series A, B, and C redeemable convertible preferred stock is convertible, at the option of the holder, at any time after the date of issuance of such shares, into shares of Class B common stock according to a conversion rate determined by dividing the applicable original issue price by the applicable conversion price in effect on the date the share certificate is surrendered for conversion. Each outstanding share of the Series D redeemable convertible preferred stock is convertible, at the option of the holder, at any time after the date of issuance of such shares, into shares of Class A common stock according to a conversion rate determined by dividing the original issue price by the conversion price in effect on the date the share certificate is surrendered for conversion. The conversion price per share at December 31, 2017 and 2018, and June 30, 2019 (unaudited) was equal to the original issue price divided by the conversion price, at a rate at which each share would convert into common stock at a one-for-one rate. Each share of redeemable convertible preferred stock shall automatically be converted into common stock immediately upon the earlier of (i) the closing of the sale of shares of common stock to the public at a price of at least $6.1255 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination, or other similar recapitalization with respect to the common stock) in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (IPO), resulting in at least $50 million of gross proceeds (qualifying IPO), or (ii) the date and time specified by vote or written consent of the holders of at least a majority of the then outstanding shares of redeemable convertible preferred stock, including at least a majority of the outstanding shares of each of the Series B and C redeemable convertible preferred stock and 51% of the outstanding shares of the Series D redeemable convertible preferred stock.

In the event the Company makes certain specified issuances of its capital stock without consideration or for a consideration per share less than the applicable conversion price for the Series A, B, C, or D redeemable convertible preferred stock, then the applicable conversion price for such series of redeemable convertible preferred stock shall be reduced.
**Voting Rights**

The holders of the Series A, B, C, and D redeemable convertible preferred stock are entitled to the number of votes equal to the number of shares of common stock into which such shares are convertible. The holders of the outstanding shares of common stock and each series of redeemable convertible preferred stock, voting together as a single class on an as converted basis, are entitled to elect seven directors to the Company’s board of directors unless a board increase event (as defined in the amended and restated voting agreement) occurs.

**Protective Provisions**

At any time when at least 5,000,000 shares of redeemable convertible preferred stock remain outstanding, the Company is not permitted to amend provisions of the amended and restated certificate of incorporation or the bylaws; authorize or issue securities having any right or priority over Series D redeemable convertible preferred stock; increase the authorized number of shares of any series of redeemable convertible preferred stock; repurchase or redeem, or pay or declare any dividend on, shares of common stock or preferred stock (other than repurchases of stock from former employees, officers, directors, consultants, or other persons who performed services for the Company); consummate a liquidation event; alter the total number of authorized shares of common stock or preferred stock; change the authorized number of directors; or incur debt exceeding $1.0 million, without the approval of the holders of a majority of the then outstanding shares of redeemable convertible preferred stock. Likewise, at any time when at least 5,000,000 shares of a respective series of Series A, B, C, or D redeemable convertible preferred stock are outstanding, the Company is not permitted to alter the number of authorized shares of that respective series of redeemable convertible preferred stock; alter the voting rights or other powers, preferences, privileges, or restrictions of any of the series of redeemable convertible preferred stock without also altering such rights of the other series of redeemable convertible preferred stock in the same manner; or change the rights and preferences of the respective series of redeemable convertible preferred stock in an adverse manner, without the approval of the holders of a majority of the then outstanding shares of the respective series of redeemable convertible preferred stock. Additionally, at any time when at least 5,000,000 shares of a respective series of Series B or C redeemable convertible preferred stock are outstanding, the Company is not permitted to pay or declare a dividend on any shares of common or preferred stock, or repurchase or redeem any shares of preferred stock or common stock (other than repurchases of stock from former employees or other service providers), without the approval of the holders of a majority of the then outstanding shares of the respective series of Series B or C redeemable convertible preferred stock. Likewise, at any time when at least 5,000,000 shares of Series D redeemable convertible preferred stock are outstanding, the Company is not permitted to repurchase or redeem or pay any dividend on shares of common stock or preferred stock prior to the Series D redeemable convertible preferred stock (other than repurchases of stock from former employees or consultants), without the approval of the holders of a majority of the then outstanding shares of Series D redeemable convertible preferred stock.

**Classification of Redeemable Convertible Preferred Stock**

The deemed liquidation preference provisions of the Series A, B, C, and D redeemable convertible preferred stock are considered contingent redemption provisions as there are certain elements that are not solely within the Company’s control. These elements primarily relate to deemed liquidation events such as a change in control or an involuntary winding-up or dissolution of the Company. Accordingly, the Company’s redeemable convertible preferred stock has been presented outside of permanent equity in the mezzanine section of the consolidated balance sheets.

F-39
**Redeemable Convertible Preferred Stock Warrants**

In connection with the terms of a loan and security agreement entered into by the Company in April 2011, the Company issued a warrant to purchase 59,140 shares of Series B redeemable convertible preferred stock upon execution of the agreement, an additional warrant to purchase 94,510 shares of Series B redeemable convertible preferred stock in connection with the Company's drawdown of $1.6 million under the facility during October 2011 and a warrant to purchase 23,760 shares of Series B redeemable convertible preferred stock in connection with the final drawdown of $0.4 million in January 2012. The warrants expire on the earlier of (i) a change of control of the Company or any simultaneous sale of more than a majority of the then outstanding securities of the Company other than a mere reincorporation transaction, or (ii) the 10-year anniversary of their issue date, and have an exercise price of $0.34 per share. The warrants are considered a liability and are carried at fair value with any changes in fair value recognized in other income (expense), net in the consolidated statements of operations. During the years ended December 31, 2016, 2017, and 2018, and the six months ended June 30, 2018 and 2019 (unaudited), the Company recorded a gain of $0.03 million, loss of $0.05 million, loss of $1.2 million, loss of $0.1 million, and loss of $0.3 million, respectively, related to the change in fair value of the redeemable convertible preferred stock warrants. In addition, the discount on the loan related to the initial fair value of the warrants was amortized on an effective interest rate method as interest expense over the life of the loan. Amounts outstanding under the loan and security agreement were repaid in 2015.

The fair value of the redeemable convertible preferred stock warrants was determined using the following assumptions:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Remaining contractual life (in years)</td>
<td>4.3</td>
<td>3.3</td>
<td>2.3</td>
<td>2.8</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>Expected volatility</td>
<td>46.0%</td>
<td>42.2%</td>
<td>39.2%</td>
<td>38.7%</td>
<td>37.6%</td>
<td></td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>1.8%</td>
<td>2.0%</td>
<td>2.5%</td>
<td>2.6%</td>
<td>1.8%</td>
<td></td>
</tr>
<tr>
<td>Expected dividend rate</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

**Note 9. Common Stock**

The Company’s certificate of incorporation authorizes the issuance of Class A common stock and Class B common stock. The holder of each share of Class A common stock is entitled to one vote per share, while the holder of each share of Class B common stock is entitled to one vote per share and will be entitled to 10 votes per share immediately upon the Company’s securities being publicly listed for sale on a national stock exchange. As of December 31, 2017 and 2018, and June 30, 2019 (unaudited), the Company was authorized to issue 500,000,000, 550,000,000, and 550,000,000 shares of Class A common stock, respectively, and 260,000,000, 300,000,000, and 300,000,000 shares of Class B common stock, respectively, each with a par value of $0.001 per share. There were no shares of Class A common stock issued and outstanding as of December 31, 2017 and 2018, and June 30, 2019 (unaudited). The number of shares of Class B common stock issued and outstanding was 79,115,663, 91,542,243, and 92,685,845 as of December 31, 2017 and 2018, and June 30, 2019 (unaudited), respectively.

Holders of the Company’s Class A common stock and Class B common stock are entitled to dividends when, as and if, declared by the Company’s board of directors, subject to the rights of the holders of all classes of stock outstanding having priority rights to dividends. Any dividends paid to the holders of the Class A common stock and Class B common stock will be paid on a pro rata basis. As of December 31, 2018 and June 30, 2019 (unaudited), the Company had not declared any dividends. The rights of the holders of Class A and Class B common stock are identical, except with respect to
voting, protective provisions and conversion. At any time following the IPO when any shares of Class B common stock are outstanding, the
Company is not permitted, without prior written consent or affirmative vote of a majority of the voting power of the Class B common stock to
do any of the following: amend provisions of the Company’s amended and restated certificate of incorporation or the bylaws that modifies the
voting, conversion, or other powers, preferences or other special rights or privileges or restrictions of the Class B common stock; reclassify
any outstanding shares of Class A common stock into shares with rights as to dividends or liquidation that are senior to the Class B common
stock or the right to more than one vote per share; or consummate a Liquidation Event (as defined in the Company’s amended and restated
certificate of incorporation) without the approval of a majority of the Class B common stock outstanding. Each share of Class B common stock
is convertible at any time at the option of the stockholder into one share of Class A common stock. Each share of Class B common stock will
convert automatically into one share of Class A common stock upon (i) any Transfer, whether or not for value, except for Permitted Transfers
or to Permitted Transferees, each term as defined in the Company’s amended and restated certificate of incorporation; (ii) the date that any
Permitted Transferee of such shares of Class B common stock ceases to qualify as a Permitted Transferee, as defined in the Company’s
amended and restated certificate of incorporation; or (iii) at any time following an IPO, upon the death of such stockholder, or if such
stockholder is a founder of the Company, nine months after the death of such founder. All shares of Class B common stock outstanding will
convert automatically each into one share of Class A common stock upon the earliest to occur of (i) the date specified by a vote of a majority
of the holders of Class B common stock outstanding, (ii) the date when the outstanding shares of Class B common stock represents less than
9% of the aggregate number of shares of common stock then outstanding, or (iii) October 31, 2034. Class A common stock and Class B
common stock are referred to as common stock throughout the notes to these consolidated financial statements, unless otherwise noted.

**Common Stock Reserved for Future Issuance**

Shares of common stock reserved for future issuance, on an as-if converted basis, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th>June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Conversion of redeemable convertible preferred stock</td>
<td>152,022</td>
<td>165,658</td>
</tr>
<tr>
<td>Stock options issued and outstanding</td>
<td>28,127</td>
<td>25,087</td>
</tr>
<tr>
<td>Remaining shares available for issuance under the 2010 Plan</td>
<td>9,019</td>
<td>13,356</td>
</tr>
<tr>
<td>Conversion of redeemable convertible preferred stock warrants</td>
<td>177</td>
<td>177</td>
</tr>
<tr>
<td>Unvested restricted stock and RSUs</td>
<td>78</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total shares of common stock reserved</strong></td>
<td><strong>189,423</strong></td>
<td><strong>204,278</strong></td>
</tr>
</tbody>
</table>

**Note 10. Stock-based Compensation**

### 2010 Stock Plan

The Company’s board of directors approved the adoption of the 2010 Plan in 2010. The 2010 Plan is a broad-based retention program and is
intended to attract and retain talented employees, directors and nonemployee consultants. The 2010 Plan provides for the granting of stock
options, restricted stock, restricted stock units, and stock appreciation rights to employees, directors, and consultants. Incentive stock options
may be granted only to employees. All other awards under the 2010 Plan, including nonqualified stock options, may be granted to employees,
directors, and consultants. Except for qualifying assumptions and substitutions of options, the exercise price of an incentive stock option and a
nonqualified stock option shall not be less than 100% of the fair market value of such shares on the
Stock Options

Under the 2010 Plan, at exercise, stock option awards entitle the holder to receive one share of common stock. The Company accounts for forfeitures of stock-based awards when they occur. All stock-based awards with only service-based vesting conditions are recognized on a straight-line basis over the requisite service periods of the awards.

Stock-based compensation expense for stock options granted is estimated based on the option’s fair value as calculated by the Black-Scholes option pricing model. The Black-Scholes model requires various assumptions, including the fair value of the underlying common stock, expected term, expected dividend yield, expected volatility of the common stock, and a risk-free interest rate. If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. The absence of a public market for the Company’s common stock requires the Company’s board of directors to estimate the fair value of its common stock for purposes of granting options and for determining stock-based compensation expense by considering several objective and subjective factors, including contemporaneous third-party valuations, actual and forecasted operating and financial results, market conditions and performance of comparable publicly traded companies, developments and milestones in the Company, the rights and preferences of common and preferred stock, and transactions involving preferred stock. The fair value of the Company’s common stock has been determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants, Valuation of Privately Held Company Equity Securities Issued as Compensation. As the Company has no active trading history, expected volatility was derived from historical volatilities of selected public companies deemed to be comparable to the Company’s business. The expected term represents the period that the Company’s stock-based awards are expected to be outstanding. As the Company does not have sufficient historical experience for determining the expected term of the stock option awards granted, it has based its expected term on the simplified method available under U.S. GAAP. The risk-free interest rate is based on the implied yield currently available on U.S. treasury notes with terms approximately equal to the expected term of the option. The expected dividend rate is zero as the Company currently has no history or expectation of declaring dividends on the common stock. The weighted-average assumptions used to determine the fair value of stock options granted during the periods presented were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th>Six Months Ended June 30 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>6.1</td>
<td>6.5</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>49.2%</td>
<td>45.8%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>1.6%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

The weighted-average grant date fair value of options granted during the years ended December 31, 2016, 2017, and 2018, and the six months ended June 30, 2018 and 2019 (unaudited) was $0.78, $0.97, $1.38, $1.33, and $4.10 per share, respectively.
The following table summarizes the stock-based awards activity:

<table>
<thead>
<tr>
<th>Stock Options Outstanding</th>
<th>Shares Available for Future Grant</th>
<th>Shares Subject to Options Outstanding</th>
<th>Weighted-Average Exercise Price per Option</th>
<th>Weighted-Average Remaining Contractual Terms (in years)</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances as of December 31, 2015</td>
<td>7,856</td>
<td>13,922</td>
<td>$ 0.78</td>
<td>8.4</td>
<td>$ 12,442</td>
</tr>
<tr>
<td>Increase in 2010 Plan authorized shares</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Restricted stock activity, net</td>
<td>(230)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options granted</td>
<td>(3,643)</td>
<td>3,643</td>
<td>$ 1.71</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options exercised</td>
<td>— (988)</td>
<td>(988)</td>
<td>$ 0.87</td>
<td>—</td>
<td>$ 791</td>
</tr>
<tr>
<td>Repurchase of unvested shares</td>
<td>33</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options cancelled/forfeited/expired</td>
<td>3,258 (3,258)</td>
<td>3,258</td>
<td>$ 0.91</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balances as of December 31, 2016</td>
<td>7,274</td>
<td>13,319</td>
<td>$ 0.99</td>
<td>7.8</td>
<td>$ 9,283</td>
</tr>
<tr>
<td>Increase in 2010 Plan authorized shares</td>
<td>19,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Restricted stock activity, net</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options granted</td>
<td>(17,937)</td>
<td>17,937</td>
<td>$ 2.02</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options exercised</td>
<td>— (2,458)</td>
<td>(2,458)</td>
<td>$ 1.12</td>
<td>—</td>
<td>$ 2,115</td>
</tr>
<tr>
<td>Repurchase of unvested shares</td>
<td>11</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options cancelled/forfeited/expired</td>
<td>671 (671)</td>
<td>671</td>
<td>$ 1.60</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balances as of December 31, 2017</td>
<td>9,019</td>
<td>28,127</td>
<td>$ 1.62</td>
<td>8.5</td>
<td>$ 11,684</td>
</tr>
<tr>
<td>Increase in 2010 Plan authorized shares</td>
<td>13,647</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Restricted stock activity, net</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options granted</td>
<td>(10,527)</td>
<td>10,527</td>
<td>$ 2.91</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options exercised</td>
<td>(12,387)</td>
<td>(12,387)</td>
<td>$ 1.53</td>
<td>—</td>
<td>$ 15,433</td>
</tr>
<tr>
<td>Repurchase of unvested shares</td>
<td>36</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options cancelled/forfeited/expired</td>
<td>1,180 (1,180)</td>
<td>1,180</td>
<td>$ 2.24</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balances as of December 31, 2018</td>
<td>13,356</td>
<td>25,087</td>
<td>$ 2.18</td>
<td>8.4</td>
<td>$ 159,945</td>
</tr>
<tr>
<td>Increase in 2010 Plan authorized shares (unaudited)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Restricted stock and RSU activity, net (unaudited)</td>
<td>(4,149)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options granted (unaudited)</td>
<td>(394)</td>
<td>394</td>
<td>$ 9.60</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options exercised (unaudited)</td>
<td>— (1,177)</td>
<td>(1,177)</td>
<td>$ 2.75</td>
<td>—</td>
<td>$ 7,177</td>
</tr>
<tr>
<td>Repurchase of unvested shares (unaudited)</td>
<td>40</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options cancelled/forfeited/expired (unaudited)</td>
<td>746 (746)</td>
<td>746</td>
<td>$ 2.41</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balances as of June 30, 2019 (unaudited)</td>
<td>9,599</td>
<td>23,558</td>
<td>$ 2.27</td>
<td>8.0</td>
<td>$ 181,334</td>
</tr>
<tr>
<td>Vested and expected to vest as of December 31, 2018</td>
<td>—</td>
<td>25,087</td>
<td>$ 2.18</td>
<td>8.4</td>
<td>$ 159,945</td>
</tr>
<tr>
<td>Vested and expected to vest as of June 30, 2019 (unaudited)</td>
<td>—</td>
<td>23,558</td>
<td>$ 2.27</td>
<td>8.0</td>
<td>$ 181,334</td>
</tr>
<tr>
<td>Exercisable as of December 31, 2018</td>
<td>—</td>
<td>25,031</td>
<td>$ 2.19</td>
<td>8.4</td>
<td>$ 159,554</td>
</tr>
<tr>
<td>Exercisable as of June 30, 2019 (unaudited)</td>
<td>—</td>
<td>23,534</td>
<td>$ 2.27</td>
<td>8.0</td>
<td>$ 181,127</td>
</tr>
</tbody>
</table>
The aggregate intrinsic value is the difference between the exercise price and the estimated fair value of the underlying common stock. Options exercisable include 20,697,847 options that were unvested as of December 31, 2018 and 18,441,270 options that were unvested as of June 30, 2019 (unaudited).

The total grant date fair value for vested options in the years ended December 31, 2016, 2017, and 2018, and the six months ended June 30, 2018 and 2019 (unaudited) was $2.3 million, $2.3 million, $3.4 million, $1.8 million, and $2.2 million, respectively.

As of December 31, 2018 and June 30, 2019 (unaudited), there was $15.5 million and $13.1 million, respectively, of unrecognized stock-based compensation expense related to unvested stock options that is expected to be recognized over a weighted-average period of 3.8 years and 3.3 years, respectively.

In addition, as of December 31, 2018 and June 30, 2019 (unaudited), there was $13.4 million and $50.5 million, respectively, of unrecognized stock-based compensation expense related to awards with vesting or vesting commencement contingent upon a qualified event (for QE Options, either (i) listing of Company equity securities for sale on a public stock exchange, (ii) the closing of a change in control, or (iii) other event as determined by the Company’s board of directors; and for QE RSUs, either (i) the closing of a change in control, or (ii) the effective date of a registration statement of the Company filed under the Securities Act for the first underwritten public sale of its common stock). Stock-based compensation expense is recognized only for those awards that are expected to meet the service-based and performance conditions. As of December 31, 2017, December 31, 2018, and June 30, 2019, achievement of the performance condition was not probable. A change in control event, listing of equity securities event, and effectiveness of a registration statement event are not deemed probable until consummated. If the listing of equity securities event and effectiveness of a registration statement event had occurred on December 31, 2018 or June 30, 2019 (unaudited), the Company would have recognized $6.1 million or $14.7 million of stock-based compensation expense for the QE options service period rendered from the date of grant through December 31, 2018 or June 30, 2019 and for the QE RSUs for which the service-based condition was satisfied as of December 31, 2018 or June 30, 2019, respectively, and would have had $7.3 million or $35.8 million of unrecognized compensation cost which is expected to be recognized over a weighted-average period of 4.0 years or 3.7 years as of December 31, 2018 or June 30, 2019 (unaudited), respectively.

**Early Exercises of Stock Options**

The 2010 Plan allows for the early exercise of stock options for certain individuals as determined by the Company’s board of directors. Early exercises of options are not deemed, for accounting purposes, to be issued until those shares vest according to their respective vesting schedules and accordingly, the consideration received for early exercises are initially recorded as a liability and reclassified to common stock and additional paid-in capital as the underlying awards vest. Stock options that are early exercised are subject to a repurchase option that allows the Company to repurchase any unvested shares within six months of an individual’s termination for any reason, including death and disability (or in the case of shares issued upon exercise of an option after termination, within six months of the date of exercise), at the price equal to the lower of the amount paid by the purchaser and the fair market value at the time of repurchase. As of December 31, 2017 and 2018, and June 30, 2019 (unaudited), the Company had $1.3 million, $14.3 million, and $15.0 million, respectively, recorded in liability for early exercise of unvested stock options, and the related number of unvested shares subject to repurchase was 747,546, 6,737,971, and 6,684,754, respectively.
Restricted Stock and Restricted Stock Units

In December 2016, in connection with an acquisition, the Company issued restricted stock to certain employees of the acquired company. The terms of the awards provide for settlement in Class B common stock upon achievement of certain performance and service conditions. During the six months ended June 30, 2019 (unaudited), the Company granted RSUs to employees and contractors. Such RSUs contain both service-based and performance conditions to vest in the underlying common stock. Restricted stock and RSU activity for the years ended December 31, 2016, 2017, and 2018, and the six months ended June 30, 2019 (unaudited) was as follows:

<table>
<thead>
<tr>
<th>Restricted Stock and RSUs</th>
<th>Weighted-Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands, except per share data)</td>
</tr>
</tbody>
</table>

Unvested as of December 31, 2015

- **Granted**: 230 $1.68
- **Forfeited**: —

Vested

- **Grant**: (76) $1.68

Forfeited

- **Unvested as of December 31, 2016**: 154 $1.68
- **Vested**: (76) $1.68
- **Forfeited**: —

Unvested as of December 31, 2017

- **Granted**: —
- **Vested**: (77) $1.68
- **Forfeited**: (1) $1.68

Unvested as of December 31, 2018

- **Granted (unaudited)**: 4,360 $8.72
- **Vested (unaudited)**: —
- **Forfeited (unaudited)**: (211) $8.63

Unvested as of June 30, 2019 (unaudited)

- **Granted (unaudited)**: 4,149 $8.73

One-third of the restricted stock award vested at the time of the acquisition. One-third vested upon the achievement of a performance milestone which occurred during the year ended December 31, 2017. The final third vested during the year ended December 31, 2018. The total grant date fair value for vested restricted stock in the years ended December 31, 2016, 2017, and 2018, and the six months ended June 30, 2018 and 2019 (unaudited) was $0.1 million, $0.1 million, $0.1 million, zero, and zero, respectively. The total stock-based compensation expense for restricted stock for the years ended December 31, 2016, 2017, and 2018, and the six months ended June 30, 2018 and 2019 (unaudited) was $0.03 million, $0.2 million, $0.1 million, $0.03 million, and zero, respectively. As of December 31, 2018 and June 30, 2019 (unaudited), the total unrecognized stock-based compensation expense related to unvested restricted stock was zero.

RSUs granted under the 2010 Plan generally vest upon the satisfaction of both a service-based vesting condition and a performance vesting condition, as defined below, occurring before these RSUs expire. The service-based vesting condition for employees is typically satisfied over a four-year period, which (i) in certain cases is satisfied with respect to 25% of the RSUs upon completion of one year of service measured from the vesting commencement date, and the balance being satisfied in successive equal quarterly installments over the next three-year period, and (ii) in other cases is satisfied in successive equal quarterly installments over such four-year period. The performance vesting condition occurs on the earlier of (i) a change in control or (ii) the effective date of a registration statement of the Company filed under the Securities Act for the first underwritten public sale of its common stock. As of June 30,
2019 (unaudited), achievement of the performance condition was not probable. A change in control event and effective date of a registration statement event are not deemed probable until consummated. As of June 30, 2019 (unaudited), the total unrecognized stock-based compensation expense related to unvested RSUs was $36.2 million.

**Stock-based Compensation Expense**

The following table sets forth the total stock-based compensation expense included in the Company’s consolidated statements of operations:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>$64</td>
<td>$47</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>381</td>
<td>488</td>
</tr>
<tr>
<td>Research and development</td>
<td>1,043</td>
<td>969</td>
</tr>
<tr>
<td>General and administrative</td>
<td>4,212</td>
<td>1,251</td>
</tr>
<tr>
<td>Total stock-based compensation expense</td>
<td>$5,700</td>
<td>$2,755</td>
</tr>
</tbody>
</table>

Total stock-based compensation expense for the years ended December 31, 2016 and December 31, 2018 includes charges related to a secondary sale of the Company’s common stock of $3.3 million and $23.3 million, respectively. Refer to Note 14 to these consolidated financial statements for further information on these transactions.

**Note 11. Net Loss per Share Attributable to Common Stockholders**

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. The Company considers its redeemable convertible preferred stock and shares issued on the early exercise of stock options subject to repurchase to be participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the redeemable convertible preferred stock and the holders of early exercised shares subject to repurchase as the holders of these participating securities do not have a contractual obligation to share in the losses of the Company.

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase. The net loss attributable to common stockholders is allocated based on the contractual participation rights of the Class A and Class B common stock. As the liquidation and dividend rights of the Class A and Class B common stock are identical, the net loss attributable to common stockholders is allocated on a proportionate basis. There were no shares of Class A common stock issued and outstanding as of December 31, 2016, 2017 and 2018, and June 30, 2019 (unaudited). As such, there was no net loss allocated to the Class A common stock.

The diluted net loss per share attributable to common stockholders is computed by giving effect to all potentially dilutive common stock equivalents during the period. For purposes of this calculation, the Company’s redeemable convertible preferred stock, redeemable convertible preferred stock warrants, stock options, unvested restricted stock, unvested RSUs, and early exercised stock options are considered to be potential common stock equivalents, but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is antidilutive.

F-46
The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Net loss attributable to common stockholders</td>
<td>$(17,334)</td>
<td>$(10,748)</td>
</tr>
<tr>
<td>Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted</td>
<td>75,721</td>
<td>77,147</td>
</tr>
<tr>
<td>Net loss per share attributable to common stockholders, basic and diluted</td>
<td>$(0.23)</td>
<td>$(0.14)</td>
</tr>
</tbody>
</table>

Since the Company was in a loss position for all periods presented, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential common shares outstanding would have been antidilutive. The potential shares of common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Six Months Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Redeemable convertible preferred stock</td>
<td>152,022</td>
<td>152,022</td>
</tr>
<tr>
<td>Redeemable convertible preferred stock warrants</td>
<td>177</td>
<td>177</td>
</tr>
<tr>
<td>Unvested early exercised stock options subject to repurchase</td>
<td>74</td>
<td>748</td>
</tr>
<tr>
<td>Unexercised stock options</td>
<td>13,319</td>
<td>28,127</td>
</tr>
<tr>
<td>Unvested restricted stock and RSUs</td>
<td>154</td>
<td>78</td>
</tr>
<tr>
<td>Total</td>
<td>165,746</td>
<td>181,152</td>
</tr>
</tbody>
</table>
**Unaudited Pro Forma Net Loss per Share**

The following table sets forth the computation of the unaudited pro forma basic and diluted net loss per share attributable to common stockholders:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2018</th>
<th></th>
<th></th>
<th>Six Months Ended June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Class A Common Stock</td>
<td>Class B Common Stock</td>
<td></td>
<td>Class A Common Stock</td>
</tr>
<tr>
<td></td>
<td>(in thousands, except per share data)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Numerator:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss as reported</td>
<td>$ (-)</td>
<td>$ (87,164)</td>
<td></td>
<td>$ (-)</td>
</tr>
<tr>
<td>Reallocation of net loss due to pro forma adjustments</td>
<td>$ (8,104)</td>
<td>8,104</td>
<td></td>
<td>$ (4,602)</td>
</tr>
<tr>
<td>Net loss attributed to Class A and Class B common stock for pro forma basic and diluted net loss per share calculation</td>
<td>$ (8,104)</td>
<td>$ (79,060)</td>
<td>$ (4,602)</td>
<td>$ (32,218)</td>
</tr>
<tr>
<td><strong>Denominator:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted</td>
<td></td>
<td>80,981</td>
<td></td>
<td>85,382</td>
</tr>
<tr>
<td>Pro forma adjustment to reflect assumed conversion of Series A-D redeemable convertible preferred stock to common stock</td>
<td>22,064</td>
<td>134,277</td>
<td>31,381</td>
<td>134,277</td>
</tr>
<tr>
<td>Pro forma adjustment to reflect assumed vesting of RSUs with performance condition</td>
<td></td>
<td></td>
<td></td>
<td>45</td>
</tr>
<tr>
<td>Number of shares used for pro forma basic and diluted net loss computation</td>
<td>22,064</td>
<td>215,258</td>
<td>31,381</td>
<td>219,704</td>
</tr>
<tr>
<td>Pro forma net loss per share attributable to Class A and Class B common stockholders, basic and diluted</td>
<td>$ (0.37)</td>
<td>$ (0.37)</td>
<td>$ (0.15)</td>
<td>$ (0.15)</td>
</tr>
</tbody>
</table>

**Note 12. Income Taxes**

The components of the Company’s income (loss) before income taxes for the years ended December 31, 2016, 2017, and 2018 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
</tr>
<tr>
<td>Domestic</td>
<td>$(19,691)</td>
</tr>
<tr>
<td>Foreign</td>
<td>2,426</td>
</tr>
<tr>
<td>Total income (loss) before income taxes</td>
<td>$(17,265)</td>
</tr>
</tbody>
</table>

F-48
The components of the Company’s provision for income taxes for the years ended December 31, 2016, 2017, and 2018 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(in thousands)</td>
</tr>
<tr>
<td>Current expense (benefit):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$260</td>
<td>$699</td>
</tr>
<tr>
<td>State</td>
<td>(1)</td>
<td>23</td>
</tr>
<tr>
<td>Foreign</td>
<td>340</td>
<td>446</td>
</tr>
<tr>
<td>Total current provision for income taxes</td>
<td>$599</td>
<td>$1,168</td>
</tr>
<tr>
<td>Deferred expense (benefit):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>(440)</td>
<td>1</td>
</tr>
<tr>
<td>State</td>
<td>(14)</td>
<td>—</td>
</tr>
<tr>
<td>Foreign</td>
<td>(76)</td>
<td>(136)</td>
</tr>
<tr>
<td>Total deferred provision for income taxes</td>
<td>$(530)</td>
<td>$(135)</td>
</tr>
<tr>
<td>Total provision for income taxes</td>
<td>$69</td>
<td>$1,033</td>
</tr>
</tbody>
</table>

A reconciliation of the U.S. federal statutory rate to the Company’s effective tax rate is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(in %)</td>
</tr>
<tr>
<td>Expected benefit at U.S. federal statutory rate</td>
<td>34.0%</td>
<td>34.0%</td>
</tr>
<tr>
<td>State income taxes, net of federal tax benefits</td>
<td>0.1</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Foreign income or losses taxed at different rates</td>
<td>(1.8)</td>
<td>2.1</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>(8.5)</td>
<td>2.1</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>(22.8)</td>
<td>(36.5)</td>
</tr>
<tr>
<td>Withholding taxes</td>
<td>—</td>
<td>(7.2)</td>
</tr>
<tr>
<td>Transition tax</td>
<td>—</td>
<td>(3.3)</td>
</tr>
<tr>
<td>Miscellaneous permanent items</td>
<td>(1.4)</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Total provision for income taxes</td>
<td>(0.4)%</td>
<td>(10.6)%</td>
</tr>
</tbody>
</table>

In 2018, the difference in the Company’s effective tax rate and the U.S. federal statutory tax rate was primarily due to recording a full valuation allowance on the Company’s U.S. deferred tax assets and a charge of $23.3 million related to non-deductible stock-based compensation.
The components of the Company’s deferred tax assets and liabilities as of December 31, 2017 and 2018 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td><strong>Deferred tax assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating loss carryforwards</td>
<td>$17,125</td>
<td>$31,788</td>
</tr>
<tr>
<td>Tax credit carryforwards</td>
<td>6,648</td>
<td>8,699</td>
</tr>
<tr>
<td>Accrued expenses and reserves</td>
<td>1,112</td>
<td>436</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>962</td>
<td>—</td>
</tr>
<tr>
<td>Unrealized loss on investments</td>
<td>288</td>
<td>617</td>
</tr>
<tr>
<td>Other</td>
<td>493</td>
<td>1,115</td>
</tr>
<tr>
<td>Gross deferred tax assets</td>
<td>26,628</td>
<td>42,655</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(22,405)</td>
<td>(37,924)</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>$ 4,223</td>
<td>$ 4,731</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>(2,594)</td>
<td>(1,269)</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>(89)</td>
<td>—</td>
</tr>
<tr>
<td>Capitalized internal-use software</td>
<td>(1,310)</td>
<td>(3,111)</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>(514)</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>(20)</td>
<td>(13)</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>$ (4,013)</td>
<td>$ (4,907)</td>
</tr>
<tr>
<td>Net deferred tax assets (liabilities)</td>
<td>$ 210</td>
<td>$(176)</td>
</tr>
</tbody>
</table>

On December 22, 2017, the U.S. government enacted the TCJA. The TCJA makes broad and complex changes to the U.S. tax code, including, but not limited to: (i) reducing the U.S. federal corporate tax rate to 21 percent; (ii) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; (iii) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (iv) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations; and (v) creating the base erosion anti-abuse tax (BEAT), a new minimum tax. ASC 740, *Income Taxes*, requires companies to recognize the effect of the tax law changes in the period of enactment. However, the SEC staff issued SAB 118 which allowed companies to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. Accordingly, the Company has completed accounting for the tax effects of the TCJA in 2018.

As of December 31, 2017, the Company had recorded the effects on its existing deferred tax balances and the one-time transition tax in the Company’s consolidated financial statements. The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. The amount recorded related to the re-measurement of the Company’s deferred tax balance was $8.0 million, which was offset by corresponding movement in the valuation allowance. The one-time transition tax of $0.3 million was based on the Company’s accumulated foreign subsidiary earnings not previously subject to U.S. income tax. The Company will continue to assess the impact of the recently enacted tax law (and expected further guidance from federal and state tax authorities as well as further guidance for the associated income tax accounting) on its business and consolidated financial statements. The Company has evaluated the impact of the Global Intangible Low-Taxed Income (GILTI) and Foreign-derived Intangible Income (FDII) provisions of the TCJA. The GILTI provision imposes taxes on foreign earnings in excess of a deemed return on tangible assets. The Company has made a policy election to record the tax in the period in which it occurs. The FDII imposes taxes on the excess returns earned directly by a U.S. company from foreign income.

F-50
sales or services. The accounting for the deduction for FDII is similar to a special deduction and should be accounted for based on the guidance in ASC 740-10-25-37. The tax benefits for special deductions ordinarily are recognized no earlier than the year in which they are deductible on the tax return.

In determining the need for a valuation allowance, the Company weighs both positive and negative evidence in the various jurisdictions in which it operates to determine whether it is more likely than not that its deferred tax assets are recoverable. In assessing the ultimate realizability of its net deferred tax assets, the Company considers all available evidence, including cumulative losses since inception and expected future losses and as such, management does not believe it is more likely than not that the deferred tax assets will be realized. Accordingly, a full valuation allowance has been established in the U.S. and no deferred tax assets and related tax benefit have been recognized in the consolidated financial statements. There is however, no valuation allowance on the foreign jurisdictions, as the foreign entities have cumulative income and expected future income. The valuation allowance as of December 31, 2017 and 2018 was $22.4 million and $37.9 million, respectively. The net change in the valuation allowance for the years ended December 31, 2016, 2017, and 2018 was an increase of $7.2 million, a decrease of $2.5 million, and an increase of $15.5 million, respectively. The increase in the Company’s valuation allowance compared to the prior year was primarily due to an increase in U.S. deferred tax assets from an increased U.S. taxable loss.

As of December 31, 2017 and 2018, the Company had net operating loss carryforwards for federal income tax purposes of $75.5 million and $122.3 million, net of uncertain tax positions, respectively. The federal net operating loss carryforwards for tax years before December 31, 2017 will expire, if not utilized, beginning in 2029. Under the TCJA, the federal net operating loss carryforwards for tax years after December 31, 2017 are carried forward indefinitely but are limited to 80% of taxable income. Federal research and development tax credit carryforwards as of December 31, 2018 of $5.7 million will expire beginning in 2029 if not utilized.

In addition, as of December 31, 2017 and 2018, the Company had net operating loss carryforwards for state income tax purposes of $39.9 million and $89.8 million, net of uncertain tax positions, respectively. The state net operating loss carryforwards will expire, if not utilized, beginning in the year 2029. The Company had state research and development tax credit carryforwards as of December 31, 2018 of $4.5 million. The state research and development tax credits do not expire.

As of December 31, 2017 and 2018, the Company had foreign tax credit carryforwards for federal income tax purposes of $2.9 million and $1.8 million, respectively. The federal foreign tax credit carryforwards will expire, if not utilized, beginning in 2025.

The Tax Reform Act of 1986 and similar California legislation impose substantial restrictions on the utilization of net operating losses and tax credit carryforwards in the event that there is a change in ownership as provided by Section 382 of the Internal Revenue Code and similar state provisions. Such a limitation could result in the expiration of the net operating loss carryforwards and tax credits before utilization.

A reconciliation of the beginning and ending amount of the Company’s total gross unrecognized tax benefits was as follows:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of the beginning of the period</td>
<td>$1,153</td>
<td>$2,247</td>
</tr>
<tr>
<td>Decreases for tax positions related to the prior year</td>
<td>—</td>
<td>(613)</td>
</tr>
<tr>
<td>Additions for tax positions related to the current year</td>
<td>1,094</td>
<td>915</td>
</tr>
<tr>
<td>Balance as of the end of the period</td>
<td>$2,247</td>
<td>$2,549</td>
</tr>
</tbody>
</table>

F-51
As of December 31, 2018, no amount of unrecognized tax benefits, if recognized, would impact the Company’s effective income tax rate, given the Company’s full valuation allowance position. The Company does not expect any unrecognized tax benefits to be recognized within the next 12 months.

The Company’s policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company did not recognize any income tax expense related to interest and penalties in the years ended December 31, 2016, 2017, and 2018. As of December 31, 2017 and 2018, the Company had no liabilities for interest and penalties.

The Company’s significant tax jurisdictions include the United States and various U.S. states, China, Germany, Singapore, and the United Kingdom. Because of the net operating loss carryforwards, substantially all of the Company’s tax years remain open to federal and state tax examination. The Company’s foreign tax returns are open to audit under the statutes of limitations of the respective foreign countries in which the subsidiaries are located.

The Company’s policy with respect to the Company’s undistributed foreign subsidiaries’ earnings is to consider those earnings to be indefinitely reinvested. As discussed above, the TCJA required a one-time transition tax on previously untaxed accumulated and current earnings and profits. Correspondingly, all undistributed earnings were deemed to be taxed in the prior year and distribution of the unremitting earnings will not have any significant U.S. federal and state income tax impact. As of December 31, 2018, the undistributed earnings approximated $1.5 million.

Note 13. Guarantees and Indemnifications

The Company has service level commitments to its customers warranting certain levels of uptime reliability and performance, and permitting those customers to receive credits in the event that the Company fails to meet those levels. In addition, the Company’s customer contracts offer indemnity provisions whereby the Company indemnifies its customers for third-party claims asserted against them that result from the Company’s failure to maintain the availability of their content or securing the same from unauthorized access or loss. To date, the Company has not incurred any material costs as a result of such commitments.

The Company’s arrangements generally include certain provisions for indemnifying customers against liabilities if its products or services infringe a third-party’s intellectual property rights. It is not possible to determine the maximum potential amount under these indemnification obligations due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. To date, the Company has not incurred any material costs as a result of such obligations and has not accrued any liabilities related to such obligations in the consolidated financial statements.

The Company has also agreed to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines, and settlement amounts incurred by them in any action or proceeding to which any of them are, or are threatened to be, made a party by reason of their service as a director or officer. The Company maintains director and officer insurance coverage that would generally enable it to recover a portion of any future amounts paid. The Company also may be subject to indemnification obligations by law with respect to the actions of its employees under certain circumstances and in certain jurisdictions.

Note 14. Related Party Transactions

In September 2016, certain third-party investment funds purchased 734,634 shares of common stock from one of the Company’s founders for a total purchase price of $4.5 million. Since the purchasing
investment funds are entities affiliated with holders of economic interests in the Company and the funds acquired shares from the founder at a price in excess of the fair value of such shares, the amount paid in excess of the fair value of the shares at the time of the purchase was recorded as stock-based compensation expense. The Company recorded $3.3 million of stock-based compensation expense to general and administrative expense in the consolidated statement of operations during the year ended December 31, 2016 related to the purchase.

In September 2018, certain third-party investment funds purchased 8,909,092 shares of common stock from certain of the Company’s founders for a total purchase price of $98.0 million. Since the purchasing investment funds are entities affiliated with holders of economic interests in the Company and the funds acquired shares from the founders at a price in excess of the fair value of such shares, the amount paid in excess of the fair value of the shares at the time of the purchase was recorded as stock-based compensation expense. The Company recorded $23.3 million of stock-based compensation expense to general and administrative expense in the consolidated statement of operations during the year ended December 31, 2018 related to the purchases.

Note 15. Segment and Geographic Information
The Company’s chief operating decision maker (CODM) is its CEO, COO, and CFO. Collectively, the CODM reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company has no segment managers who are held accountable by the CODM for operations, operating results, and planning for levels or components below the consolidated unit level. Accordingly, the Company has determined it has a single operating segment.

Refer to Note 2 to these consolidated financial statements for revenue by geography.

The Company’s property and equipment, net, by geographic area were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th>December 31, 2018</th>
<th>June 30, 2019 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td>(in thousands)</td>
<td>(in thousands)</td>
</tr>
<tr>
<td>United States</td>
<td>$34,869</td>
<td>$46,012</td>
<td>$51,856</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,131</td>
<td>5,608</td>
<td>8,502</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>15,423</td>
<td>21,590</td>
<td>24,282</td>
</tr>
<tr>
<td>Total property and equipment, net</td>
<td>$51,423</td>
<td>$73,210</td>
<td>$84,640</td>
</tr>
</tbody>
</table>

No single country other than the United States or the United Kingdom accounted for more than 10% of total property and equipment, net as of December 31, 2017 and 2018, and June 30, 2019 (unaudited).

Note 16. Employee Benefit Plans
The Company has a defined-contribution plan intended to qualify under Section 401 of the Internal Revenue Code (the 401(k) Plan). The Company contracted with a third-party provider to act as a custodian and trustee, and to process and maintain the records of participant data. Substantially all the expenses incurred for administering the 401(k) Plan are paid by the Company. The Company has not made any matching contributions to date.

Note 17. Subsequent Events
The Company has evaluated subsequent events from the consolidated balance sheets date through May 24, 2019, the date on which these consolidated financial statements were available to be issued.

F-53
Between January 1, 2019 and May 24, 2019, the Company granted stock options for 393,716 shares of Class B common stock with a weighted-average exercise price of $9.60 per share under the 2010 Plan.

Between January 1, 2019 and May 24, 2019, the Company granted restricted stock units (RSUs) for 4,361,324 shares of Class B common stock with an aggregate grant date fair value of $38.0 million to eligible employees. Such RSUs contain both service-based and performance conditions to vest in the underlying common stock. The service-based condition criteria is generally met over a three to four year period. The performance condition will be satisfied on the first to occur of: (i) a change in control, or (ii) the effective date of a registration statement of the Company filed under the Securities Act for the first underwritten public sale of its common stock.

**Note 18. Subsequent Events (unaudited)**

In preparing the unaudited interim consolidated financial statements as of June 30, 2019 and for the six months ended June 30, 2018 and 2019, the Company has evaluated subsequent events through August 15, 2019, the date the unaudited interim consolidated financial statements were available to be issued.

Between July 1, 2019 and August 15, 2019, the Company granted RSUs for 1,421,526 shares of Class B common stock with an aggregate grant date fair value of $16.8 million to eligible employees and directors. Such RSUs contain both service-based and performance conditions to vest in the underlying common stock. The service-based condition criteria is generally met over a three to four year period. The performance condition will be satisfied on the first to occur of: (i) a change in control, or (ii) the effective date of a registration statement of the Company filed under the Securities Act for the first underwritten public sale of its common stock.

F-54
OUR MISSION:

Help Build a Better Internet

A safer, faster, more reliable Internet everywhere from Atlanta, Bogotá, and Cape Town to Xi'an, Yerevan, and Zagreb.
PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth all expenses to be paid by us, other than underwriting discounts and commissions, upon completion of this offering. All amounts shown are estimates except for the Securities and Exchange Commission (the SEC) registration fee, the Financial Industry Regulatory Authority (FINRA) filing fee, and the exchange listing fee.

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount to be paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC registration fee</td>
<td>$12,120</td>
</tr>
<tr>
<td>FINRA filing fee</td>
<td>15,500</td>
</tr>
<tr>
<td>Exchange listing fee</td>
<td>25,000</td>
</tr>
<tr>
<td>Printing and engraving expenses</td>
<td>*</td>
</tr>
<tr>
<td>Legal fees and expenses</td>
<td>*</td>
</tr>
<tr>
<td>Accounting fees and expenses</td>
<td>*</td>
</tr>
<tr>
<td>Transfer agent and registrar fees</td>
<td>*</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>*</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a corporation’s board of directors to grant, and authorizes a court to award, indemnity to officers, directors, and other corporate agents.

We expect to adopt an amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, and which will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission, or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, we expect to adopt amended and restated bylaws, which will become effective immediately prior to the completion of this offering, and which will provide that we will indemnify, to the fullest extent
permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit, or proceeding by reason of the fact that he or she is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust, or other enterprise. Our amended and restated bylaws are expected to provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit, or proceeding by reason of the fact that he or she is or was one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust, or other enterprise. Our amended and restated bylaws will also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to limited exceptions.

Further, we have entered into or will enter into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit, or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our amended and restated certificate of incorporation, amended and restated bylaws, and the indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder’s investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees, or other agents or is or was serving at our request as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our Board of Directors.

The underwriting agreement to be filed as Exhibit 1.1 to this registration statement will provide for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act of 1933, as amended (the Securities Act), or otherwise.

II-2
Item 15. Recent Sales of Unregistered Securities

Since January 1, 2016, we have issued the following unregistered securities:

Preferred Stock Issuances
In September 2018, we sold an aggregate of 13,636,366 shares of our Series D redeemable convertible preferred stock to 26 accredited investors at a purchase price of $11.00 per share, for an aggregate purchase price of $150,000,026.

Option, Restricted Stock Unit, and Common Stock Issuances
From January 1, 2016 to August 15, 2019, we granted to our directors, officers, employees, consultants, and other service providers options to purchase an aggregate of 32,501,522 shares of our Class B common stock under our 2010 Equity Incentive Plan (our 2010 Plan) at exercise prices ranging from $1.67 to $9.97 per share.

From January 1, 2016 to August 15, 2019, we granted to our directors, officers, employees, consultants, and other service providers restricted stock units covering an aggregate of 5,934,380 shares of Class B common stock under our 2010 Plan.

From January 1, 2016 to August 15, 2019, we issued and sold to our officers, directors, employees (including awards assumed through acquisitions), consultants, and other service providers an aggregate of 17,512,928 shares of our Class B common stock upon the exercise of options under our 2010 Plan at exercise prices ranging from $0.07 to $9.97 per share, for a weighted-average exercise price of $1.52 per share.

Shares Issued in Connection with Acquisitions
From January 1, 2016 to August 15, 2019, we issued an aggregate of 234,995 shares of our Class B common stock in connection with our acquisitions of certain companies or their assets and as consideration to individuals and entities who were former service providers and/or stockholders of such companies.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. We believe the offers, sales, and issuances of the above securities were exempt from registration under the Securities Act (or Regulation D or Regulation S promulgated thereunder) by virtue of Section 4(a)(2) of the Securities Act because the issuance of securities to the recipients did not involve a public offering, or in reliance on Rule 701 because the transactions were pursuant to compensatory benefit plans or contracts relating to compensation as provided under such rule. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

(a) Exhibits.
See the Exhibit Index immediately preceding the signature page hereeto for a list of exhibits to be filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.
(b) Financial statement schedules.

All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

Item 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

1. For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

2. For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
## EXHIBIT INDEX

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1*</td>
<td>Form of Underwriting Agreement.</td>
</tr>
<tr>
<td>3.1</td>
<td>Amended and Restated Certificate of Incorporation of the Registrant, as currently in effect.</td>
</tr>
<tr>
<td>3.2*</td>
<td>Form of Amended and Restated Certificate of Incorporation of the Registrant, to be in effect upon completion of this offering.</td>
</tr>
<tr>
<td>3.3</td>
<td>Amended and Restated Bylaws of the Registrant, as currently in effect.</td>
</tr>
<tr>
<td>3.4*</td>
<td>Form of Amended and Restated Bylaws of the Registrant, to be in effect upon the completion of this offering.</td>
</tr>
<tr>
<td>4.1</td>
<td>Form of common stock certificate of the Registrant.</td>
</tr>
<tr>
<td>4.2</td>
<td>Amended and Restated Investors’ Rights Agreement by and among the Registrant and certain holders of its capital stock, dated as of September 4, 2018.</td>
</tr>
<tr>
<td>4.3</td>
<td>Form of convertible preferred stock warrant.</td>
</tr>
<tr>
<td>5.1*</td>
<td>Opinion of Wilson Sonsini Goodrich &amp; Rosati, Professional Corporation.</td>
</tr>
<tr>
<td>10.1*</td>
<td>Form of Indemnification Agreement between the Registrant and each of its directors and officers.</td>
</tr>
<tr>
<td>10.2*</td>
<td>2019 Equity Incentive Plan and related form agreements.</td>
</tr>
<tr>
<td>10.3*</td>
<td>2019 Employee Stock Purchase Plan and related form agreements.</td>
</tr>
<tr>
<td>10.4*</td>
<td>2019 Executive Incentive Compensation Plan.</td>
</tr>
<tr>
<td>10.5</td>
<td>2010 Equity Incentive Plan and related form agreements.</td>
</tr>
<tr>
<td>10.6*</td>
<td>Offer Letter dated as of  , 2019 between the Registrant and Matthew Prince.</td>
</tr>
<tr>
<td>10.7*</td>
<td>Offer Letter dated as of  , 2019 between the Registrant and Michelle Zatlyn.</td>
</tr>
<tr>
<td>10.8*</td>
<td>Offer Letter dated as of  , 2019 between the Registrant and Thomas Seifert.</td>
</tr>
<tr>
<td>10.9*</td>
<td>Offer Letter dated as of  , 2019 between the Registrant and Douglas Kramer.</td>
</tr>
<tr>
<td>10.10</td>
<td>Lease Agreement between the Registrant and Civitas Equity Fund I, LLC, dated as of April 18, 2014.</td>
</tr>
<tr>
<td>10.11</td>
<td>Office Lease Agreement between the Registrant and Ichi Juu Ichi, LLC, dated as of November 1, 2017.</td>
</tr>
<tr>
<td>21.1</td>
<td>List of subsidiaries of the Registrant.</td>
</tr>
<tr>
<td>23.1</td>
<td>Consent of KPMG LLP, independent registered public accounting firm.</td>
</tr>
<tr>
<td>23.2*</td>
<td>Consent of Wilson Sonsini Goodrich &amp; Rosati, Professional Corporation (included in Exhibit 5.1).</td>
</tr>
<tr>
<td>24.1</td>
<td>Power of Attorney (included on the signature page to this Registration Statement on Form S-1).</td>
</tr>
</tbody>
</table>

* To be filed by amendment.
SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in San Francisco, California, on the 15th day of August, 2019.

CLOUDFLARE, INC.

By: /s/ Matthew Prince
Matthew Prince
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Matthew Prince, Michelle Zatlyn, Thomas Seifert and Douglas Kramer, and each one of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in their name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to sign any registration statement for the same offering covered by this registration statement that is to be effective on filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.
Pursuant to the requirements of the Securities Act of 1933, this registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ Matthew Prince</td>
<td>Chief Executive Officer and Chair (Principal Executive Officer)</td>
<td>August 15, 2019</td>
</tr>
<tr>
<td></td>
<td>Matthew Prince</td>
<td></td>
</tr>
<tr>
<td>/s/ Thomas Seifert</td>
<td>Chief Financial Officer (Principal Financial and Accounting Officer)</td>
<td>August 15, 2019</td>
</tr>
<tr>
<td></td>
<td>Thomas Seifert</td>
<td></td>
</tr>
<tr>
<td>/s/ Michelle Zatlyn</td>
<td>Director</td>
<td>August 15, 2019</td>
</tr>
<tr>
<td></td>
<td>Michelle Zatlyn</td>
<td></td>
</tr>
<tr>
<td>/s/ Maria Eitel</td>
<td>Director</td>
<td>August 15, 2019</td>
</tr>
<tr>
<td></td>
<td>Maria Eitel</td>
<td></td>
</tr>
<tr>
<td>/s/ Carl Ledbetter</td>
<td>Director</td>
<td>August 15, 2019</td>
</tr>
<tr>
<td></td>
<td>Carl Ledbetter</td>
<td></td>
</tr>
<tr>
<td>/s/ Stanley Meresman</td>
<td>Director</td>
<td>August 15, 2019</td>
</tr>
<tr>
<td></td>
<td>Stanley Meresman</td>
<td></td>
</tr>
<tr>
<td>/s/ Scott Sandell</td>
<td>Director</td>
<td>August 15, 2019</td>
</tr>
<tr>
<td></td>
<td>Scott Sandell</td>
<td></td>
</tr>
</tbody>
</table>
Cloudflare, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the “General Corporation Law”),

DOES HEREBY CERTIFY:

1. That the name of this corporation is Cloudflare, Inc., and that this corporation was originally incorporated pursuant to the General Corporation Law on July 17, 2009.

2. That the Board of Directors duly adopted resolutions proposing to amend and restate the Certificate of Incorporation of this corporation, declaring said amendment and restatement to be advisable and in the best interests of this corporation and its stockholders, and authorizing the appropriate officers of this corporation to solicit the consent of the stockholders therefor, which resolution setting forth the proposed amendment and restatement is as follows:

   RESOLVED, that the Certificate of Incorporation of this corporation be amended and restated in its entirety to read as follows:

   FIRST: The name of this corporation is Cloudflare, Inc. (the “Corporation”).

   SECOND: The address of the registered office of the Corporation in the State of Delaware is 9 E. Loockerman St. Suite 311, in the City of Dover, County of Kent, 19901. The name of its registered agent at such address is Registered Agent Solutions, Inc.

   THIRD: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

   FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 550,000,000 shares of Class A Common Stock, $0.001 par value per share (“Class A Common Stock”), and 300,000,000 shares of Class B Common Stock, $0.001 par value per share (“Class B Common Stock” and together with the Class A Common Stock, hereafter referred to as the “Common Stock”) (ii) 168,107,981 shares of Preferred Stock, par value $0.001 per share (“Preferred Stock”).

   FIFTH: The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.
A. DEFINITIONS.

For purposes of this Certificate of Incorporation:

1. “Designated Proxy Holder” means, with respect to a Founder, a person designated by such Founder and approved by the Board of Directors to act as such Founder’s proxy and attorney-in-fact or, if there is no such designee, the members of the Board of Directors acting by majority vote.

2. “Effective Time” shall mean the filing date of this Certificate of Incorporation.

3. “Family Member” shall mean with respect to any Qualified Stockholder who is a natural person, the spouse, parents, grandparents, lineal descendants, siblings and lineal descendants of siblings (in each case whether by blood relation or adoption) of such Qualified Stockholder.


5. “IPO” means the Corporation’s first firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of shares of the Corporation’s Common Stock.

6. “Permitted Entity” shall mean, with respect to a Qualified Stockholder that is not a natural person, any corporation, partnership or limited liability company in which such Qualified Stockholder directly, or indirectly through one or more Permitted Transferees, owns shares, partnership interests or membership interests, as applicable, with sufficient Voting Control in the corporation, partnership or limited liability company, as the case may be, or otherwise has legally enforceable rights, such that the Qualified Stockholder retains sole dispositive power and exclusive Voting Control with respect to all shares of Class B Common Stock held of record by such corporation, partnership or limited liability company, as the case may be.

7. “Permitted Transfer” shall mean, and be restricted to, any Transfer of a share of Class B Common Stock:
   (i) by a Qualified Stockholder that is a natural person, to the trustee of a Permitted Trust of such Qualified Stockholder;
   (ii) by a Permitted Trust of a Qualified Stockholder, to the Qualified Stockholder or the trustee of any other Permitted Trust of such Qualified Stockholder;
   (iii) by a Qualified Stockholder that is not a natural person to any Permitted Entity of such Qualified Stockholder;
   (iv) by a Permitted Entity of a Qualified Stockholder that is not a natural person to the Qualified Stockholder or any other Permitted Entity of such Qualified Stockholder; or
   (v) by a stockholder of the Corporation to another stockholder of the Corporation.
8. “Permitted Transferee” means a transferee of shares of Class B Common Stock received in a Transfer that constitutes a Permitted Transfer, including:

(i) a Permitted Trust; and

(ii) Any trust, corporation, limited liability company, partnership, foundation or similar entity established by a holder of Class B Common Stock or a Founder’s estate, or the estate of a Founder itself; provided that:

(A) either (a) in the case of a holder of Class B Common Stock other than a Founder, an entity established by a Founder or a Founder’s estate, the holder of Class B Common Stock has sole dispositive power and exclusive right to vote all of the shares of Class B Common Stock held by such entity or (b) in the case of a Founder or an entity established by a Founder or a Founder’s estate, the Founder or such Founder’s Designated Proxy Holder (pursuant to a voting agreement or voting trust established by such Founder) has the exclusive right to vote all of the shares of Class B Common Stock held by such estate or entity; and

(B) the Transfer to the transferee does not involve any payment of cash, securities, property or other consideration (other than an interest in such entity) to the holder of Class B Common Stock.

9. “Permitted Trust” shall mean a bona fide trust for the benefit of a Qualified Stockholder or Family Members of the Qualified Stockholder, if such Transfer does not involve any payment of cash, securities, property or other consideration (other than an interest in such trust) to the Qualified Stockholder, a trust under the terms of which such Qualified Stockholder has retained a “qualified interest” within the meaning of §2702(b)(1) of the Internal Revenue Code and/or a reversionary interest, in each case so long as the Qualified Stockholder has sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held by such trust.

10. “Qualified Stockholder” shall mean (i) the registered holder of a share of Class B Common Stock immediately prior to the Effective Time; (ii) the initial registered holder of any shares of Class B Common Stock that are originally issued by the Corporation after the Effective Time (including, without limitation, upon conversion of the Series Preferred or upon exercise of options or warrants convertible into Class B Common Stock); and (iii) a Permitted Transferee.

11. “Transfer” of a share of Class B Common Stock means, directly or indirectly, any sale, assignment, transfer by bequest, devise or descent, conveyance (including a conveyance in trust) or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law. A Transfer includes, without limitation, a transfer of a share of Class B Common Stock to a broker or other nominee (regardless of whether or not there is a corresponding change in beneficial ownership) (excluding a mere custodial arrangement) and the transfer of, or entering into an agreement with respect to, Voting Control over a share of Class B Common Stock by proxy or otherwise; provided, however, that the following will not be considered a Transfer:

(i) the grant of a proxy by a Founder to a Designated Proxyholder;

(ii) the grant of a revocable proxy to officers or directors of the Corporation at the request of the Board of Directors, in connection with actions to be taken at an annual or special meeting of stockholders or in connection with any action by written consent of the stockholders solicited by the Board of Directors (if action by written consent of stockholders is permitted at such time under this Restated Certificate of Incorporation);
(iii) the issuance by the Corporation of any shares of Class B Common Stock pursuant to the exercise of options, warrants, securities or rights that are exercisable or exchangeable for, or convertible into, Class B Common Stock;

(iv) an encumbrance, hypothecation or pledge of shares of Class B Common Stock by a holder of Class B Common Stock in connection with a bona fide loan or indebtedness transaction prior to an event of default or other event that gives any other person the right to vote or control the disposition of the shares subject to such encumbrance, hypothecation or pledge;

(v) any acquisition or disposition (including by judicial determination) of a community property interest in any shares of Class B Common Stock that does not result in a disposition by a holder of Class B Common Stock of either his or her economic interest in such shares of Class B Common Stock or an acquisition of exclusive Voting Control by another person (including the spouse or former-spouse of such holder) of such shares of Class B Common Stock;

(vi) entering into a voting trust, agreement or arrangement (with or without granting a proxy) solely with stockholders who are holders of Class B Common Stock that (A) is disclosed either in a Schedule 13D filed with the Securities and Exchange Commission or in writing to the Secretary of the Corporation, (B) either has a term not exceeding one (1) year or is terminable by the holder of the shares subject thereto at any time and (C) does not involve any payment of cash, securities, property or other consideration to the holder of the shares subject thereto other than the mutual promise to vote shares in a designated manner; or

(vii) any Transfer that is a Permitted Transfer.

A “Transfer” shall also be deemed to have occurred with respect to a share of Class B Common Stock beneficially held by (i) an entity that is a Permitted Entity, if there occurs any act or circumstance that causes such entity to no longer be a Permitted Entity, (ii) the trustee of a Permitted Trust, if there occurs any act or circumstance that causes such trust to no longer be a Permitted Trust, or (iii) an entity that is a Qualified Stockholder, if there occurs a Transfer on a cumulative basis, from and after the Effective Time, of a majority of the voting power of the voting securities of such entity or any direct or indirect Parent of such entity, other than a Transfer to parties that are, as of the Effective Time, holders of voting securities of any such entity or Parent of such entity. “Parent” of an entity shall mean any entity that directly or indirectly owns or controls a majority of the voting power of the voting securities of such entity.

12. “Voting Control” shall mean, with respect to a share of Class B Common Stock, the power (whether exclusive or shared) to vote or direct the voting of such share by proxy, voting agreement or otherwise.
B. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein. There shall be no cumulative voting. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of the Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

2. Equal Status. Except as otherwise provided in this Certificate of Incorporation or required by applicable law, shares of Class A Common Stock and Class B Common Stock will have the same rights and powers, rank equally (including as to dividends and distributions, and upon any liquidation, dissolution or winding up of the Corporation), share ratably and be identical in all respects and as to all matters.

3. Voting Rights. Except as otherwise expressly provided by this Certificate of Incorporation or as provided by law, the holders of shares of Class A Common Stock and Class B Common Stock will (a) at all times vote together as a single class on all matters (including the election of directors) submitted to a vote or for the consent (if action by written consent of the stockholders is permitted at such time under this Certificate of Incorporation) of the stockholders of the Corporation, (b) be entitled to notice of any stockholders’ meeting in accordance with the Bylaws of the Corporation, and (c) be entitled to vote upon such matters and in such manner as may be provided by applicable law. Except as otherwise expressly provided herein or required by applicable law, each holder of Class A Common Stock will have the right to one (1) vote per share of Class A Common Stock held of record by such holder and each holder of Class B Common Stock will have the right to one (1) vote per share of Class B Common Stock held of record by such holder; provided, however, that effective (i) immediately following the Corporation’s Qualified Public Offering, or (ii) immediately upon the Corporation’s securities being publicly listed for sale on a national exchange, then, with no action required by the Corporation or the holder, each holder of Class B Common Stock will have the right to ten (10) votes per share of Class B Common Stock held of record by such holder.

4. Dividend Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, shares of Class A Common Stock and Class B Common Stock will be treated equally, identically and ratably, on a per share basis, with respect to any dividends or distributions as may be declared and paid from time to time by the Board of Directors out of any assets of the Corporation legally available therefor; provided, however, that in the event a dividend is paid in the form of shares of Class A Common Stock or Class B Common Stock (or rights to acquire such shares), then holders of Class A Common Stock will receive shares of Class A Common Stock (or rights to acquire such shares, as the case may be) and holders of Class B Common Stock will receive shares of Class B Common Stock (or rights to acquire such shares, as the case may be), with holders of shares of Class A Common Stock and Class B Common Stock receiving, on a per share basis, an identical number of shares of Class A Common Stock or Class B Common Stock, as applicable.
5. **Subdivisions or Combinations**. Shares of Class A Common Stock or Class B Common Stock may not be subdivided, combined or reclassified unless the shares of the other class are concurrently therewith proportionately subdivided, combined or reclassified in a manner that maintains the same proportionate equity ownership between the holders of the outstanding Class A Common Stock and the holders of the outstanding Class B Common Stock on the record date for such subdivision, combination or reclassification; provided, however, that shares of one such class may be subdivided, combined or reclassified in a different or disproportionate manner if such subdivision, combination or reclassification is approved in advance by holders of a majority of the outstanding shares of Class A Common Stock and the holders of a majority of the outstanding shares of Class B Common Stock, each voting separately as a class.

(a) **Class B Common Stock Protective Provisions**. Following the IPO, so long as any shares of Class B Common Stock remain outstanding, the Corporation shall not, without the approval by vote or written consent of the holders of a majority of the voting power of the Class B Common Stock then outstanding, voting together as a single class, directly or indirectly, or whether by amendment, or through merger, recapitalization, consolidation or otherwise:

   (i) amend, alter, or repeal any provision of this Certificate of Incorporation or the Bylaws of the Corporation (including any filing of a Certificate of Designation), that modifies the voting, conversion or other powers, preferences, or other special rights or privileges, or restrictions of the Class B Common Stock;

   (ii) reclassify any outstanding shares of Class A Common Stock of the Corporation into shares having rights as to dividends or liquidation that are senior to the Class B Common Stock or the right to more than one (1) vote for each share thereof; or

   (iii) consummate a Liquidation Event (as defined below) without first obtaining the approval of the holders of at least a majority of the then outstanding shares of Class B Common Stock, voting as a separate class, in addition to any other vote required by applicable law, this Certificate of Incorporation or the Bylaws.

6. **Voluntary Conversion of Shares of Class B Common Stock**. Each share of Class B Common Stock will be convertible into one (1) fully paid and nonassessable share of Class A Common Stock at the option of the holder thereof at any time upon written notice to the Corporation. Before any holder of Class B Common Stock will be entitled to voluntarily convert any shares of such Class B Common Stock, such holder will surrender the certificate or certificates therefor (if any), duly endorsed, at the principal corporate office of the Corporation or of any transfer agent for the Class B Common Stock, and will give written notice to the Corporation at its principal corporate office, of the election to convert the same and will state therein the name or names (i) in which the certificate or certificates for shares of Class A Common Stock are to be issued if such shares are certificated, or (ii) in which such shares are to be registered in book entry if such shares are uncertificated. The Corporation will, as soon as practicable thereafter, issue and deliver at such office to such holder of Class B Common Stock, or to the nominee or nominees of such holder, a certificate or certificates representing the number of shares of Class A Common Stock to which such holder will be entitled as aforesaid (if such shares are certificated) or, if such shares are uncertificated, register such shares in book-entry form. Such conversion will be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Class B Common Stock to be converted following or contemporaneously with the written notice of
such holder’s election to convert required by this Section 6, and the person or persons entitled to receive the shares of Class A Common Stock issuable upon such conversion will be treated for all purposes as the record holder or holders of such shares of Class A Common Stock as of such date. Each share of Class B Common Stock that is converted pursuant to this Section 6 will be retired by the Corporation and will not be available for reissuance.

7. Automatic Conversion of Shares of Class B Common Stock. Shares of Class B Common Stock will be automatically, without further action by the holder thereof, converted into an equal number of fully paid and nonassessable shares of Class A Common Stock, upon the occurrence of any of the following events:

(i) any Transfer of such shares of Class B Common Stock, except for a Transfer to one or more Permitted Transferees of the holder of such shares;

(ii) the date that any such Permitted Transferee of such shares ceases to meet the qualifications to be a Permitted Transferee of the holder of Class B Common Stock who effected the Transfer of such shares to such Permitted Transferee; or

(iii) At any time following the closing of the IPO, each share of Class B Common Stock held of record by a natural person, other than a Founder, shall automatically, without any further action, convert into one fully paid and nonassessable share of Class A Common Stock upon the death of such stockholder. At any time following the closing of the IPO, each share of Class B Common Stock held of record by a Founder or a Permitted Transferee of such Founder shall automatically, without any further action, convert into one fully paid and nonassessable share of Class A Common Stock nine (9) months after the date of the death of such Founder.

Each outstanding stock certificate that, immediately prior to such conversion, represented one or more shares of Class B Common Stock subject to such conversion, will, upon such conversion, be deemed to represent an equal number of shares of Class A Common Stock, without the need for surrender or exchange thereof. The Corporation will, upon the request of any holder whose shares of Class B Common Stock have been converted into shares of Class A Common Stock as a result of such conversion and upon surrender by such holder to the Corporation of the outstanding certificate(s) formerly representing such holder’s shares of Class B Common Stock (if any), issue and deliver to such holder certificate(s) representing the shares of Class A Common Stock into which such holder’s shares of Class B Common Stock were converted as a result of such conversion (if such shares are certificated) or, if such shares are uncertificated or the stockholder otherwise consents, register such shares in book-entry form. Shares of Class B Common Stock that are converted pursuant to this section will be retired by the Corporation and will not be available for reissuance.

-7-
8. Conversion of All Outstanding Class B Common Stock

8.1 Each share of Class B Common Stock then outstanding will be automatically, without further action by the holder thereof, converted into one (1) fully paid and nonassessable share of Class A Common Stock, upon the earliest to occur of:

1. the date specified by the holders of a majority of the then outstanding shares of Class B Common Stock, voting as a separate class;

2. the first date on which the number of outstanding shares of Class B Common Stock represents less than 9% of the aggregate number of outstanding shares of Class A Common Stock and Class B Common Stock; or

3. October 31, 2034.

8.2 Each outstanding stock certificate that, immediately prior to such conversion, represented one or more shares of Class B Common Stock subject to such conversion will, upon such conversion, be deemed to represent an equal number of shares of Class A Common Stock, without the need for surrender or exchange thereof. The Corporation will, upon the request of any holder whose shares of Class B Common Stock have been converted into shares of Class A Common Stock as a result of such conversion and upon surrender by such holder to the Corporation of the outstanding certificate(s) formerly representing such holder’s shares of Class B Common Stock (if any), issue and deliver to such holder certificate(s) representing the shares of Class A Common Stock into which such holder’s shares of Class B Common Stock were converted as a result of such conversion (if such shares are certificated) or, if such shares are uncertificated or the stockholder otherwise consents, register such shares in book-entry form.

8.3 Following such conversion, the reissuance of shares of Class B Common Stock will be prohibited, and such shares of Class B Common Stock will be retired by the Corporation and cancelled in accordance with the General Corporation Law and the filing with the Delaware Secretary of State required thereby. Upon such retirement and filing, all references herein to Class A Common Stock will be deemed to be references to Common Stock. Each outstanding stock certificate that, immediately prior to such retirement and filing, represented one or more shares of Class A Common Stock will, following such retirement and filing, be deemed to represent an equal number of shares Common Stock, without the need for surrender or exchange thereof.

8.4 The Corporation may, from time to time, establish such policies and procedures, not in violation of applicable law or the other provisions of this Certificate of Incorporation, relating to the conversion of the Class B Common Stock into Class A Common Stock pursuant to the terms of this Certificate of Incorporation, as the Corporation may deem necessary or advisable in connection therewith, including without limitation, the policy requiring the automatic conversion of Class B Common Stock into Class A Common Stock held by any employee of the Company at the time such holder is no longer providing services to the Company as either an employee or as a director of the Company. If the Corporation has reason to believe that a Transfer giving rise to a conversion of shares of Class B Common Stock into Class A Common Stock has occurred but has not theretofore been reflected on the books of the Corporation, the Corporation may
request that the holder of such shares furnish affidavits or other evidence to the Corporation as the Corporation deems necessary to determine whether a conversion of shares of Class B Common Stock to Class A Common Stock has occurred, and if such holder does not within ten (10) days after the date of such request furnish sufficient evidence to the Corporation (in the manner provided in the request) to enable the Corporation to determine that no such conversion has occurred, any such shares of Class B Common Stock, to the extent not previously converted, will be automatically converted into shares of Class A Common Stock and the same will thereafter be registered on the books and records of the Corporation. In connection with any action of stockholders taken at a meeting or by written consent (if action by written consent of stockholders is permitted at such time under this Certificate of Incorporation), the stock ledger of the Corporation will be presumptive evidence as to who are the stockholders entitled to vote in person or by proxy at any meeting of stockholders or in connection with any such written consent and the class or classes or series of shares held by each such stockholder and the number of shares of each class or classes or series held by such stockholder.

9. No Redemption. The Common Stock is not redeemable at the option of the holder thereof.

C. PREFERRED STOCK

50,041,500 shares of the authorized Preferred Stock of the Corporation are hereby designated “Series A Preferred Stock,” 59,285,960 of the authorized and unissued Preferred Stock of the Corporation are hereby designated “Series B Preferred Stock,” 25,126,640 of the authorized and unissued Preferred Stock of the Corporation are hereby designated “Series C Preferred Stock,” and 33,653,881 of the authorized and unissued Preferred Stock of the Corporation are hereby designated “Series D Preferred Stock,” together with the Series A Preferred, Series B Preferred Stock, and Series C Preferred Stock are referred to herein as the “Series Preferred.” The Series Preferred have the following rights, preferences, powers, privileges and restrictions, qualifications and limitations. Unless otherwise indicated, references to “Sections” or “Subsections” in this Part C of this Article Fifth refer to sections and subsections of Part C of this Article Fifth.

1. Dividends.

1.1 The Corporation shall not declare, pay or set aside in any calendar year any dividends on shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or Common Stock (other than dividends payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Certificate of Incorporation) the holders of the Series D Preferred Stock then outstanding shall simultaneously receive, or shall have first received (a) during such calendar year, in respect of each outstanding share of Series D Preferred Stock, aggregate non-cumulative dividends of eight percent (8%) of its Original Issue Price (as defined below) per share per annum (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series D Preferred Stock) plus (b) that dividend per share of Series D Preferred Stock as would equal the product of (i) the dividend payable on each share of Common Stock and (ii) the number of shares of Common Stock issuable upon conversion of a share of Series D Preferred Stock pursuant to Section 4 (including, for such purpose, any fractional share that would be issuable upon such conversion).
conversion but for the application of Subsection 4.2), calculated on the record date for determination of holders entitled to receive such dividend. The “Original Issue Price” of the Series D Preferred Stock shall be the price originally paid to the issuer in consideration for each respective share of Series D Preferred Stock, as applicable. Such dividends shall be payable only when, and as and if declared by the Board of Directors and shall be non-cumulative.

1.2 The Corporation shall not declare, pay or set aside in any calendar year any dividends on shares of Common Stock (other than dividends payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Certificate of Incorporation) (i) the holders of the Series D Preferred Stock shall have first received any amounts payable pursuant to Section C(1)1.1 and (ii) the holders of the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock then outstanding shall simultaneously receive, or shall have first received (a) during such calendar year, in respect of each applicable outstanding share of Series Preferred, aggregate non-cumulative dividends of eight percent (8%) of their respective Original Issue Price (as defined below) per share per annum (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series Preferred) plus (b) that dividend per share of Series Preferred as would equal the product of (i) the dividend payable on each share of Common Stock and (ii) the number of shares of Common Stock issuable upon conversion of a share of Series Preferred pursuant to Section 4 (including, for such purpose, any fractional share that would be issuable upon such conversion but for the application of Subsection 4.2), calculated on the record date for determination of holders entitled to receive such dividend. The “Original Issue Price” of the Series A Preferred Stock shall be $0.040966 and of the Series B Preferred Stock shall be $0.33820 and of the Series C Preferred Stock shall be $1.98992.

Such dividends shall be payable only when, as and if declared by the Board of Directors and shall be non-cumulative.

2. Liquidation, Dissolution or Winding Up: Certain Mergers, Consolidations and Asset Sales.

2.1 Payments to Holders of Series D Preferred Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation (a “Liquidation Event”), the holders of shares of Series D Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders before any payment shall be made to the holders of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or Common Stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the Original Issue Price of the Series D Preferred Stock, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization, plus any dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of Series D Preferred Stock been converted into Common Stock pursuant to Section 4 immediately prior to such Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the “Series D Preferred Liquidation Amount”). If upon any such Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series D Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1, the holders of shares of Series D Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

-10-
2.2 Payments to Holders of Remaining Preferred Stock. In the event of a Liquidation Event, after the payment of the Series D Preferred Liquidation Amount, the holders of shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the greater of (i) their respective Original Issue Price per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series Preferred, plus any dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of such applicable series of Series Preferred been converted into Common Stock pursuant to Section 4 immediately prior to such Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the “Series Preferred Liquidation Amount”). If upon any such Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series Preferred the full amount to which they shall be entitled under this Subsection 2.2, the holders of shares of Series Preferred shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

2.3 Payments to Holders of Common Stock. In the event of any Liquidation Event, after the payment of all preferential amounts required to be paid to the holders of shares of Series Preferred pursuant to Sections 2.1 and 2.2 above, the remaining assets of the Corporation available for distribution to its stockholders shall be distributed among the holders of shares of Common Stock, pro rata based on the number of shares held by each such holder.

2.4 Deemed Liquidation Events.

(1) Definition. Each of the following events shall be considered a Liquidation Event unless (i) the holders of a majority of the outstanding shares of Series Preferred, (ii) the holders of a majority of the outstanding shares of Series B Preferred Stock (iii) the holders of a majority of the outstanding shares of Series C Preferred Stock and (iv) the holders of at least 51% of the outstanding shares of Series D Preferred Stock elect otherwise by written notice sent to the Corporation at least ten (10) days prior to the effective date of any such event (any such event, unless such holders so elect otherwise, a “Deemed Liquidation Event”):

(a) a merger or consolidation in which (i) the Corporation is a constituent party or (ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation, except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of
another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation (provided that, for the purpose of this Subsection 2.4(1), all shares of Class B Common Stock issuable upon exercise of Options (as defined below) outstanding immediately prior to such merger or consolidation or upon conversion of Convertible Securities (as defined below) outstanding immediately prior to such merger or consolidation shall be deemed to be outstanding immediately prior to such merger or consolidation and, if applicable, converted or exchanged in such merger or consolidation on the same terms as the actual outstanding shares of Common Stock are converted or exchanged);

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation; or

(c) a transaction or series of related transactions to which the Corporation is a party in which one or more stockholders of the Corporation sell, transfer or otherwise dispose to a person or group of affiliated persons (other than an underwriter of shares of Common Stock in connection with a Qualified Public Offering (as defined below)) shares of the Corporation’s capital stock if representing a majority in voting power of the outstanding voting stock of the Corporation.

(2) Effecting a Deemed Liquidation Event.

(a) The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Subsection 2.4(1) unless the agreement or plan of merger or consolidation for such transaction (the “Merger Agreement”) provides that the consideration payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1, 2.2 and 2.3.

(b) In the event of a Deemed Liquidation Event referred to in Subsection 2.4, if the Corporation does not effect a dissolution of the Corporation under the General Corporation Law within ninety (90) days after such Deemed Liquidation Event, then (i) the Corporation shall send a written notice to each holder of Series Preferred no later than the ninetieth (90th) day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause (ii) to require the redemption of such shares of Series Preferred, and (ii) if the holders of (A) a majority of the then outstanding shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock (voting together as a single class) or (B) at least 51% of the Series D Preferred Stock, so request (with respect to each of (A) and (B)), in a written instrument delivered to the Corporation not later than 120 days after such Deemed Liquidation Event, then the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation), together with any other assets of the Corporation
available for distribution to its stockholders (the “Available Proceeds”), to the extent legally available therefor, on the 150th day after such Deemed Liquidation Event, to redeem all outstanding shares of the applicable series of Series Preferred requesting such redemption at a price per share equal to the Series Preferred Liquidation Amount. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Available Proceeds are not sufficient to redeem all outstanding shares of the applicable series of Series Preferred, the Corporation shall redeem each holder’s shares of Series Preferred pursuant to Article Fifth, Part C Section 2 of this Certificate of Incorporation. Prior to the distribution or redemption provided for in this Subsection 2.4(2)(b), the Corporation shall not expend or dissipate the consideration received for such Deemed Liquidation Event, except to discharge expenses incurred in connection with such Deemed Liquidation Event or in the ordinary course of business.

(3) Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity. The value of such property, rights or securities shall be determined in good faith by the Board of Directors of the Corporation including a majority of the disinterested directors.

(4) Allocation of Escrow. If the Corporation determines that consideration is to be paid to the stockholders in any liquidation event, including but not limited to, a Liquidation Event or Deemed Liquidation Event pursuant to Subsection 2.4(1), if any portion of the consideration payable to the stockholders of the Corporation is placed into escrow and/or is payable to the stockholders of the Corporation subject to contingencies, the Merger Agreement shall provide that (a) the portion of such consideration that is not placed in escrow and not subject to any contingencies (the “Initial Consideration”) shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1, 2.2 and 2.3 as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event and (b) any additional consideration which becomes payable to the stockholders of the Corporation upon release from escrow or satisfaction of contingencies shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1, 2.2 and 2.3 after taking into account the previous payment of the Initial Consideration as part of the same transaction.


3.1 General. On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Series Preferred shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Series Preferred held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the other provisions of the Certificate of Incorporation, holders of Series Preferred shall vote together with the holders of Common Stock as a single class.
3.2 **Election of Directors.** The holders of record of the shares of Common Stock and Series Preferred, voting exclusively and together as a single class on an as-converted basis, shall be entitled to elect seven (7) directors of the Corporation, unless a Board Increase Event (as defined below) has occurred then in such case the holders of the Common Stock and Series Preferred, voting together as a single class on an as-converted basis, shall be entitled to elect eight (8) directors of the Corporation. A “Board Increase Event” shall have the meaning as defined in that certain Voting Agreement between the Corporation and certain holders of the Corporation’s stock dated November 5, 2014, as amended from time to time (the “Voting Agreement”). Any director elected as provided in this Subsection 3.2 may be removed without cause by, and only by, the affirmative vote of the holders of the shares of the class or series of capital stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders. If the holders of shares of Series Preferred and Common Stock fail to elect a sufficient number of directors to fill all directorships for which they are entitled to elect directors, voting exclusively and as a single class, pursuant to the first sentence of this Subsection 3.2, then any directorship not so filled shall remain vacant until such time as the holders of the Series Preferred and Common Stock elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship, voting exclusively and as a single class on an as-converted basis. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding shares of the class or series entitled to elect such director shall constitute a quorum for the purpose of electing such director. Except as otherwise provided in this Subsection 3.2, a vacancy in any directorship filled by the holders of any class or series shall be filled only by vote or written consent in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the holders of such class or series pursuant to this Subsection 3.2.

1. **Director Voting.** Each director of the Corporation shall have one (1) vote on any matter.

3.3 **Series Preferred Protective Provisions.** At any time when at least 5,000,000 shares of Series Preferred (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series Preferred) are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Series Preferred, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class:

(i) amend, waive or repeal any provision of the Corporation’s Certificate of Incorporation or Bylaws;

(ii) authorize or issue any security convertible into or exercisable for any equity security having any right, preference or priority superior to or on parity with the Series D Preferred Stock, or increase the authorized number of shares of any Series Preferred;
(iii) purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of capital stock of the Corporation other than repurchases of stock from former employees, officers, directors, consultants or other persons who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service at the lesser of the original purchase price or the then current fair market value thereof;

(iv) effect any Liquidation Event or Deemed Liquidation Event, merger, sale of all or substantially all of the assets, recapitalization, reorganization, liquidation or dissolution of the Corporation, or consent to any of the foregoing;

(v) increase or decrease the authorized number of shares of Common Stock or Preferred Stock;

(vi) increase or decrease the authorized number of directors constituting the Board of Directors of the Corporation; or

(vii) incur debt exceeding $1 million (excluding debt incurred in connection with equipment leasing transactions or unless otherwise approved by the Board).

3.4 Series D Preferred Stock Protective Provisions. At any time when at least 5,000,000 shares of Series D Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series Preferred) are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Series D Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class:

(a) modify, amend or waive the rights, preferences or privileges or other terms of the Series D Preferred Stock in a manner that is adverse to the Series D Preferred Stock in the Corporation’s Certificate of Incorporation or Bylaws;

(b) purchase, redeem or pay any dividends on any capital stock prior to the Series D Preferred Stock (other than stock repurchased from former employees or consultants in connection with the cessation of their employment/services, at the lower of fair market value or cost);

(c) increase or decrease the number of authorized shares of Series D Preferred Stock; or

(d) amend the Certificate of Incorporation or other reclassification of any Series Preferred that improves or augments the voting or other powers, preferences, or other special rights, privileges or restrictions of such Series Preferred without improving or augmenting the Series D Preferred Stock in the same manner.
3.5 **Series C Preferred Stock Protective Provisions.** At any time when at least 5,000,000 shares of Series C Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series Preferred) are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Series C Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class:

(a) pay or declare a dividend on any shares of Common Stock or Series Preferred;

(b) repurchase or redeem shares of Common Stock or Series Preferred, except repurchases of stock from former employees or other services providers at the lower of cost or fair market value;

(c) increase the authorized number of shares of Series C Preferred Stock;

(d) amend, alter, or repeal any provision of the Certificate of Incorporation or the Bylaws of the Corporation that alters or changes the voting or other powers, preferences, or other special rights, privileges or restrictions of the Series C Preferred Stock (whether by merger, consolidation or otherwise) so as to affect the Series C Preferred Stock adversely and in a manner different than any other Series Preferred; or

(e) amend the Certificate of Incorporation or other reclassification of any Series Preferred that improves or augments the voting or other powers, preferences, or other special rights, privileges or restrictions of such Series Preferred without improving or augmenting the Series C Preferred Stock in the same manner.

3.6 **Series B Preferred Stock Protective Provisions.** At any time when at least 5,000,000 shares of Series B Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series Preferred) are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Series B Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class:

(a) pay or declare a dividend on any shares of Common Stock or Series Preferred;

(b) repurchase or redeem shares of Common Stock or Series Preferred, except repurchases of stock from former employees or other services providers at the lower of cost or fair market value;

-16-
3.7 Series A Preferred Stock Protective Provisions. At any time when at least 5,000,000 shares of Series A Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series Preferred) are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Series A Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class:

(a) increase the authorized number of shares of Series A Preferred Stock;

(b) amend, alter, or repeal any provision of the Certificate of Incorporation or the Bylaws of the Corporation that alters or changes the voting or other powers, preferences, or other special rights, privileges or restrictions of the Series A Preferred Stock (whether by merger, consolidation or otherwise) so as to affect the Series A Preferred Stock adversely and in a manner different than any other Series Preferred; or

(c) amend the Certificate of Incorporation or other reclassification of any Series Preferred that improves or augments the voting or other powers, preferences, or other special rights, privileges or restrictions of such Series Preferred without improving or augmenting the Series A Preferred Stock in the same manner.

4. Optional Conversion.

The holders of the Series Preferred shall have conversion rights as follows (the “Conversion Rights”):

4.1 Right to Convert.

(1) Conversion Ratio. Each share of Series A Preferred, Series B Preferred Stock and Series C Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder
thereof, into such number of fully paid and nonassessable shares of Class B Common Stock as is determined by dividing the applicable Original Issue Price by the applicable Conversion Price (as defined below) in effect at the time of conversion (the “Conversion Ratio”). Each share of Series D Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Class A Common Stock as is determined by dividing the Series D Preferred Original Issue Price by the Series D Preferred Conversion Price (as defined below) in effect at the time of conversion. The “Conversion Price” for the Series Preferred shall initially be equal to their respective Original Issue Price. Such initial Conversion Price, and the rate at which shares of Series Preferred may be converted into shares of Common Stock, shall be subject to adjustment as provided below. For the avoidance of doubt, the applicable Conversion Price for any series of Preferred Stock shall never exceed the Original Issue Price for such series of Preferred Stock.

(2) Termination of Conversion Rights. In the event of a Liquidation Event or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Series Preferred.

4.2 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Series Preferred. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a share of Common Stock as determined in good faith by the Board of Directors of the Corporation. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Series Preferred the holder is at the time converting into Common Stock and the aggregate number of shares of Common Stock issuable upon such conversion.

4.3 Mechanics of Conversion.

(1) Notice of Conversion. In order for a holder of Series Preferred to voluntarily convert shares of Series Preferred into shares of Common Stock, such holder shall surrender the certificate or certificates for such shares of Series Preferred (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Series Preferred (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Series Preferred represented by such certificate or certificates and, if applicable, any event on which such conversion is contingent. Such notice shall state such holder’s name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent)
transfer agent) of such certificates (or lost certificate affidavit and agreement) and notice shall be the time of conversion (the “Conversion Time”), and the shares of Common Stock issuable upon conversion of the shares represented by such certificate shall be deemed to be outstanding of record as of such date.

The Corporation shall, as soon as practicable after the Conversion Time, (i) issue and deliver to such holder of Series Preferred, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the shares of Series Preferred represented by the surrendered certificate that were not converted into Common Stock, (ii) pay in cash such amount as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and (iii) pay all declared but unpaid dividends on the shares of Series Preferred converted.

(2) Reservation of Shares. The Corporation shall at all times when the Series Preferred shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Series Preferred, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series Preferred; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series Preferred, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to the Certificate of Incorporation. Before taking any action which would cause an adjustment reducing the applicable Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of the Series Preferred, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted applicable Conversion Price.

(3) Effect of Conversion. All shares of Series Preferred which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor, to receive payment in lieu of any fraction of a share otherwise issuable upon such conversion as provided in Subsection 4.2 and to receive payment of any dividends declared but unpaid thereon. Any shares of Series Preferred so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Series Preferred accordingly.

(4) No Further Adjustment. Upon any such conversion, no adjustment to the applicable Conversion Price shall be made for any declared but unpaid dividends on the Series Preferred surrendered for conversion or on the Common Stock delivered upon conversion.
(5) **Taxes.** The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Series Preferred pursuant to this **Section 4.** The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Series Preferred so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

4.4 **Adjustments to Conversion Price for Diluting Issues.**

(1) **Special Definitions.** For purposes of this Article Fifth, the following definitions shall apply:

(a) “**Option**” shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(b) “**Series A Original Issue Date**” shall mean the date on which the first share of Series A Preferred Stock was issued.

(c) “**Series B Original Issue Date**” shall mean the date on which the first share of Series B Preferred Stock was issued.

(d) “**Series C Original Issue Date**” shall mean the date on which the first share of Series C Preferred Stock was issued.

(e) “**Series D Original Issue Date**” shall mean the date on which the first share of Series D Preferred Stock was issued.

(f) “**Convertible Securities**” shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(g) “**Additional Shares of Common Stock**” shall mean all shares of Common Stock issued (or, pursuant to **Subsection 4.4.3** below, deemed to be issued) by the Corporation after the Series D Original Issue Date, other than (1) the following shares of Common Stock and (2) shares of Common Stock deemed issued pursuant to the following Options and Convertible Securities (clauses (1) and (2), collectively, “**Exempted Securities**”):

(i) shares of Common Stock, Options or Convertible Securities issued as a dividend or distribution on Series Preferred;

(ii) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by **Subsection 4.5, 4.6, 4.7 or 4.8**.
(iii) shares of Common Stock or Options issued to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to the Corporation’s equity incentive plan or such greater amount of shares of Common Stock or Options granted pursuant to any plan, agreement or arrangement approved by the Board of Directors of the Corporation, including at least two of the three Investor Directors (as may be defined in the Voting Agreement);

(iv) shares of Common Stock or Convertible Securities actually issued upon the exercise of Options or shares of Common Stock actually issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Option or Convertible Security;

(v) shares of Common Stock, Options or Convertible Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction primarily for non-equity financing purposes and approved by the Board of Directors of the Corporation, including at least two of the three Preferred Directors;

(vi) shares of Common Stock, Options or Convertible Securities issued to suppliers or third party service providers in connection with the provision of goods or services pursuant to transactions primarily for non-equity financing purposes and approved by the Board of Directors of the Corporation, including at least two of the three Investor Directors;

(vii) shares of Common Stock, Options or Convertible Securities issued pursuant to the acquisition of another corporation by the Corporation by merger, purchase of substantially all of the assets or other reorganization or to a joint venture agreement, provided, that such issuances are approved by the Board of Directors of the Corporation, including at least two of the three Investor Directors; and

(viii) shares of Common Stock, Options or Convertible Securities issued in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships entered into primarily for non-equity financing purposes approved by the Board of Directors of the Corporation, including at least two of the three Investor Directors.
(2) No Adjustment of Series Preferred Conversion Price(s). No adjustment in the applicable Conversion Price for a series of Series Preferred shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from the holders of a majority of the then outstanding shares of such series of Series Preferred (or unanimous approval of the Board of Directors) agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock.

(3) Deemed Issue of Additional Shares of Common Stock.

(a) If the Corporation at any time or from time to time after the Series D Original Issue Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities which are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(b) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the applicable Conversion Price pursuant to the terms of Subsection 4.4.4, are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the applicable Conversion Price computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such applicable Conversion Price as would have obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this clause (b) shall have the effect of increasing the applicable Conversion Price to an amount which exceeds the lower of (i) the Conversion Price in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the Conversion Price that would have resulted from any issuances of Additional Shares of Common Stock (other than deemed issuances of Additional Shares of Common Stock as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(c) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities which are themselves Exempted Securities), the issuance of which did not result in an adjustment to the Conversion Price pursuant to the terms of Subsection 4.4.4 (either because the consideration per share (determined pursuant to Subsection 4.4.5) of the Additional Shares of Common Stock subject thereto was equal to or greater than the Conversion
Price then in effect, or because such Option or Convertible Security was issued before the Series D Original Issue Date, are revised after the Series D Original Issue Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Subsection 4.4.3(a)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(d) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the Conversion Price pursuant to the terms of Subsection 4.4.4, the Conversion Price shall be readjusted to such Conversion Price as would have obtained had such Option or Convertible Security (or portion thereof) never been issued.

(e) If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the Conversion Price provided for in this Subsection 4.4.3 shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in clauses (b) and (c) of this Subsection 4.4.3). If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to the applicable Conversion Price that would result under the terms of this Subsection 4.4.3 at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the applicable Conversion Price that such issuance or amendment took place at the time such calculation can first be made.

(4) Adjustment of Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Series D Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 4.4.3), without consideration or for a consideration per share less than the applicable Conversion Price of any Series Preferred in effect immediately prior to such issue, then the applicable Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-hundredth of a cent) determined in accordance with the following formula:

\[ CP2 = CPI^* (A + B) = (A + C). \]
For purposes of the foregoing formula, the following definitions shall apply:

(a) “CP2” shall mean the applicable Conversion Price in effect immediately after such issue of Additional Shares of Common Stock;

(b) “CP1” shall mean the applicable Conversion Price in effect immediately prior to such issue of Additional Shares of Common Stock;

(c) “A” shall mean the number of shares of Common Stock outstanding immediately prior to such issue of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of Options outstanding immediately prior to such issue or upon conversion or exchange of Convertible Securities (including the Series Preferred) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issue);

(d) “B” shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued at a price per share equal to CPI (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by CPI); and

(e) “C” shall mean the number of such Additional Shares of Common Stock issued in such transaction.

(5) Determination of Consideration. For purposes of this Subsection 4.4, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(a) Cash and Property: Such consideration shall:

(i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest;

(ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors of the Corporation, including at least two of the three Investor Directors; and

(iii) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board of Directors of the Corporation, including at least two of the three Investor Directors.
Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 4.4.3, relating to Options and Convertible Securities, shall be determined by dividing

(i) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(ii) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

(6) Multiple Closing Dates. In the event the Corporation shall issue on more than one date Additional Shares of Common Stock that are a part of one transaction or a series of related transactions and that would result in an adjustment to the applicable Conversion Price pursuant to the terms of Subsection 4.4.4, then, upon the final such issuance, the Conversion Price shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

4.5 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Series D Original Issue Date effect a subdivision of the outstanding Common Stock, the Conversion Price in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Series D Original Issue Date combine the outstanding shares of Common Stock, the applicable Conversion Price in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this subsection shall become effective at the close of business on the date the subdivision or combination becomes effective.

4.6 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series D Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in additional shares of Common Stock, then and in each such event the applicable Conversion Price in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the applicable Conversion Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and
the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the
time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in
payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made
on the date fixed therefor, the applicable Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the
applicable Conversion Price shall be adjusted pursuant to this subsection as of the time of actual payment of such dividends or distributions; and (b) that no
such adjustment shall be made if the holders of Series Preferred simultaneously receive a dividend or other distribution of shares of Common Stock in a
number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Series Preferred had been converted into
Common Stock on the date of such event.

4.7 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series D
Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other
distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common
Stock) or in other property and the provisions of Section 1 do not apply to such dividend or distribution, then and in each such event the holders of Series
Preferred shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other
property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Series Preferred had
been converted into Common Stock on the date of such event.

4.8 Adjustment for Merger or Reorganization, etc. Subject to the provisions of Subsection 2.3, if there shall occur any reorganization,
recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Series Preferred) is converted
into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 4.4, 4.6 or 4.7), then, following any such
reorganization, recapitalization, reclassification, consolidation or merger, each share of Series Preferred shall thereafter be convertible in lieu of the
Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number
of shares of Common Stock of the Corporation issuable upon conversion of one share of Series Preferred immediately prior to such reorganization,
recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate
adjustment (as determined in good faith by the Board of Directors of the Corporation)
shall be made in the application of the provisions in this Section 4 with respect to the rights and interests thereafter of the holders of the Series Preferred, to the end that the provisions set forth in this Section 4 (including provisions with respect to changes in and other adjustments of the applicable Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Series Preferred.

4.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the applicable Conversion Price pursuant to this Section 4, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than ten (10) days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series Preferred a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which the Series Preferred is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Series Preferred (but in any event not later than ten (10) days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the Conversion Price then in effect, and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of Series Preferred.

4.10 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Series Preferred) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any Deemed Liquidation Event; or

(c) of any Liquidation Event,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Series Preferred a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, Deemed Liquidation Event or Liquidation Event is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Series Preferred) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, Deemed Liquidation Event or Liquidation Event, and the amount per share and character of such exchange applicable to the Series Preferred and the Common Stock. Such notice shall be sent at least ten (10) days prior to the record date or effective date for the event specified in such notice.
5. Mandatory Conversion

5.1 Trigger Events. Upon either (a) the closing of the sale of shares of Common Stock to the public at a price of at least $6.1255 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Common Stock), in a firm-commitment underwritten public offering pursuant to an effective registration statement pursuant to the Securities Act of 1933, as amended, resulting in at least $50 million of gross proceeds (before deduction of underwriting discount and commissions and offering expenses) to the Corporation (a “Qualified Public Offering”); or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of a majority of the then outstanding shares of Series Preferred (the time of the closing of such Qualified Public Offering or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the “Mandatory Conversion Time”), (i) all outstanding shares of Series D Preferred Stock shall automatically be converted into shares of Class A Common Stock, at the then effective Conversion Ratio as calculated pursuant to Subsection 4.1.1. (ii) all outstanding shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock shall automatically be converted into shares of Class B Common Stock, at the then effective Conversion Ratio calculated pursuant to Subsection 4.1.1. and (iii) such shares may not be reissued by the Corporation (provided, however, that with respect to a conversion pursuant to subsection (b), the written consent of a majority of the outstanding shares of Series B Preferred Stock (voting as a separate class) will be required to cause a conversion of such shares of Series B Preferred Stock and the written consent of a majority of the outstanding shares of Series C Preferred Stock (voting as a separate class) will be required to cause a conversion of such shares of Series C Preferred Stock) and the written consent of at least 51% of the Series D Preferred Stock (voting as a separate class) will be required to cause a conversion of such shares of Series D Preferred Stock.

5.2 Procedural Requirements. All holders of record of shares of Series Preferred shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Series Preferred pursuant to this Section 5. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Series Preferred shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Series Preferred converted pursuant to Section 5.1, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Subsection 5.2. As soon as practicable after the Mandatory Conversion Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Series Preferred, the Corporation shall issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof.
together with cash as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and the payment of any declared but unpaid dividends on the shares of Series Preferred converted. Such converted Series Preferred shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Series Preferred accordingly.

6. **No Redemption.** The Series Preferred is not redeemable at the option of the holder thereof.

7. **Acquired Shares.** Any shares of Series Preferred that are acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Series Preferred following any acquisition of such shares by the Corporation.

8. **Notices.** Any notice required or permitted by the provisions of this Article Fifth to be given to a holder of shares of Series Preferred shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the General Corporation Law, and shall be deemed sent upon such mailing or electronic transmission.

**SIXTH:** Subject to any additional vote required by the Certificate of Incorporation or Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

**SEVENTH:** Subject to any additional vote required by the Certificate of Incorporation, the number of directors of the Corporation shall be determined in the manner set forth in the Bylaws of the Corporation.

**EIGHTH:** Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

**NINTH:** Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

**TENTH:** To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law or any other law of the State of Delaware is amended after approval by the stockholders of this Article Tenth to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.
Any repeal or modification of the foregoing provisions of this Article Tenth by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

**ELEVENTH**: To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers and agents of the Corporation (and any other persons to which General Corporation Law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the General Corporation Law.

Any amendment, repeal or modification of the foregoing provisions of this Article Eleventh shall not adversely affect any right or protection of any director, officer or other agent of the Corporation existing at the time of such amendment, repeal or modification.

**TWELFTH**: The Corporation renounces any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An “Excluded Opportunity” is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Series Preferred or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, “Covered Persons”), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person primarily as a result of the capacity of such Covered Person (or the capacity of a director designated for election by such Covered Person) as a director of the Corporation.

* * *

3. That the foregoing amendment and restatement was approved by the holders of the requisite number of shares of this Corporation in accordance with Section 228 of the General Corporation Law.

4. That this Amended and Restated Certificate of Incorporation, which restates and integrates and further amends the provisions of this Corporation’s Certificate of Incorporation, has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law.
IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been executed by a duly authorized officer of this Corporation on this 4th day of September, 2018.

By:  /s/ Matthew Prince  
Matthew Prince  
Chief Executive Officer

[Signature Page to the Cloudflare, Inc.
Amended and Restated Certificate of Incorporation]
BYLAWS
OF
CLOUDFLARE, INC.

(A DELAWARE CORPORATION)

ARTICLE I
OFFICES

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II
CORPORATE SEAL

Section 3. Corporate Seal. The Board of Directors may adopt a corporate seal. The corporate seal shall consist of a die bearing the name of the corporation and the inscription, “Corporate Seal-Delaware.” Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE III
STOCKHOLDERS’ MEETINGS

Section 4. Place of Meetings. Meetings of the stockholders of the corporation may be held at such place, either within or without the State of Delaware, as may be determined from time to time by the Board of Directors. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as provided under the Delaware General Corporation Law (“DGCL”).

Section 5. Annual Meeting.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors.
Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation’s notice of meeting of stockholders; (ii) by or at the direction of the Board of Directors; or (iii) by any stockholder of the corporation who was a stockholder of record at the time of giving of notice provided for in the following paragraph, who is entitled to vote at the meeting and who complied with the notice procedures set forth in Section 5.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a) of these Bylaws, (i) the stockholder must have given timely notice thereof in writing to the Secretary of the corporation, (ii) such other business must be a proper matter for stockholder action under the DGCL, (iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the corporation with a Solicitation Notice (as defined in this Section 5(b)), such stockholder or beneficial owner must, in the case of a proposal, have delivered 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 any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the corporation’s voting shares reasonably believed by such stockholder or beneficial owner to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 5. To be timely, a stockholder’s notice shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the ninety-ninth (99th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year’s annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year’s annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder’s notice as described above.

Such stockholder’s notice shall set forth: (A) as to each person whom the stockholder proposed to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the “1934 Act”) and Rule 14a-4(d) thereunder (including such person’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose
behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation’s books, and of such beneficial owner, (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of the proposal, at least the percentage of the corporation’s voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the corporation’s voting shares to elect such nominee or nominees (an affirmative statement of such intent, a “Solicitation Notice”).

(c) Notwithstanding anything in the second sentence of Section 5(b) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board of Directors of the corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the corporation at least one hundred (100) days prior to the first anniversary of the preceding year’s annual meeting, a stockholder’s notice required by this Section 5 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

(d) Only such persons who are nominated in accordance with the procedures set forth in this Section 5 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 5. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(e) Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders’ meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation proxy statement pursuant to Rule 14a-8 under the 1934 Act.

(f) For purposes of this Section 5, “public announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or 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 1934 Act.
Section 6. Special Meetings.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption) or (iv) by the holders of shares entitled to cast not less than ten percent (10%) of the votes at the meeting, and shall be held at such place, on such date, and at such time as the Board of Directors shall fix.

At any time or times that the corporation is subject to Section 2115(b) of the California General Corporation Law (“CGCL”), stockholders holding five percent (5%) or more of the outstanding shares shall have the right to call a special meeting of stockholders as set forth in Section 18(b) herein.

(b) If a special meeting is properly called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by certified or registered mail, return receipt requested, or by telegraphic or other facsimile transmission to the Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The Board of Directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. Nothing contained in this paragraph (b) 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.

Section 7. Notice of Meetings. Except as otherwise provided by law, notice, given in writing or by electronic transmission, of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, if any, date and hour, in the case of special meetings, the purpose or purposes of the meeting, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at any such meeting. If mailed, notice 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 records of the corporation. Notice of the time, place, if any, and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof or by electronic transmission by such person, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person, by remote communication, if applicable, or by proxy, except when the stockholder 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. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person, by remote communication, if applicable, or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business.
In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by statute, or by the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of a majority of shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote generally on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote generally on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person, by remote communication, if applicable, or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. Except where otherwise provided by statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of shares of such class or classes or series present in person, by remote communication, if applicable, or represented by proxy at the meeting shall be the act of such class or classes or series.

Section 9. Adjournment and Notice of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares present in person, by remote communication, if applicable, or represented by proxy. When a meeting is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place, if any, thereof 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 thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote or execute consents shall have the right to do so either in person, by remote communication, if applicable, or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

Section 11. Joint Owners of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is
given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the DGCL, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

Section 12. List of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, 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 during ordinary business hours, at the principal place of business of the corporation. 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. The list shall be open to examination of any stockholder during the time of the meeting as provided by law.

Section 13. Action Without Meeting.

(a) Unless otherwise provided in the Certificate of Incorporation, any action required by statute to be taken at any annual or special meeting of the stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, or by electronic transmission setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

(b) Every written consent or electronic transmission shall bear the date of signature of each stockholder who signs the consent, and no written consent or electronic transmission shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the corporation in the manner herein required, written consents or electronic transmissions signed by a sufficient number of stockholders to take action are delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation’s registered office shall be by hand or by certified or registered mail, return receipt requested.

(c) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing or by electronic transmission and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take action were delivered to the
corporation as provided in Section 228(c) of the DGCL. If the action which is consented to is such as would have required the filing of a certificate under any section of the DGCL if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written consent has been given in accordance with Section 228 of the DGCL.

(d) A telegram, cablegram or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this section, provided that any such telegram, cablegram or other electronic transmission sets forth or is delivered with information from which the corporation can determine (i) that the telegram, cablegram or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram or electronic transmission. The date on which such telegram, cablegram or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by telegram, cablegram or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the corporation by delivery to its registered office in the state of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation’s registered office shall be made by hand or by certified or registered mail, return receipt requested. Notwithstanding the foregoing limitations on delivery, consents given by telegram, cablegram or other electronic transmission may be otherwise delivered to the principal place of business of the corporation or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded if, to the extent and in the manner provided by resolution of the board of directors of the corporation. Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

Section 14. Organization

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the
corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV
DIRECTORS

Section 15. Number and Term of Office.

The authorized number of directors of the corporation shall be fixed by the Board of Directors from time to time.

Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient.

Section 16. 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 by statute or by the Certificate of Incorporation.

Section 17. Term of Directors.

(a) Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, directors shall be elected at each annual meeting of stockholders to serve until the next annual meeting of stockholders and his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(b) No person entitled to vote at an election for directors may cumulate votes to which such person is entitled, unless, at the time of such election, the corporation is subject to Section 2115(b) of the CGCL. During such time or times that the corporation is subject to Section 2115(b) of the CGCL, every stockholder entitled to vote at an election for directors may cumulate such stockholder’s votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which such stockholder’s shares are otherwise entitled, or distribute the stockholder’s votes on the same principle among as many candidates as such stockholder thinks fit. No stockholder, however, shall be entitled to so cumulate such stockholder’s votes unless (i) the names of such candidate or candidates have been placed in nomination prior to the voting and (ii) the stockholder has given notice at the meeting, prior to the voting, of such stockholder’s intention to cumulate such stockholder’s votes. If any stockholder has given proper notice to cumulate votes, all stockholders may cumulate their votes for any candidates who have been properly placed in nomination. Under cumulative voting, the candidates receiving the highest number of votes, up to the number of directors to be elected, are elected.
Section 18. Vacancies.

(a) Unless otherwise provided in the Certificate of Incorporation, and subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, provided, however, that whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director’s successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Bylaw in the case of the death, removal or resignation of any director.

(b) At any time or times that the corporation is subject to §2115(b) of the CGCL, if, after the filling of any vacancy, the directors then in office who have been elected by stockholders shall constitute less than a majority of the directors then in office, then

(i) any holder or holders of an aggregate of five percent (5%) or more of the total number of shares at the time outstanding having the right to vote for those directors may call a special meeting of stockholders; or

(ii) the Superior Court of the proper county shall, upon application of such stockholder or stockholders, summarily order a special meeting of the stockholders, to be held to elect the entire board, all in accordance with Section 305(c) of the CGCL, the term of office of any director shall terminate upon that election of a successor.

Section 19. Resignation. Any director may resign at any time by delivering his or her notice in writing or by electronic transmission to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall 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, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified.
Section 20. Removal

(a) Subject to any limitations imposed by applicable law (and assuming the corporation is not subject to Section 2115 of the CGCL), the Board of Directors or any director may be removed from office at any time (i) with cause by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of capital stock of the corporation entitled to vote generally at an election of directors or (ii) without cause by the affirmative vote of the holders of sixty-six and two-thirds percent (66-2/3%) of the voting power of all then-outstanding shares of capital stock of the corporation, entitled to elect such director.

(b) During such time or times that the corporation is subject to Section 2115(b) of the CGCL, the Board of Directors or any individual director may be removed from office at any time without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal; provided, however, that unless the entire Board is removed, no individual director may be removed when the votes cast against such director’s removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of such director’s most recent election were then being elected.

Section 21. Meetings

(a) Regular Meetings. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors, either orally or in writing, including a voice-messaging system or other system designated to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means. No further notice shall be required for a regular meeting of the Board of Directors.

(b) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the President or by any director.

(c) Meetings by Electronic Communications Equipment. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(d) Notice of Special Meetings. Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting. If notice is sent by US
mail, it shall be sent by first class mail, postage prepaid at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing or by electronic transmission at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the 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.

(e) Waiver of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present who did not receive notice shall sign a written waiver of notice or shall waive notice by electronic transmission. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 22. Quorum and Voting.

(a) Unless the Certificate of Incorporation requires a greater number, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; provided, however, at any meeting, whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

Section 23. Action Without 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 such writing or writings or 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.

Section 24. Fees and Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.
Section 25. Committees

(a) Executive Committee. The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors 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 which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the corporation.

(b) Other Committees. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) Term. The Board of Directors, subject to any requirements of any outstanding series of Preferred Stock and the provisions of subsections (a) or (b) of this Bylaw may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. 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, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they 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.

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special 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
ARTICLE V
OFFICERS

Section 27. Officers Designated. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer, the Treasurer and the Controller, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

Section 28. Tenure and Duties of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) Duties of Chairman of the Board of Directors. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. If there is no President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 28.
(c) **Duties of President**. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. Unless some other officer has been elected Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

(d) **Duties of Vice Presidents**. The Vice Presidents may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(e) **Duties of Secretary**. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties provided for in these Bylaws and other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) **Duties of Chief Financial Officer**. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct the Treasurer or any Assistant Treasurer, or the Controller or any Assistant Controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each Controller and Assistant Controller shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

Section 29. **Delegation of Authority**. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 30. **Resignations**. Any officer may resign at any time by giving notice in writing or by electronic transmission notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.
Section 31. Removal. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written or electronic consent of the directors in office at the time, or by any committee or superior officers.

ARTICLE VI
EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 32. Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation.

All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless 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.

Section 33. Voting of Securities Owned by the Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII
SHARES OF STOCK

Section 34. Form and Execution of Certificates. The shares of the corporation shall be represented by certificates, or shall be uncertificated. Certificates for the shares of stock, if any, shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation represented by certificate shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the
President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 35. Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or the owner’s legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

Section 36. Transfer.

(a) 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 attorney duly authorized, and, in the case of stock represented by certificate, upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) 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.

Section 37. Fixing Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, 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, subject to applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or 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 the adjourned meeting.
In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, 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 date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation’s registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

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, in advance, 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 sixty (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.

Section 38. Registered Stockholders. The corporation 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, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII
OTHER SECURITIES OF THE CORPORATION

Section 39. Execution of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 34), may be signed by the Chairman of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer, provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual
signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX
DIVIDENDS

Section 40. Declaration of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

Section 41. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X
FISCAL YEAR

Section 42. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.
ARTICLE XI
INDEMNIFICATION

Section 43. Indemnification of Directors, Executive Officers, Other Officers, Employees and Other Agents.

(a) Directors and Executive Officers. The corporation shall indemnify its directors and executive officers (for the purposes of this Article XI, “executive officers” shall have the meaning defined in Rule 3b-7 promulgated under the 1934 Act) to the fullest extent not prohibited by the DGCL or any other applicable law; provided, however, that the corporation may modify the extent of such indemnification by individual contracts with its directors and executive officers; and, provided, further, that the corporation shall not be required to indemnify any director or executive officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the Delaware General Corporation Law or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(b) Other Officers, Employees and Other Agents. The corporation shall have power to indemnify its other officers, employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person except executive officers to such officers or other persons as the Board of Directors shall determine.

(c) Expenses. The corporation shall advance to 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, by reason of the fact that he is or was a director or executive officer, of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or executive officer in connection with such proceeding, provided, however, that, if the DGCL requires, an advancement of expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Section 43 or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (c) of this Bylaw, no advance shall be made by the corporation to an executive officer of the corporation (except by reason of the fact that such executive officer is or was a director of the corporation, in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by a majority
vote of a quorum consisting of directors who were not parties to the proceeding, even if not a quorum, or (ii) by a committee of such directors designated by a majority of such directors, even though less than a quorum, or (iii) if there are no such directors, or such directors so direct, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and executive officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or executive officer. Any right to indemnification or advances granted by this Bylaw to a director or executive officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting the claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an executive officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise as a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or executive officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or executive officer is not entitled to be indemnified, or to such advancement of expenses, under this Article XI or otherwise shall be on the corporation.

(e) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding 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 advances, to the fullest extent not prohibited by the DGCL or any other applicable law.
(f) **Survival of Rights**. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, executive officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) **Insurance**. To the fullest extent permitted by the DGCL, or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Bylaw.

(h) **Amendments**. Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) **Saving Clause**. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and [executive] officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law. If this Section 43 shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and executive officer to the full extent under applicable law.

(j) **Certain Definitions**. For the purposes of this Bylaw, the following definitions shall apply:

1. The term “proceeding” shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

2. The term “expenses” shall be broadly construed and shall include, without limitation, court costs, attorneys’ fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

3. The term 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, and 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 Bylaw with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.
ARTICLE XII
NOTICES

Section 44. Notices.

(a) Notice to Stockholders. Written notice to stockholders of stockholder meetings shall be given as provided in Section 7 herein. Without limiting the manner by which notice may otherwise be given effectively to stockholders under any agreement or contract with such stockholder, and except as otherwise required by law, written notice to stockholders for purposes other than stockholder meetings may be sent by United States mail or nationally recognized overnight courier, or by facsimile, telegraph or telex or by electronic mail or other electronic means.

(b) Notice to Directors. Any notice required to be given to any director may be given by the method stated in subsection (a), or as provided for in Section 21 of these Bylaws. If such notice is not delivered personally, it shall be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director.

(c) Affidavit of Mailing. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected or other agent, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) Methods of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all recipients of notice, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.
(e) Notice to Person with Whom Communication Is Unlawful. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, 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 any provision of 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.

(f) Notice to Stockholders Sharing an Address. Except as otherwise prohibited under DGCL, any notice given under the provisions of DGCL, the Certificate of Incorporation or the 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. Such consent shall have been deemed to have been given if such stockholder fails to object in writing to the corporation within 60 days of having been given notice by the corporation of its intention to send the single notice. Any consent shall be revocable by the stockholder by written notice to the corporation.

ARTICLE XIII
AMENDMENTS

Section 45. Amendments. The Board of Directors is expressly empowered to adopt, amend or repeal Bylaws of the corporation. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the corporation required by law or by the Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE XIV
TRANSFER RESTRICTIONS; RIGHT OF FIRST REFUSAL

Section 46. Transfer Restriction. No stockholder shall sell, assign, pledge, encumber, lien, or in any manner transfer any of the shares of common stock of the corporation or any right or interest therein, whether voluntarily or by operation of law, or by gift or otherwise unless either (a) such transfer is previously approved in writing by the Chief Financial Officer, Chief Executive Officer or Board of Directors of the Company or (b) such transfer qualifies as an “Authorized Transfer” as set forth below and in either case, such shares shall remain subject to these Bylaws.
Section 47. Right of First Refusal. Unless previously approved, in writing, by an authorized officer of the Company, no stockholder shall sell, assign, pledge, or in any manner transfer any of the shares of common stock of the corporation or any right or interest therein, whether voluntarily or by operation of law, or by gift or otherwise, except by a transfer which meets the requirements hereinafter set forth in this bylaw:

(a) If the stockholder desires to sell or otherwise transfer any of his shares of common stock, then the stockholder shall first give written notice thereof to the corporation. The notice shall name the proposed transferee and state the number of shares to be transferred, the proposed consideration, and all other terms and conditions of the proposed transfer.

(b) For thirty (30) days following receipt of such notice, the corporation shall have the option to purchase all or any of the shares specified in the notice at the price and upon the terms set forth in such notice; provided, however, that, with the consent of the stockholder, the corporation shall have the option to purchase a lesser portion of the shares specified in said notice at the price and upon the terms set forth therein. In the event of a gift, property settlement or other transfer in which the proposed transferee is not paying the full price for the shares, and that is not otherwise exempted from the provisions of this Section 47, the price shall be deemed to be the fair market value of the common stock at such time as determined in good faith by the Board of Directors. In the event the corporation elects to purchase all of the shares or, with consent of the stockholder, a lesser portion of the shares, it shall give written notice to the transferring stockholder of its election and settlement for said shares shall be made as provided below in paragraph (d).

(c) The corporation may assign its rights hereunder.

(d) In the event the corporation and/or its assignee(s) elect to acquire any of the shares of the transferring stockholder as specified in said transferring stockholder’s notice, the Secretary of the corporation shall so notify the transferring stockholder and settlement thereof shall be made in cash within thirty (30) days after the Secretary of the corporation receives said transferring stockholder’s notice; provided that if the terms of payment set forth in said transferring stockholder’s notice were other than cash against delivery, the corporation and/or its assignee(s) shall pay for said shares on the same terms and conditions set forth in said transferring stockholder’s notice.

(e) In the event the corporation and/or its assignees(s) do not elect to acquire all of the shares specified in the transferring stockholder’s notice, said transferring stockholder may, within the sixty-day period following the expiration of the option rights granted to the corporation and/or its assignees(s) herein, transfer the shares specified in said transferring stockholder’s notice which were not acquired by the corporation and/or its assignees(s) as specified in said transferring stockholder’s notice. All shares so sold by said transferring stockholder shall continue to be subject to the provisions of this bylaw in the same manner as before said transfer.

(f) Anything to the contrary contained herein notwithstanding, the following transactions shall be exempt from the provisions of this bylaw (each an “Authorized Transfer”):

1. A stockholder’s transfer of any or all shares held either during such stockholder’s lifetime or on death by will or intestacy to such stockholder’s immediate family or to any custodian or trustee for the account of such stockholder or such stockholder’s immediate family or to any limited partnership of which the stockholder, members of such stockholder’s immediate family or any trust for the account of such stockholder or such stockholder’s immediate family will be the general or limited partner(s) of such partnership. “Immediate family” as used herein shall mean spouse, lineal descendant, father, mother, brother, or sister of the stockholder making such transfer;
(2) A stockholder’s bona fide pledge or mortgage of any shares with a commercial lending institution, provided that any subsequent transfer of said shares by said institution shall be conducted in the manner set forth in this bylaw;

(3) A stockholder’s transfer of any or all of such stockholder’s shares to the corporation or to any other stockholder of the corporation;

(4) A stockholder’s transfer of any or all of such stockholder’s shares to a person who, at the time of such transfer, is an officer or director of the corporation;

(5) A corporate stockholder’s transfer of any or all of its shares pursuant to and in accordance with the terms of any merger, consolidation, reclassification of shares or capital reorganization of the corporate stockholder, or pursuant to a sale of all or substantially all of the stock or assets of a corporate stockholder;

(6) A corporate stockholder’s transfer of any or all of its shares to any or all of its stockholders; or

(7) A transfer by a stockholder which is a limited or general partnership to any or all of its partners or former partners in accordance with partnership interests.

In any such case, the transferee, assignee, or other recipient shall receive and hold such common stock subject to the provisions of Sections 46 and 47 of these Bylaws, and there shall be no further transfer of such common stock except in accord with the Bylaws.

For purposes of Sections 46 and 47 of these Bylaws, references to “common stock” shall not include common stock issued or issuable upon conversion of preferred stock of the corporation.

(g) The provisions of this bylaw may be waived with respect to any transfer either by the corporation, upon duly authorized action of its Board of Directors, or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation (excluding the votes represented by those shares to be transferred by the transferring stockholder). This bylaw may be amended or repealed either by a duly authorized action of the Board of Directors or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation.

(h) Any sale or transfer, or purported sale or transfer, of securities of the corporation shall be null and void unless the terms, conditions, and provisions of this bylaw are strictly observed and followed.

(i) The foregoing right of first refusal shall terminate upon the date securities of the corporation are first offered to the public pursuant to a registration statement filed with, and declared effective by, the United States Securities and Exchange Commission under the Securities Act of 1933, as amended.
(j) The certificates representing shares of common stock of the corporation shall bear on their face the following legend so long as the foregoing right of first refusal remains in effect:

“THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO TRANSFER RESTRICTIONS AND A RIGHT OF FIRST REFUSAL OPTION IN FAVOR OF THE CORPORATION AND/OR ITS ASSIGNEE(S), AS PROVIDED IN THE BYLAWS OF THE CORPORATION.”

ARTICLE XV
LOANS TO OFFICERS

Section 48. Loans to Officers. Except as otherwise prohibited under applicable law, the corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

ARTICLE XVI
MISCELLANEOUS

Section 49. Annual Report.

(a) Subject to the provisions of paragraph (b) of this Bylaw, the Board of Directors shall cause an annual report to be sent to each stockholder of the corporation not later than one hundred twenty (120) days after the close of the corporation’s fiscal year. Such report shall include a balance sheet as of the end of such fiscal year and an income statement and statement of changes in financial position for such fiscal year, accompanied by any report thereon of independent accountants or, if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation. When there are more than 100 stockholders of record of the corporation’s shares, as determined by Section 605 of the CGCL, additional information as required by Section 1501(b) of the CGCL shall also be contained in such report, provided that if the corporation has a class of securities registered under Section 12 of the 1934 Act, the 1934 Act shall take precedence. Such report shall be sent to stockholders at least fifteen (15) days prior to the next annual meeting of stockholders after the end of the fiscal year to which it relates.

(b) If and so long as there are fewer than 100 holders of record of the corporation’s shares, the requirement of sending of an annual report to the stockholders of the corporation is hereby expressly waived.
THIS CERTIFIES THAT is the owner of CUSIP DATED COUNTERSIGNED AND REGISTERED: COMPUTERSHARE TRUST COMPANY, N.A. TRANSFER AGENT AND REGISTRAR, FULLY-PAID AND NON-ASSISSABLE SHARES OF CLASS A COMMON STOCK OF Cloudflare, Inc. (hereinafter called the “Company”), irrevocably on the books of the Company in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Certificate of Incorporation, as amended, and the By-Laws, as amended, of the Company (copies of which are on file with the Company and the Transfer Agent and Registrar).

This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar. Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

Class A Common Stock
Par Value $0.001

Cloudflare, Inc.
Incorporated Under the Laws of the State of Delaware

Sample

Chief Executive Officer
Secretary
By AUTHORIZED SIGNATURE

July 17, 2009

Delaware

ZQ|CERT#|COY|CLS|RGSTRY|ACCT#|TRANSTYPE|RUN#|TRANS#
The IRS requires that the named transfer agent ("we") report the cost basis of certain shares or units acquired after January 1, 2011. If your shares or units are covered by the legislation, and you requested to sell or transfer the shares or units using a specific cost basis calculation method, then we have processed as you requested. If you did not specify a cost basis calculation method, then we have defaulted to the first in, first out (FIFO) method. Please consult your tax advisor if you need additional information about cost basis. If you do not keep in contact with the issuer or do not have any activity in your account for the time period specified by state law, your property may become subject to state unclaimed property laws and transferred to the appropriate state.

Cloudflare, Inc.

The company will furnish without charge to each shareholder who so requests, a summary of the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock of the company and the qualifications, limitations or restrictions of such preferences and rights, and the variations in rights, preferences and limitations determined for each series, which are fixed by the certificate of incorporation of the company, as amended, and the resolutions of the board of directors of the company, and the authority of the board of directors to determine variations for future series. Such request may be made to the office of the secretary of the company or to the transfer agent. The board of directors may require the owner of a lost or destroyed stock certificate, or his legal representatives, to give the company a bond to indemnify it and its transfer agents and registrars against any claim that may be made against them on account of the alleged loss or destruction of any such certificate.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

For value received, hereby sell, assign and transfer unto

 Shares

Attorney

Dated: ____________________20__________________ Signature: __________________________________________________________

Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: Medallion Guarantee Stamp

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN CCM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship
UNIF GIFT MIN ACT - under Uniform Gifts to Minors Act
UNIF TRF MIN ACT - under Uniform Transfers to Minors Act

Additional abbreviations may also be used though not in the above list.

The Company Will Furnish Without Charge to Each Shareholder Who So Requests, a Summary of the Powers, Designations, Preferences and Relative, Participating, Optional, or Other Special Rights of Each Class of Stock of the Company and the Qualifications, Limitations or Restrictions of Such Preferences and Rights, and the Variations in Rights, Preferences and Limitations Determined for Each Series, Which Are Fixed by the Certificate of Incorporation of the Company, As Amended, and the Resolutions of the Board of Directors of the Company, and the Authority of the Board of Directors to Determine Variations for Future Series. Such Request May Be Made to the Office of the Secretary of the Company or to the Transfer Agent. The Board of Directors May Require the Owner of a Lost or Destroyed Stock Certificate, or His Legal Representatives, to Give the Company a Bond to Indemnify It and Its Transfer Agents and Registrars Against Any Claim That May Be Made Against Them on Account of the Alleged Loss or Destruction of Any Such Certificate.

Cloudflare, Inc.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN CCM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship
UNIF GIFT MIN ACT - under Uniform Gifts to Minors Act
UNIF TRF MIN ACT - under Uniform Transfers to Minors Act

Additional abbreviations may also be used though not in the above list.

For value received, hereby sell, assign and transfer unto

Shares

Attorney

Dated: ____________________20__________________ Signature: __________________________________________________________

Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: Medallion Guarantee Stamp

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN CCM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship
UNIF GIFT MIN ACT - under Uniform Gifts to Minors Act
UNIF TRF MIN ACT - under Uniform Transfers to Minors Act

Additional abbreviations may also be used though not in the above list.
CLOUDFLARE, INC.
INVESTORS’ RIGHTS AGREEMENT

THIS INVESTORS’ RIGHTS AGREEMENT is made as of the 4th day of September, 2018, by and among Cloudflare, Inc., a Delaware corporation (the “Company”) and each of the investors listed on Schedule A hereto, each of which is referred to in this Agreement as an “Investor,” and any Additional Purchaser (as defined in the Purchase Agreement) that becomes a party to this Agreement in accordance with Section 6.9 hereof.

RECITALS

WHEREAS, certain of the Investors are purchasing shares of the Company’s Series D Preferred Stock (the “Series D Preferred Stock”), pursuant to that certain Series D Preferred Stock Purchase Agreement (the “Purchase Agreement”) of even date herewith (the “Financing”);

WHEREAS, the obligations in the Purchase Agreement are conditioned upon the execution and delivery of this Agreement;

WHEREAS, certain of the Investors (the “Prior Investors”) are holders of the Company’s Series A Preferred Stock, Series B Preferred Stock or Series C Preferred Stock (and together with the Series D Preferred Stock, the “Preferred Stock”);

WHEREAS, the Prior Investors and the Company are parties to an Investor Rights Agreement, dated November 5, 2014 (the “Prior Agreement”);

WHEREAS, the parties to the Prior Agreement desire to amend and restate the Prior Agreement and accept the rights and covenants hereof in lieu of their rights and covenants under the Prior Agreement;

WHEREAS, in connection with the consummation of the Financing, the Company and the Investors have agreed to the registration rights, information rights, and other rights as set forth below; and

NOW, THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. For purposes of this Agreement:

1.1 “Affiliate” means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including without limitation any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

1.2 “Common Stock” means shares of the Company’s common stock, par value $0.001 per share.
1.3 “**Damages**” means any loss, damage, or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, or liability (or any action in respect thereof) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law.

1.4 “**Derivative Securities**” means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly), Common Stock, including, but not limited to, shares of Preferred Stock, options and warrants.


1.6 “**Excluded Registration**” means (i) a registration relating to the sale of securities to employees of the Company or a subsidiary pursuant to a stock option, stock purchase, or similar plan; (ii) a registration relating to an SEC Rule 145 transaction; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or (iv) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered.

1.7 “**Form S-1**” means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC.

1.8 “**Form S-3**” means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.9 “**GAAP**” means generally accepted accounting principles in the United States.

1.10 “**Holder**” means any holder of Registrable Securities who is a party to this Agreement.

1.11 “**Immediate Family Member**” means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a natural person referred to herein.

1.12 “**Initiating Holders**” means, collectively, Holders who properly initiate a registration request under this Agreement.

1.13 “**IPO**” means the Company’s first underwritten public offering of its Common Stock under the Securities Act.

1.14 “**Key Employee**” means any executive-level employee (including division director and vice president-level positions) as well as any employee who, either alone or in concert with others, develops, invents, programs, or designs any Company Intellectual Property (as defined in the Purchase Agreement).
1.15 “Major Investor” means any Investor that, individually or together with such Investor’s Affiliates, holds at least 12,000,000 shares of Registrable Securities (in each case as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof).

1.16 “New Securities” means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.

1.17 “Person” means any individual, corporation, partnership, trust, limited liability company, association or other entity.

1.18 “Registrable Securities” means (i) the shares of Common Stock and the shares of Common Stock issuable or issued upon conversion of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or Series D Preferred Stock and (ii) any shares of Common Stock issued as (or issuable upon the conversion or exercise of any Derivative Securities issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clause (i) above; excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Section 6.1, and excluding for purposes of Section 2 any shares for which registration rights have terminated pursuant to Section 2.13 of this Agreement.

1.19 “Registrable Securities then outstanding” means the number of shares determined by adding the number of issued and outstanding Registrable Securities and the number of Registrable Securities then issuable upon the conversion or exercise of issued and outstanding Derivative Securities.

1.20 “Restricted Securities” means the securities of the Company required to bear the legend set forth in Section 2.12(b) hereof.

1.21 “SEC” means the Securities and Exchange Commission.

1.22 “SEC Rule 144” means Rule 144 promulgated by the SEC under the Securities Act.

1.23 “SEC Rule 145” means Rule 145 promulgated by the SEC under the Securities Act.

1.24 “Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.25 “Selling Expenses” means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Company as provided in Section 2.6.

1.26 “Series A Preferred Stock” means shares of the Company’s Series A Preferred Stock, par value $0.001 per share.

1.27 “Series B Preferred Stock” means shares of the Company’s Series B Preferred Stock, par value $0.001 per share.

1.28 “Series C Preferred Stock” means shares of the Company’s Series C Preferred Stock, par value $0.001 per share.

1.29 “Series D Preferred Stock” means shares of the Company’s Series D Preferred Stock, par value $0.001 per share.

1.30 “Investor Directors” shall have the meaning set forth in that certain Voting Agreement, among the Company and the other parties thereto, of even date herewith, as amended from time to time.
2. Registration Rights. The Company covenants and agrees as follows:

2.1 Demand Registration.

(a) Form S-1 Demand. If at any time after the earlier of (i) five (5) years after the date of this Agreement or (ii) one hundred eighty (180) days after the effective date of the registration statement for the IPO, the Company receives a request from Holders of at least fifty percent (50%) of the Registrable Securities then outstanding that the Company file a Form S-1 registration statement with respect to the Registrable Securities, then the Company shall (i) within ten (10) days after the date such request is given, give notice thereof (the “Demand Notice”) to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within sixty (60) days after the date such request is given by the Initiating Holders, file a Form S-1 registration statement under the Securities Act covering all Registrable Securities that the Initiating Holders requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3 registration statement, the Company receives a request from Holders of at least twenty percent (20%) of the Registrable Securities then outstanding that the Company file a Form S-3 registration statement with respect to outstanding Registrable Securities of such Holders having an anticipated aggregate offering price, net of Selling Expenses, of at least $1 million, then the Company shall (i) within ten (10) days after the date such request is given, give a Demand Notice to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within forty-five (45) days after the date such request is given by the Initiating Holders, file a Form S-3 registration statement under the Securities Act covering all Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3.

(c) Notwithstanding the foregoing obligations, if the Company furnishes to Holders requesting a registration pursuant to this Section 2.1 a certificate signed by the Company’s chief executive officer stating that in the good faith judgment of the Company’s Board of Directors it would be materially detrimental to the Company and its stockholders for such registration statement to either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render the Company unable to comply with requirements under the Securities Act or Exchange Act, then the Company shall have the right to defer taking action with respect to such filing, and any time periods with respect to filing or effectiveness thereof shall be tolled correspondingly, for a period of not more than ninety (90) days after the request of the Initiating Holders is given; provided, however, that the Company may not invoke this right more than once in any twelve (12) month period; and provided further that the Company shall not register any securities for its own account or that of any other stockholder during such ninety (90) day period other than an Excluded Registration.
(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(a) (i) during the period that is sixty (60) days before the Company’s good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith its reasonable best efforts to cause such registration statement to become effective; (ii) after the Company has effected two registrations pursuant to Section 2.1(a) ; or (iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 2.1(b). The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(b), (i) during the period that is thirty (30) days before the Company’s good faith estimate of the date of filing of, and ending on a date that is ninety (90) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith its reasonable best efforts to cause such registration statement to become effective; or (ii) if the Company has effected two registrations pursuant to Section 2.1(b) within the twelve (12) month period immediately preceding the date of such request. A registration shall not be counted as “effected” for purposes of this Section 2.1(d) until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holders withdraw their request for such registration, elect not to pay the registration expenses therefor, and forfeit their right to one (1) demand registration statement pursuant to Section 2.6, in which case such withdrawn registration statement shall be counted as “effected” for purposes of this Section 2.1(d).

2.2 Company Registration. If the Company proposes to register (including, for this purpose, a registration effected by the Company for stockholders other than the Holders) any of its securities under the Securities Act in connection with the public offering of such securities solely for cash (other than in an Excluded Registration), the Company shall, at such time, promptly give each Holder notice of such registration. Upon the request of each Holder given within twenty (20) days after such notice is given by the Company, the Company shall, subject to the provisions of Section 2.3, cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Section 2.6.

2.3 Underwriting Requirements.

(a) If, pursuant to Section 2.1, the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Section 2.1, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Company and shall be reasonably acceptable to a majority in interest of the Initiating Holders. In such event, the right of any Holder to include such Holder’s Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 2.4(e) ) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Section 2.3, if the managing

5
underwriter(s) advise(s) the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holders, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders; provided, however, that the number of Registrable Securities held by the Holders to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares.

(b) In connection with any offering involving an underwriting of shares of the Company’s capital stock pursuant to Section 2.2, the Company shall not be required to include any of the Holders’ Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters, and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of the offering by the Company. If the total number of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the number of securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be allocated among the selling Holders in proportion (as nearly as practicable to) the number of Registrable Securities owned by each selling Holder or in such other proportions as shall mutually be agreed to by all such selling Holders. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares. Notwithstanding the foregoing, in no event shall (i) the number of Registrable Securities included in the offering be reduced unless all other securities (other than securities to be sold by the Company) are first entirely excluded from the offering or (ii) the number of Registrable Securities included in the offering be reduced below thirty percent (30%) of the total number of securities included in such offering, unless such offering is the IPO, in which case the selling Holders may be excluded further if the underwriters make the determination described above and no other stockholder’s securities are included in such offering. For purposes of the provision in this Section 2.3(b) concerning apportionment, for any selling Holder that is a partnership, limited liability company, or corporation, the partners, members, retired partners, retired members, stockholders, and Affiliates of such Holder, or the estates and Immediate Family Members of any such partners, retired partners, members, and retired members and any trusts for the benefit of any of the foregoing Persons, shall be deemed to be a single “selling Holder,” and any pro rata reduction with respect to such “selling Holder” shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such “selling Holder,” as defined in this sentence.
2.4 Obligations of the Company. Whenever required under this Section 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its reasonable best efforts to cause such registration statement to become effective and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration, and (ii) in the case of any registration of Registrable Securities on Form S-3 that are intended to be offered on a continuous or delayed basis, subject to compliance with applicable SEC rules, such one hundred twenty (120) day period shall be extended for up to one hundred twenty (120) days, if necessary, to keep the registration statement effective until all such Registrable Securities are sold;

(b) prepare and file with the SEC such amendments and supplements to such registration statement, and the prospectus used in connection with such registration statement, as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by such registration statement;

(c) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(d) use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or blue-sky laws of such jurisdictions as shall be reasonably requested by the selling Holders; provided that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering;

(f) use its reasonable best efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed;

(g) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(h) promptly make available for inspection by the selling Holders, any managing underwriter(s) participating in any disposition pursuant to such registration statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company’s officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith;
(i) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed; and

(j) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

2.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as is reasonably required to effect the registration of such Holder’s Registrable Securities.

2.6 Expenses of Registration. All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 2, including all registration, filing, and qualification fees; printers’ and accounting fees; fees and disbursements of counsel for the Company; and the reasonable fees and disbursements, not to exceed $30,000, of one (1) counsel for the selling Holders (“Selling Holder Counsel”), shall be borne and paid by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2.1 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all selling Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one (1) registration pursuant to Section 2.1(a) or Section 2.1(b), as the case may be; provided further that if, at the time of such withdrawal, the Holders shall have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness after learning of such information then the Holders shall not be required to pay any of such expenses and shall not forfeit their right to one registration pursuant to Section 2.1(a) or Section 2.1(b). All Selling Expenses relating to Registrable Securities registered pursuant to this Section 2 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered on their behalf.

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8 Indemnification. If any Registrable Securities are included in a registration statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, and stockholders of each such Holder; legal counsel and accountants for each such Holder; any underwriter (as defined in the Securities Act) for each such Holder; and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange
Act, against any Damages, and the Company will pay to each such Holder, underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and each of its directors, each of its officers who has signed the registration statement, each Person (if any), who controls the Company within the meaning of the Securities Act, legal counsel and accountants for the Company, any underwriter (as defined in the Securities Act), any other Holder selling securities in such registration statement, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such selling Holder expressly for use in connection with such registration; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further that in no event shall the aggregate amounts payable by any Holder by way of indemnity or contribution under Sections 2.8(b) and 2.8(d) exceed the net proceeds from the offering received by such Holder, except in the case of fraud or willful misconduct by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such action. The failure to give notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8, to the extent that such failure materially prejudices the indemnifying party’s ability to defend such action. The failure to give notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8.
(d) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Section 2.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Section 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Section 2.8, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the indemnifying party or by the indemnified party and the parties’ relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case, (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder’s liability pursuant to this Section 2.8(d), when combined with the amounts paid or payable by such Holder pursuant to Section 2.8(b), exceed the net proceeds from the offering received by such Holder), except in the case of willful misconduct or fraud by such Holder.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) Unless otherwise superseded by an underwriting agreement entered into in connection with the underwritten public offering, the obligations of the Company and Holders under this Section 2.8 shall survive the completion of any offering of Registrable Securities in a registration under this Section 2, and otherwise shall survive the termination of this Agreement.

2.9 Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the registration statement filed by the Company for the IPO;
(b) use its reasonable best efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the registration statement filed by the Company for the IPO), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after the Company so qualifies); (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company; and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form S-3 (at any time after the Company so qualifies to use such form).

2.10 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (i) to include such securities in any registration unless, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the number of the Registrable Securities of the Holders that are included or (ii) to initiate a demand for registration of any securities held by such holder or prospective holder; provided that this limitation shall not apply to any Additional Purchaser that becomes a party to this Agreement in accordance with Section 6.9.

2.11 “Market Stand-off” Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the IPO and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days) (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any Derivative Securities (whether such shares or any such Derivative Securities are then owned by the Holder or are thereafter acquired) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 2.11 shall apply only to the shares of equity securities of the Company and Derivative Securities issued and held prior to the IPO, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement or any shares of equity securities of the Company or Derivative Securities acquired as a part of the IPO or issued by the Company after the IPO, and shall be applicable to the Holders only if all officers, directors and holders of more than one percent (1%) of the outstanding Common Stock (after giving effect to conversion into
Common Stock of all outstanding Preferred Stock) enter into similar agreements. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 2.11 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 2.11 or that are necessary to give further effect thereto. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply pro rata to all Holders subject to such agreements, based on the number of shares subject to such agreements.

2.12 Restrictions on Transfer.

(a) The Preferred Stock and the Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act. A transferring Holder will cause any proposed purchaser, pledgee, or transferee of the Preferred Stock and the Registrable Securities held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement.

(b) Each certificate or instrument representing (i) the Preferred Stock, (ii) the Registrable Securities, and (iii) any other securities issued in respect of the securities referenced in clauses (i) and (ii), upon any stock split, stock dividend, recapitalization, merger, consolidation, or similar event, shall (unless otherwise permitted by the provisions of Section 2.12(c)) be stamped or otherwise imprinted with a legend substantially in the following form:

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT. THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this Section 2.12.

(c) The holder of each certificate representing Restricted Securities, by acceptance thereof, agrees to comply in all respects with the provisions of this Section 2. Before any proposed sale, pledge, or transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transaction, the Holder thereof shall give notice to the Company of such Holder’s intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such Holder’s expense by either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the
Company, to the effect that the proposed transaction may be effected without registration under the Securities Act; (ii) a “no action” letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Securities Act, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a legal opinion or “no action” letter (x) in any transaction in compliance with SEC Rule 144 or (y) in any transaction in which such Holder distributes Restricted Securities to an Affiliate of such Holder; provided that each transferee agrees in writing to be subject to the terms of this Section 2.12. Each certificate or instrument evidencing the Restricted Securities transferred as above provided shall bear, except if such transfer is made pursuant to SEC Rule 144, the appropriate restrictive legend set forth in Section 2.12(b), except that such certificate shall not bear such restrictive legend if, in the opinion of counsel for such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Securities Act.

2.13 Termination of Registration Rights. The right of any Holder to request registration or inclusion of Registrable Securities in any registration pursuant to Section 2.1 or Section 2.2 shall terminate upon the earliest to occur of:

(a) the consummation of a Liquidation Event or Deemed Liquidation Event, as each such term is defined in the Company’s Amended and Restated Certificate of Incorporation, as it may be amended from time to time (the “Certificate of Incorporation”);

(b) when all of such Holder’s Registrable Securities could be sold without time or volume restrictions under SEC Rule 144(b)(1); and

(c) the fifth anniversary of the IPO.


3.1 Delivery of Financial Statements. The Company shall deliver to each Major Investor:

(a) as soon as practicable, but in any event within one hundred twenty (120) days after the end of each fiscal year of the Company, (i) a balance sheet as of the end of such year, (ii) statements of income and of cash flows for such year, and (iii) a statement of stockholders’ equity as of the end of such year, all of which financial statements shall be (A) in the case of the financial statements for the 2009 fiscal year, reviewed by independent public accountants of nationally recognized standing selected by the Company or (B) in the case of the financial statements for subsequent fiscal years, audited and certified by independent public accountants of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, unaudited statements of income and of cash flows for such fiscal quarter, and an unaudited balance sheet and a statement of stockholders’ equity as of the end of such fiscal quarter, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP);
(c) as soon as practicable, but in any event within thirty (30) days of the end of each month, an unaudited income statement and statement of cash flows for such month and an unaudited balance sheet as of the end of such month, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(d) as soon as practicable, but in any event thirty (30) days before the end of each fiscal year, a budget and business plan for the next fiscal year, approved by the Board of Directors and prepared on a monthly basis, including balance sheets, income statements, and statements of cash flow for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company; and

(e) such other information relating to the financial condition, business, prospects, or corporate affairs of the Company as any Major Investor may from time to time reasonably request including variances in the Company’s performance measured against its financial plan; provided, however, that the Company shall not be obligated under this Section 3.1 to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

Notwithstanding anything else in this Section 3.1 to the contrary, the Company may cease providing the information set forth in this Section 3.1 during the period starting with the date sixty (60) days before the Company’s good-faith estimate of the date of filing of a registration statement if it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; provided that the Company’s covenants under this Section 3.1 shall be reinstated at such time as the Company is no longer actively employing its best efforts to cause such registration statement to become effective.

3.2 Inspection. The Company shall permit each Major Investor, at such Major Investor’s expense, to visit and inspect the Company’s properties; examine its books of account and records; and discuss the Company’s affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 3.2 to provide access to any information that it reasonably and in good faith considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3 Termination of Information Rights. The covenants set forth in Section 3.1 and Section 3.2 shall terminate and be of no further force or effect immediately prior to the earlier to occur of (i) the consummation of the IPO or (ii) the consummation of a Liquidation Event or a Deemed Liquidation Event, each as defined in the Company’s Certificate of Incorporation.

3.4 Confidentiality. Each Investor agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company’s intention to file a registration
statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 3.4 by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company’s confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from such Investor, if such prospective purchaser agrees to be bound by the provisions of this Section 3.4; (iii) to any existing or prospective Affiliate, partner, member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business, provided that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law, provided that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure; provided, further, that any Investor which is a regulated investment company pursuant to the Investment Company Act of 1940 (the “1940 Act”) shall be permitted to make disclosures consistent with such Investor’s policies, procedures and practices.

4. Rights to Future Stock Issuances.

4.1 Right of First Offer. Subject to the terms and conditions of this Section 4.1 and applicable securities laws, if the Company proposes to offer or sell any New Securities, the Company shall first offer such New Securities to each Major Investor. A Major Investor shall be entitled to apportion the right of first offer hereby granted to it among itself and its Affiliates in such proportions as it deems appropriate.

(a) The Company shall give notice (the “Offer Notice”) to each Major Investor, stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities.

(b) By notification to the Company within twenty (20) days after the Offer Notice is given, each Major Investor may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities which equals the proportion that the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of Common Stock and Derivative Securities then held, by such Major Investor bears to the total Common Stock of the Company then outstanding (assuming full conversion and/or exercise, as applicable, of all Derivative Securities then outstanding). At the expiration of such twenty (20) day period, the Company shall promptly notify each Major Investor that elects to purchase or acquire all the shares available to it under this Section 4.1(b) (each, a “Fully Exercising Investor”) of any other Major Investor’s failure to do likewise. During the ten (10) day period commencing after the Company has given such notice, each Fully Exercising Investor may, by giving notice to the Company, elect to purchase or acquire, in addition to the number of shares specified above, up to that portion of the New Securities for which Major Investors were entitled to subscribe but that were not subscribed for by the Major Investors which is equal to the proportion that the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of Common Stock and Derivative Securities then held, by such Fully Exercising Investor bears to the Common Stock issued and held, or issuable (directly or indirectly) upon
conversion and/or exercise, as applicable, of Common Stock and Derivative Securities then held, by all Fully Exercising Investors who wish to purchase such unsubscribed shares. The closing of any sale pursuant to this Section 4.1(b) shall occur within the later of one hundred and twenty (120) days of the date that the Offer Notice is given and the date of initial sale of New Securities pursuant to Section 4.1(c).

(c) If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired as provided in Section 4.1(b), the Company may, during the ninety (90) day period following the expiration of the periods provided in Section 4.1(b), offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Major Investors in accordance with this Section 4.1.

(d) The right of first offer in this Section 4.1 shall not be applicable to (i) Exempted Securities (as defined in the Company’s Certificate of Incorporation); (ii) shares of Common Stock issued in the IPO; and (iii) the issuance of Additional Shares (as defined in the Purchase Agreement) pursuant to the Purchase Agreement.

4.2 Termination. The covenants set forth in Section 4.1 shall terminate and be of no further force or effect immediately prior to the earlier to occur of (i) the consummation of a Qualified IPO, as such term is defined in the Company’s Certificate of Incorporation (a “Qualified IPO”), or (ii) the consummation of a Liquidation Event or a Deemed Liquidation Event, each as defined in the Company’s Certificate of Incorporation.

5. Additional Covenants.

5.1 Employee Agreements. The Company will cause (i) each person now or hereafter employed by it or by any subsidiary (or engaged by the Company or any subsidiary as a consultant/independent contractor) with access to confidential information and/or trade secrets to enter into a nondisclosure and proprietary rights assignment agreement, substantially in the form approved by the Board of Directors. In addition, the Company shall not amend, modify, terminate, waive, or otherwise alter, in whole or in part, any of the above-referenced agreements or any restricted stock agreement between the Company and any employee, without the consent of at least two of the three Preferred Directors.

5.2 Employee Stock. Unless otherwise approved by the Board of Directors, including at least two (2) of the three (3) Preferred Directors, all future employees and consultants of the Company who purchase, receive options to purchase, or receive awards of shares of the Company’s capital stock after the date hereof shall be required to execute restricted stock or option agreements, as applicable, providing for (i) vesting of shares over a four (4) year period, with the first twenty-five percent (25%) of such shares vesting following twelve (12) months of continued employment or service, and the remaining shares vesting in equal quarterly installments over the following twelve (12) three-month periods, and (ii) a market stand-off provision substantially similar to that in Section 2.11. In addition, unless otherwise approved by the Board of Directors, including at least two (2) of the three (3) Preferred Directors, the Company shall retain a “right of first refusal” on employee transfers until the IPO and shall have the right to repurchase unvested shares at the lesser of cost or fair market value upon termination of employment of a holder of restricted stock. The Company hereby agrees that from the date of

16
this Agreement onward, the Company will require all employees and service providers which hold (or have rights to acquire, whether through stock options or similar agreements) at least 1% of the Company’s equity securities to become a party to the Company’s Voting Agreement as a condition to issuance of such shares.

5.3 **Board Matters.** Unless otherwise determined by the vote of a majority of the nonemployee directors then in office, the Board of Directors shall meet at least quarterly in accordance with an agreed-upon schedule. The Company shall reimburse the nonemployee directors for all reasonable out-of-pocket travel expenses incurred in connection with attending meetings of the Board of Directors and other meetings or events attended on behalf of the Company at the Company’s request.

5.4 **Restriction on Sales.** Each equity incentive plan of the Company under which shares of Common Stock are issued shall at all times provide for a right of first refusal for the Company on all transfers of Common Stock, subject to customary exceptions, and to the extent such right of first refusal is set forth in the Company’s equity incentive plans, the Company shall not issue any shares of Common Stock without requiring the recipient thereof to agree in writing to such right of first refusal. In the event the Company chooses not to exercise such right in full with respect to any transfer subject to the right, the Company agrees to assign its right of first refusal with respect to such transfer to the Major Investors on a pro rata basis (based on the ratio of the number of shares of capital stock held by each Major Investor to the number of shares of capital stock of the Company held by all Major Investors, determined on an as-converted basis).

5.5 **Successor Indemnification.** If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Company’s Bylaws, its Certificate of Incorporation, or elsewhere, as the case may be.

5.6 **Directors’ and Officers’ Insurance.** As promptly as practicable after the date hereof, the Company shall obtain directors’ and officers’ insurance with terms and policy limits satisfactory to the Board of Directors.

5.7 **Real Property Holding Covenant.** The Company shall provide prompt notice to New Enterprise Associates 13, Limited Partnership (“NEA 13”) following any “determination date” (as defined in Treasury Regulation Section 1.897-2(c)(1)) on which the Company becomes a United States real property holding corporation. In addition, upon a written request by NEA 13, the Company shall provide NEA 13 with a written statement informing NEA 13 whether NEA 13’s interest in the Company constitutes a United States real property interest. The Company’s determination shall comply with the requirements of Treasury Regulation Section 1.897-2(h)(1) or any successor regulation, and the Company shall provide timely notice to the Internal Revenue Service, in accordance with and to the extent required by Treasury Regulation Section 1.897-2(h)(2) or any successor regulation, that such statement has been made. The Company’s written statement to NEA 13 shall be delivered to NEA 13 within 10 days of NEA 13’s written request therefor. The Company’s obligation to furnish such written statement shall continue notwithstanding the fact that a class of the Company’s stock may be regularly traded on an established securities market or the fact that there is no preferred stock then outstanding.
5.8 Termination of Covenants. The covenants set forth in this Section 5, except for Section 5.5, shall terminate and be of no further force or effect (i) immediately before the consummation of a Qualified IPO or (ii) upon a Liquidation Event or a Deemed Liquidation Event, as each such term is defined in the Company’s Certificate of Incorporation, whichever event occurs first.

6. Miscellaneous.

6.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Registrable Securities that (i) is an Affiliate of a Holder; (ii) is a Holder’s Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder’s Immediate Family Members; or (iii) after such transfer, holds at least 2,000,000 Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations, and other recapitalizations); provided, however, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee and the Registrable Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of Section 2.11. For the purposes of determining the number of shares of Registrable Securities held by a transferee, the holdings of a transferee (1) that is an Affiliate or stockholder of a Holder; (2) who is a Holder’s Immediate Family Member; or (3) that is a trust for the benefit of an individual Holder or such Holder’s Immediate Family Member shall be aggregated together and with those of the transferring Holder; provided further that all transferees who would not qualify individually for assignment of rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices, or taking any action under this Agreement. The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

6.2 Governing Law. This Agreement and any controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without regard to conflict of law principles that would result in the application of any law other than the law of the State of Delaware.

6.3 Counterparts; Facsimile. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may also be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.4 Titles and Subtitles. The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

6.5 Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (i) personal delivery to the party to be notified; (ii) when sent, if sent by electronic mail or facsimile during the recipient’s normal business hours, and if not sent during
normal business hours, then on the recipient’s next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next-day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their addresses as set forth on Schedule A hereto, or to the principal office of the Company and to the attention of the Chief Executive Officer, in the case of the Company, or to such email address, facsimile number, or address as subsequently modified by written notice given in accordance with this Section 6.5.

6.6 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and the holders of a majority of the Registrable Securities then outstanding; provided that the Company may in its sole discretion waive compliance with Section 2.12(c) (and the Company’s failure to object promptly in writing after notification of a proposed assignment allegedly in violation of Section 2.12(c) shall be deemed to be a waiver); and provided further that any provision hereof may be waived by any waiving party on such party’s own behalf, without the consent of any other party. Notwithstanding the foregoing, this Agreement may not be amended or terminated and the observance of any term hereof may not be waived with respect to any Investor without the written consent of such Investor, unless such amendment, termination, or waiver applies to all Investors in the same fashion (it being agreed that a waiver of the provisions of Section 4 with respect to a particular transaction shall be deemed to apply to all Investors in the same fashion if such waiver does so by its terms, notwithstanding the fact that certain Investors may nonetheless, by agreement with the Company, purchase securities in such transaction). Any amendment, termination, or waiver effected in accordance with this Section 6.6, shall be binding on all parties hereto, regardless of whether any such party has consented thereto. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

6.7 Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

6.8 Aggregation of Stock. All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

6.9 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company issues Additional Shares pursuant to Section 1.2(b) of the Purchase Agreement, any purchaser of such Additional Shares may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed an “Investor” for all purposes hereunder. No action or consent by the Investors shall be required for such joinder to this Agreement by such additional Investor, so long as such additional Investor has agreed in writing to be bound by all of the obligations as an “Investor” hereunder.
6.10 **Entire Agreement.** This Agreement (including any Schedules and Exhibits hereto) constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled.

6.11 **Jurisdiction, Venue.** The parties (a) hereby irrevocably and unconditionally submit to the jurisdiction of the federal and state courts located within the geographic boundaries of the United States District Court for the Northern District of California for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in the federal and state courts located within the geographic boundaries of the United States District Court for the Northern District of California, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court. Each party will bear its own costs in respect of any disputes arising under this Agreement. Each of the parties to this Agreement consents to personal jurisdiction for any equitable action sought in the U.S. District Court for the Northern District of California or any court of the State of California having subject matter jurisdiction.

6.12 **Delays or Omissions.** No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

6.13 **Acknowledgment.** The Company acknowledges that the Investors are in the business of venture capital investing and therefore review the business plans and related proprietary information of many enterprises, including enterprises which may have products or services which compete directly or indirectly with those of the Company. Nothing in this Agreement shall preclude or in any way restrict the Investors from investing or participating in any particular enterprise whether or not such enterprise has products or services which compete with those of the Company.

6.14 **Amendment and Restatement of Prior Agreement.** The Prior Agreement is hereby amended in its entirety and restated herein. Such amendment and restatement is effective upon the execution of this Agreement by the Company and the holders of at least a majority of the Registrable Securities held by the Prior Investors outstanding as of the date of this Agreement. Upon such execution, all provisions of, rights granted and covenants made in the Prior Agreement are hereby waived, released and superseded in their entirety and shall have no further force or effect, including, without limitation, all rights of first refusal and any notice period associated therewith otherwise applicable to the transactions contemplated by the Purchase Agreement.
6.15 Massachusetts Business Trust. A copy of the Agreement and Declaration of Trust of Fidelity is on file with the Secretary of State of the Commonwealth of Massachusetts and notice is hereby given that this Agreement is executed on behalf of the trustees of Fidelity or any affiliate thereof as trustees and not individually and that the obligations of this Agreement are not binding on any of the trustees, officers or stockholders of Fidelity thereof individually, but are binding only upon Fidelity or any affiliate thereof and its assets and property.
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CLOUD FLARE, INC.

By:  /s/ Matthew Prince
     Matthew Prince
     President and Chief Executive Officer

[Signature Page to Investors' Rights Agreement]
INVESTOR:

PELION OPPORTUNITY FUND I, LLC

BY: PELION OPPORTUNITIES PARTNERS I, LLC

ITS: MANAGING MEMBER

/s/ Blake Modersitzki

PELION VENTURES V, L.P.

By: Pelion Venture Partners V, L.L.C.
Its: General Partner

By: /s/ Blake Modersitzki
Managing Director

PELION VENTURES V-A, L.P.

By: Pelion Venture Partners V, L.L.C
Its: General Partner

By: /s/ Blake Modersitzki
Managing Director

PELION VENTURES V FINANCIAL INSTITUTIONS FUND I, L.P.

By: Pelion Ventures V Financial Institutions GP, L.L.C.
Its: General Partner

By: /s/ Blake Modersitzki
Managing Director

UV PARTNERS IV, L.P.

By: UV Partners IV GP, L.L.C.
Its: General Partner

By: /s/ Blake Modersitzki
Managing Director

[Signature Page to Investors’ Rights Agreement]
INVESTOR:

UV PARTNERS IV-A, L.P.

By: UV Partners IV GP, L.L.C.
Its: General Partner

By: /s/ Blake Modersitzki
Managing Director

UV PARTNERS IV FINANCIAL INSTITUTIONS FUND, L.P.

By: UV Partners IV Financial Institutions GP, L.L.C.
Its: General Partner

By: /s/ Blake Modersitzki
Managing Director

Franklin Templeton Investment Funds — Franklin Technology Fund

By: Franklin Advisers, Inc., its Investment Manager

By: /s/ Michael McCarthy
Name: Michael McCarthy
Title: CIO

[Signature Page to Investors’ Rights Agreement]
INVESTOR:

NEW ENTERPRISE ASSOCIATES 13, LIMITED PARTNERSHIP

By: NEA Partners 13, Limited Partnership,
its general partner
By: NEA 13 GP, LTD, its general partner

By:  /s/ Louis S. Citron
     Louis S. Citron
     Chief Legal Officer

GREENSPRING OPPORTUNITIES II, L.P.

By: Greenspring Opportunities General Partner II, L.P.,
its General Partner
By: Greenspring Opportunities GP II, LLC,
Its General Partner

By:  /s/ Lindsay Redfield
     Name: Lindsay Redfield
     Title: 

GREENSPRING OPPORTUNITIES II-A, L.P.

By: Greenspring Opportunities General Partner II-A, L.P.,
its General Partner
By: Greenspring Opportunities GP II, LLC,
its General Partner

By:  /s/ Lindsay Redfield
     Name: Lindsay Redfield
     Title: 

[Signature Page to Investors' Rights Agreement]
INVESTOR:

FIDELITY SECURITIES FUND: FIDELITY BLUE CHIP GROWTH FUND

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY BLUE CHIP GROWTH COMMINGLED POOL

By: /s/ Colin Hogan
Title: Authorized Signatory

FIDELITY SECURITIES FUND: FIDELITY FLEX LARGE CAP GROWTH FUND

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY SECURITIES FUND: FIDELITY BLUE CHIP GROWTH K6 FUND

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY BLUE CHIP GROWTH INSTITUTIONAL TRUST

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY SECURITIES FUND: FIDELITY SERIES BLUE CHIP GROWTH FUND

By: /s/ Colm Hogan
Title: Authorized Signatory

[Signature Page To Investors’ Rights Agreement]
INVESTOR:
FIAM TARGET DATE BLUE CHIP GROWTH COMMINGLED POOL
BY: FIDELITY INSTITUTIONAL ASSET MANAGEMENT TRUST COMPANY AS TRUSTEE

By: /s/ Dana Runt
Title: Director

FIDELITY MAGELLAN FUND: FIDELITY MAGELLAN FUND

By: /s/ Colm Hogan
Title: Authorized Signatory

VARIABLE INSURANCE PRODUCTS FUND III: GROWTH OPPORTUNITIES PORTFOLIO

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY ADVISOR SERIES I: FIDELITY ADVISOR GROWTH OPPORTUNITIES FUND

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY ADVISOR SERIES I: FIDELITY ADVISOR SERIES GROWTH OPPORTUNITIES FUND

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY M T. VERNON STREET TRUST: FIDELITY GROWTH COMPANY FUND

By: /s/ Colm Hogan
Title: Authorized Signatory

[Signature Page to Investors’ Rights Agreement]
INVESTOR:

FIDELITY M T. V ERNON S TREET T RUST : FIDELITY G ROWTH C OMpany F UND

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY G ROWTH C OMpany C OMMINGLED P OOL
BY : FIDELITY M ANAGEMENT T RUST C OMpany , A S T RUSTEE

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY C ONTRAFUND : FIDELITY C ONTRAFUND

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY C ONTRAFUND C OMMINGLED P OOL
BY : FIDELITY M ANAGEMENT T RUST C OMpany , A S T RUSTEE

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY C ONTRAFUND : FIDELITY C ONTRAFUND K6

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY D ESTINY P ORTFOLIOS : FIDELITY A DVISOR D IVERSIFIED S TOCK F UND

By: /s/ Colm Hogan
Title: Authorized Signatory

FIDELITY T REND F UND : FIDELITY T REND F UND

By: /s/ Colm Hogan
Title: Authorized Signatory

[SIGNATURE PAGE TO INVESTORS’ RIGHTS AGREEMENT]
SCHEDULE A
Investors

Franklin Templeton Investment Funds – Franklin Technology Fund
Egger & Co. fbo Franklin Templeton Investment Funds – Franklin
Technology Fund

New Enterprise Associates 13, Limited Partnership

UV Partners IV, L.P.
UV Partners IV-A, L.P.
UV Partners IV Financial
Institutions Fund, L.P.

Venrock Associates V, L.P.
Venrock Partners V, L.P.
Venrock Entrepreneurs Fund V, L.P.

Pelion Ventures V, L.P.
Pelion Ventures V-A, L.P.
Pelion Ventures V Financial Institutions Fund, L.P.

Union Square Ventures Opportunity Fund, L.P.
Greenspring Global Partners V-A, L.P.
Greenspring Global Partners V-C, L.P.
Greenspring Opportunities II, L.P.
Greenspring Opportunities II-A, L.P.

Fidelity Mt. Vernon Street Trust: Fidelity Series Growth Company Fund

Fidelity Growth Company Commingled Pool

Fidelity Mt. Vernon Street Trust:
Fidelity Growth Company Fund

Fidelity Trend Fund: Fidelity Trend Fund

Variable Insurance Products Fund II:
Growth Stock Portfolio
Fidelity Contrafund: Fidelity Advisor Series Opportunistic Insights Fund

Fidelity Contrafund Commingled Pool

Fidelity Contrafund: Fidelity Contrafund

Fidelity Contrafund: Fidelity Series Opportunistic Insights Fund

Fidelity Securities Fund: Fidelity OTC Portfolio

Fidelity Magellan Fund: Fidelity Magellan Fund

Fidelity Securities Fund: Fidelity Blue Chip Growth Fund
Fidelity Securities Fund: Fidelity Series Blue Chip Growth Fund
Fidelity Blue Chip Growth Commingled Pool
By: Fidelity Management Trust Company, as Trustee

Fidelity Securities Fund: Fidelity Flex Large Cap Growth Fund

Fidelity Securities Fund: Fidelity Blue Chip Growth K6 Fund

Fidelity Blue Chip Growth Institutional Trust
By its manager Fidelity Investments Canada ULC

FIAM Target Date Blue Chip Growth Commingled Pool
By: Fidelity Institutional Asset Management Trust Company as Trustee

Variable Insurance Products Fund III: Growth Opportunities Portfolio
Fidelity Advisor Series I: Fidelity Advisor Growth Opportunities Fund

Fidelity Advisor Series I: Fidelity Advisor Series Growth Opportunities Fund

Fidelity Growth Company Commingled Pool
By: Fidelity Management Trust Company, as Trustee

Fidelity Contrafund: Fidelity Contrafund K6

Fidelity Destiny Portfolios: Fidelity Advisor Diversified Stock Fund

Fidelity Trend Fund: Fidelity Trend Fund
Fidelity Contrafund Commingled Pool
By: Fidelity Management Trust
New York, NY 10005

Google Capital 2014, LP

QUALCOMM Incorporated

Baidu (Hong Kong) Limited

The Northern Trust Company, in its capacity as custodian for Future Fund Investment Company No.4 Pty Ltd.
THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

WARRANT TO PURCHASE STOCK

Company: CLOUDFLARE, INC., a Delaware corporation
Number of Shares: as set forth below
Class of Stock: Series Preferred
Warrant Price: $ per share
Issue Date: The 10th anniversary after the Issue Date
Expiration Date: The 10th anniversary after the Issue Date
Credit Facility: This Warrant is issued in connection with the Equipment Advances referenced in the Loan and Security Agreement between Company and dated , 20 (the “Loan Agreement”).

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, [ ], together with any registered holder from time to time of this Warrant or any holder of the shares issuable or issued upon exercise of this Warrant, “Holder”) is entitled to purchase the number of fully paid and nonassessable shares of the class of securities (the “Shares”) of the Company at the Warrant Price, all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

As used herein:

“Equipment Advance” has the definition given such capitalized term in the Loan Agreement.

“Equipment Advance Shares” means the cumulative, aggregate number of additional shares of Series B Preferred Stock equal to 2.0% of all Equipment Advances made to the Company by [ ] divided by the Warrant Price.

“Initial Shares” means [ ] shares of Series B Preferred Stock.

“Number of Shares” means the number of Initial Shares, plus the number of Equipment Advance Shares.
ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Article 1.2, Holder shall also deliver to the Company a check, wire transfer (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Article 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Article 1.3.

1.3 Fair Market Value. If the Company’s common stock is traded in a public market and the Shares are common stock, the fair market value of each Share shall be the closing price of a Share reported for the business day immediately before Holder delivers its Notice of Exercise to the Company (or in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company’s initial public offering, the “price to public” per share price specified in the final prospectus relating to such offering). If the Company’s common stock is traded in a public market and the Shares are preferred stock, the fair market value of a Share shall be the closing price of a share of the Company’s common stock reported for the business day immediately before Holder delivers its Notice of Exercise to the Company (or, in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company’s initial public offering, the initial “price to public” per share price specified in the final prospectus relating to such offering), in both cases, multiplied by the number of shares of the Company’s common stock into which a Share is convertible. If the Company’s common stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant and, if applicable, the Company receives payment of the aggregate Warrant Price, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation on surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.
1.6 Treatment of Warrant Upon Acquisition of Company.

1.6.1 “Acquisition”. For the purpose of this Warrant, “Acquisition” means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company’s securities before the transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 Treatment of Warrant at Acquisition.

A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is not an asset sale and in which the sole consideration is cash, either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition. The Company shall provide Holder with written notice of its request relating to the foregoing (together with such reasonable information as Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the dosing of the proposed Acquisition.

B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition of the Company by a publicly traded acquirer if the acquirer in the Acquisition does not agree to assume this Warrant at and as of the closing thereof, and if, on the record date for the Acquisition, the fair market value of each of the Shares (or other securities issuable upon exercise of this Warrant) is equal to or greater than three (3) times the Warrant Price, the Company may require that either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition the Warrant to be deemed automatically exercised and the Holder shall participate in the Acquisition as a holder of the Shares (or other securities issuable upon exercise of the Warrant) on the same terms as other holders of the same class of securities of the Company.

C) Upon the closing of any Acquisition other than those particularly described in subsections (A) and (B) above, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price and/or number of Shares shall be adjusted accordingly.
ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on the Shares payable in common stock, or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the Company subdivides the Shares by reclassification or otherwise into a greater number of shares or takes any other action which increase the amount of stock into which the Shares are convertible, the number of shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. Such an event shall include any automatic conversion of the outstanding or issuable securities of the Company of the same class or series as the Shares to common stock pursuant to the terms of the Company’s Certificate of Incorporation upon the closing of a registered public offering of the Company’s common stock. The Company or its successor shall promptly issue to Holder an amendment to this Warrant setting forth the number and kind of such new securities or other property issuable upon exercise or conversion of this Warrant as a result of such reclassification, exchange, substitution or other event that results in a change of the number and/or class of securities issuable upon exercise or conversion of this Warrant. The amendment to this Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Article 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 Adjustments for Diluting Issuances. The Warrant Price and the number of Shares issuable upon exercise of this Warrant or, if the Shares are preferred stock, the number of shares of common stock issuable upon conversion of the Shares, shall be subject to adjustment, from time to time in the manner set forth in the Company’s Certificate of Incorporation as if the Shares were issued and outstanding on and as of the date of any such required adjustment. The provisions set forth for the Shares in the Company’s Certificate of Incorporation relating to the above in effect as of the Issue Date may not be amended, modified or waived, without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to Holder.
2.4 **No Impairment.** The Company shall not, by amendment of its Certificate of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder’s rights under this Article against impairment. No amendment of the Company’s Certificate of Incorporation with the requisite consent of the Company and the shareholders shall be construed as a breach of this Section 2.4 so long as such amendment does not affect the Shares differently from the effect that such amendments have generally on the rights, preferences, privileges or restrictions of the other shares of the same series and class of stock as the Shares.

2.5 **Fractional Shares.** No fractional Shares shall be issuable upon exercise or conversion of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value of a full Share.

2.6 **Certificate as to Adjustments.** Upon each adjustment of the Warrant Price, the Company shall promptly notify Holder in writing, and, at the Company’s expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

ARTICLE 3. **REPRESENTATIONS AND COVENANTS OF THE COMPANY.**

3.1 **Representations and Warranties.** The Company represents and warrants to Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than (I) the price per share at which the Shares were last issued in an arms-length transaction in which at least $500,000 of the Shares were sold and (ii) the fair market value of the Shares as of the date of this Warrant.

(b) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(c) The Capitalization Table dated as of [ ] that was previously provided to Holder remains true and complete as of the Issue Date.

3.2 **Notice of Certain Events.** If the Company proposes at any time (a) to declare any dividend or distribution upon any of its stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to offer for sale any shares of the Company’s capital stock (or other securities convertible
into such capital stock), other than (i) pursuant to the Company’s stock option or other compensatory plans, (ii) in connection with commercial credit arrangements or equipment financings, or (iii) in connection with strategic transactions for purposes other than capital raising: (c) to effect any reclassification or recapitalization of any of its stock; (d) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (e) offer holders of registration rights the opportunity to participate in an underwritten public offering of the Company’s securities for cash, then, in connection with each such event, the Company shall give Holder: (1) at least 10 days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of common stock will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a) and (b) above; (2) in the case of the matters referred to in (c) and (d) above at least 10 days prior written notice of the date when the same will take place (and specifying the date on which the holders of common stock will be entitled to exchange their common stock for securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (e) above, the same notice as is given to the holders of such registration rights. Company will also provide information requested by Holder reasonably necessary to enable Holder to comply with Holder’s accounting or reporting requirements.

3.3 Registration Under Securities Act of 1933, as amended. The Company agrees that the Shares or, if the Shares are convertible into common stock of the Company, such common stock, shall have certain “piggyback” and “S-3” registration rights pursuant to and as set forth in the Company’s Investor Rights Agreement or similar agreement. The provisions set forth in the Company’s Investors’ Right Agreement or similar agreement relating to the above in effect as of the Issue Date may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification, or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to Holder.

3.4 No Shareholder Rights. Except as provided in this Warrant, Holder will not have any rights as a shareholder of the Company until the exercise of this Warrant.

ARTICLE 4. REPRESENTATIONS, WARRANTIES OF HOLDER. Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by Holder will be acquired for investment for Holder’s account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that Holder has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers.
from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder’s investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an “accredited investor” within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise or conversion hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Holder’s investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise or conversion hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available.

ARTICLE 5. MISCELLANEOUS.

5.1 Term. This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date,

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.
5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require [            ] (“[            ]”) to provide an opinion of counsel if the transfer is to Bank’s parent company, [            ] (formerly [            ]), or any other affiliate of Bank. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of current information as referenced in Rule 144(c), Holder represents that it has complied with Rule 144(d) and (e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder’s notice of proposed sale.

5.4 Transfer Procedure. After receipt by [            ] of the executed Warrant, [            ] will transfer all of this Warrant to [            ] by execution of an Assignment substantially in the form of Appendix 2. Subject to the provisions of Article 5.3 and upon providing the Company with written notice, [            ] and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the Shares issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, [            ] or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). The Company may refuse to transfer this Warrant or the Shares to any person who directly competes with the Company, unless, in either case, the stock of the Company is publicly traded.

5.5 Notices. All notices and other communications from the Company to Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company or Holder, as the case may (or on the first business day after transmission by facsimile) be, in writing by the Company or such Holder from time to time. Effective upon receipt of the fully executed Warrant and the initial transfer described in Article 5.4 above, all notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

[            ]

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

Cloudflare, Inc.
Attn: Chief Executive Officer
101 Townsend St.
San Francisco, CA 94107
5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorneys’ Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys’ fees.

5.8 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to Holder.

5.9 Counterparts. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement.

5.10 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

5.11 Market Stand-off. Holder hereby agrees to be bound by the “Market Stand-Off Agreement” provision in Section 2.11 (the “Market Stand-Off Provision”) of the Investors’ Rights Agreement dated as of November 19, 2010 (as it may be amended from time to time, the “Rights Agreement”) as if it were a “Holder” thereunder. The Market Stand-Off Provision may not be amended, modified or waived without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification or waiver affects the rights associated with all other shares of the same series and class as the Shares granted pursuant to this Warrant.

[Signature page follows.]
“COMPANY”

CLOUDFLARE, INC.

By: ________________________________
Name: 
Title: 

“HOLDER”

By: ________________________________
Name: 
Title: 
NOTICE OF EXERCISE

1. Holder elects to purchase shares of the Common/Series Preferred [strike one] Stock of pursuant to the terms of the attached Warrant, and tenders payment of the purchase price of the shares in full.

[or]

1. Holder elects to convert the attached Warrant into Shares/cash [strike one] in the manner specified in the Warrant. This conversion is exercised for of the Shares covered by the Warrant.

[Strike paragraph that does not apply.]

2. Please issue a certificate or certificates representing the shares in the name specified below:

________________________________________________________________________

Holder’s Name

________________________________________________________________________

(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Article 4 of the Warrant as the date hereof

HOLDER:

__________________________________________

By: ________________________________

Name: ________________________________

Title: _________________________________

(Date): ______________________________
APPENDIX 2

ASSIGNMENT

For value received, [            ] hereby sells, assigns and transfers unto

Name:  
Address:  
Tax ID:  
that certain Warrant to Purchase Stock issued by CloudFlare, Inc. (the “Company”), on , 20[33] (the “Warrant”) together with all rights, title and interest therein.

[            ]
By:  
Name:  
Title:  
Date:  

By its execution below, and for the benefit of the Company, [            ] makes each of the representations and warranties set forth in Article 4 of the Warrant and agrees to all other provisions of the Warrant as of the date hereof.

[            ]
By:  
Name:  
Title:  
AMENDMENT TO WARRANT TO PURCHASE STOCK

THIS AMENDMENT TO WARRANT TO PURCHASE STOCK (this “Amendment” is entered into this ___ day of [_______], 20__, by and between [_______] (“Holder”) and CLOUDFLARE, INC., a Delaware corporation (the “Company”).

RECITALS

A. The Company issued the Warrant to Purchase Stock to [_______] on [______] [ ], 20__ (as the same may from time to time be further amended, modified, supplemented or restated, the “Warrant”). [_______] subsequently transferred the Warrant to [_______].

B. [_______] and the Company have agreed to make corrections to Section 1.6.2(B) of the Warrant as set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Warrant.

2. Amendment to Warrant.

   2.1 Section 1.6.2(B). Section 1.6.2(B) of the Warrant is amended in its entirety and replaced with the following:

   B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition of the Company by a publicly traded acquirer if the acquirer in the Acquisition does not agree to assume this Warrant at and as of the closing thereof, and if, on the record date for the Acquisition, the fair market value of each of the Shares (or other securities issuable upon exercise of this Warrant) is equal to or greater than three (3) times the Warrant Price, the Company may require that either (a) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (b) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition.

3. General. Except as amended by the amendment set forth in Section 2 above, the Warrant remains in full force and effect. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. This Amendment shall be deemed effective upon the due execution and delivery to [_______] of this Amendment by each party hereto.

[Signature page follows.]
I N W I T N E S S W H E R E O F , the parties hereto have caused this Amendment to Warrant to Purchase Stock to be duly executed and delivered as of the date first written above.

[_____]  
BORROWER
CLOUDFLARE, INC.

By:  
Name:  
Title:  

By:  
Name:  
Title:  

14
CLOUDFLARE, INC.

AMENDED AND RESTATED

2010 EQUITY INCENTIVE PLAN

ADOPTED BY THE BOARD OF DIRECTORS: MARCH 9, 2010
APPROVED BY THE STOCKHOLDERS: NOVEMBER 19, 2010
APPROVED BY THE BOARD OF DIRECTORS: NOVEMBER 4, 2014
APPROVED BY THE BOARD OF DIRECTORS: AUGUST 8, 2017
APPROVED BY THE BOARD OF DIRECTORS: SEPTEMBER 8, 2018
APPROVED BY THE STOCKHOLDERS: SEPTEMBER 4, 2018

TERMINATION DATE: MARCH 9, 2020

1. GENERAL

(a) Eligible Stock Award Recipients. The persons eligible to receive Stock Awards are Employees, Directors and Consultants.

(b) Available Stock Awards. The Plan provides for the grant of the following Stock Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Restricted Stock Awards, (iv) Restricted Stock Unit Awards, and (v) Stock Appreciation Rights.

(c) Purpose. The Company, by means of the Plan, seeks to secure and retain the services of the group of persons eligible to receive Stock Awards as set forth in Section 1(a), to provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate, and to provide a means by which such eligible recipients may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Stock Awards.

2. ADMINISTRATION

(a) Administration by Board. The Board shall administer the Plan unless and until the Board delegates administration of the Plan to a Committee, as provided in Section 2(c).

(b) Powers of Board. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time (A) which of the persons eligible under the Plan shall be granted Stock Awards; (B) when and how each Stock Award shall be granted; (C) what type or combination of types of Stock Award shall be granted; (D) the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive cash or Common Stock pursuant to a Stock Award; (E) the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person; and (F) the Fair Market Value applicable to a Stock Award.
(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan or Stock Award fully effective.

(iii) To settle all controversies regarding the Plan and Stock Awards granted under it.

(iv) To accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(v) To suspend or terminate the Plan at any time. Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the affected Participant.

(vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, relating to Incentive Stock Options and certain nonqualified deferred compensation under Section 409A of the Code and/or to bring the Plan or Stock Awards granted under the Plan into compliance therewith, subject to the limitations, if any, of applicable law. However, except as provided in Section 9(a) relating to Capitalization Adjustments, to the extent required by applicable law, stockholder approval shall be required for any amendment of the Plan that either (i) materially increases the number of shares of Common Stock available for issuance under the Plan, (ii) materially expands the class of individuals eligible to receive Stock Awards under the Plan, (iii) materially increases the benefits accruing to Participants under the Plan or materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (iv) materially extends the term of the Plan, or (v) expands the types of Stock Awards available for issuance under the Plan. Except as provided above, rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the affected Participant, and (ii) such Participant consents in writing.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 422 of the Code regarding Incentive Stock Options.

(viii) To approve forms of Stock Award Agreements for use under the Plan and to amend the terms of any one or more Stock Awards, including, but not limited to, amendments to provide terms more favorable than previously provided in the Stock Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; provided however, that the
rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the affected Participant, and (ii) such Participant consents in writing. Notwithstanding the foregoing, subject to the limitations of applicable law, if any, and without the affected Participant’s consent, the Board may amend the terms of any one or more Stock Awards if necessary to maintain the qualified status of the Stock Award as an Incentive Stock Option or to bring the Stock Award into compliance with Section 409A of the Code and the related guidance thereunder.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Stock Awards.

(xs) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States.

(xi) To effect, at any time and from time to time, with the consent of any adversely affected Optionholder, (1) the reduction of the exercise price of any outstanding Option under the Plan, (2) the cancellation of any outstanding Option under the Plan and the grant in substitution therefor of (A) a new Option under the Plan or another equity plan of the Company covering the same or a different number of shares of Common Stock, (B) a Restricted Stock Award, (C) a Stock Appreciation Right, (D) Restricted Stock Unit, (E) cash and/or (F) other valuable consideration (as determined by the Board, in its sole discretion), or (3) any other action that is treated as a repricing under generally accepted accounting principles; provided, however, that no such reduction or cancellation may be effected if it is determined, in the Company’s sole discretion, that such reduction or cancellation would result in any such outstanding Option becoming subject to the requirements of Section 409A of the Code.

(c) Delegation to Committee. The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated.

(d) Delegation to an Officer. The Board may delegate to one or more Officers of the Company the authority to do one or both of the following: (i) designate Officers and Employees of the Company or any of its Subsidiaries to be recipients of Options (and, to the extent permitted by applicable law, other Stock Awards) and the terms thereof, and (ii) determine the number of shares of Common Stock to be subject to such Stock Awards granted to such Officers and Employees; provided, however, that the Board resolutions regarding such delegation shall specify the total number of shares of Common Stock that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Notwithstanding the foregoing, the Board may not delegate authority to an Officer to determine the Fair Market Value of the Common Stock pursuant to Section 13(t) below.
(e) **Effect of Board’s Decision.** All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

(f) **Arbitration.** Any dispute or claim concerning any Stock Awards granted (or not granted) pursuant to the Plan or any disputes or claims relating to or arising out of the Plan shall be fully, finally and exclusively resolved by binding and confidential arbitration conducted pursuant to the rules of Judicial Arbitration and Mediation Services, Inc. (“JAMS”) in Santa Clara, California. The Company shall pay all arbitration fees. In addition to any other relief, the arbitrator may award to the prevailing party recovery of its attorneys’ fees and costs. By accepting a Stock Award, Participants and the Company waive their respective rights to have any such disputes or claims tried by a judge or jury.

3. **SHARES SUBJECT TO THE PLAN.**

**Share Reserve.** Subject to Section 9(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock of the Company that may be issued pursuant to Stock Awards after the Effective Date shall not exceed 75,008,088 shares. For clarity, the limitation in this Section 3(a) is a limitation in the number of shares of Common Stock that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of Stock Awards except as provided in Section 7(a).

(a) **Reversion of Shares to the Share Reserve.** If any shares of Common Stock issued pursuant to a Stock Award are forfeited back to the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares which are forfeited shall revert to and again become available for issuance under the Plan. Also, any shares reacquired by the Company pursuant to Section 8(g) or as consideration for the exercise of an Option shall again become available for issuance under the Plan. Furthermore, if a Stock Award (i) expires or otherwise terminates without having been exercised in full or (ii) is settled in cash (i.e., the holder of the Stock Award receives cash rather than stock), such expiration, termination or settlement shall not reduce (or otherwise offset) the number of shares of Common Stock that may be issued pursuant to the Plan. Notwithstanding the provisions of this Section 3(b), any such shares shall not be subsequently issued pursuant to the exercise of Incentive Stock Options.

(b) **Incentive Stock Option Limit.** Notwithstanding anything to the contrary in this Section 3(c), subject to the provisions of Section 9(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options shall be 75,008,088 shares of Common Stock.

(c) **Source of Shares.** The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market.
4. Eligibility.

(a) Eligibility for Specific Stock Awards. Incentive Stock Options may be granted only to employees of the Company or a “parent corporation” or “subsidiary corporation” thereof (as such terms are defined in Sections 424(e) and (f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

(b) Ten Percent Stockholders. A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock on the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) Consultants. A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, either the offer or the sale of the Company’s securities to such Consultant is not exempt under Rule 701 of the Securities Act (“Rule 701”) because of the nature of the services that the Consultant is providing to the Company, because the Consultant is not a natural person, or because of any other provision of Rule 701, unless the Company determines that such grant need not comply with the requirements of Rule 701 and will satisfy another exemption under the Securities Act as well as comply with the securities laws of all other relevant jurisdictions.

5. Option Provisions.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates shall be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, then the Option shall be a Nonstatutory Stock Option. The provisions of separate Options need not be identical; provided, however, that each Option Agreement shall include (through incorporation of provisions hereof by reference in the Option Agreement or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, no Option shall be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the Option Agreement.

(b) Exercise Price. Subject to the provisions of Section 4(b) regarding Incentive Stock Options granted to Ten Percent Stockholders, the exercise price of each Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option if such Option is granted pursuant to an assumption or substitution for another option in a manner consistent with the provisions of Section 424(a) of the Code (whether or not such options are Incentive Stock Options).
(c) Consideration. The purchase price of Common Stock acquired pursuant to the exercise of an Option shall be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board shall have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to utilize a particular method of payment. The permitted methods of payment are as follows:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; provided, however, that the Company shall accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued; provided, further, that shares of Common Stock will no longer be outstanding under an Option and will not be exercisable thereafter to the extent that (A) shares are used to pay the exercise price pursuant to the “net exercise,” (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations;

(v) according to a deferred payment or similar arrangement with the Optionholder; provided, however, that interest shall compound at least annually and shall be charged at the minimum rate of interest necessary to avoid (A) the imputation of interest income to the Company and compensation income to the Optionholder under any applicable provisions of the Code, and (B) the classification of the Option as a liability for financial accounting purposes; or

(vi) in any other form of legal consideration that may be acceptable to the Board.

(d) Transferability of Options. The Board may, in its sole discretion, impose such limitations on the transferability of Options as the Board shall determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options shall apply:

(i) Restrictions on Transfer. An Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder; provided, however, that the Board may, in its sole discretion, permit transfer of the Option to such extent as permitted by Rule 701 of the Securities Act at the time of the grant of the Option and in a manner consistent with applicable tax and securities laws upon the Optionholder’s request.
(ii) Domestic Relations Orders. Notwithstanding the foregoing, an Option may be transferred pursuant to a domestic relations order, provided, however, that an Incentive Stock Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) Beneficiary Designation. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be the beneficiary of an Option with the right to exercise the Option and receive the Common Stock or other consideration resulting from the Option exercise.

(e) Vesting of Options Generally. The total number of shares of Common Stock subject to an Option may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of performance goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this Section 5(e) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(f) Termination of Continuous Service. Except as otherwise provided in the applicable Option Agreement or other agreement between the Optionholder and the Company, in the event that an Optionholder’s Continuous Service terminates (other than for Cause or upon the Optionholder’s death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination of Continuous Service) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder’s Continuous Service (or such longer or shorter period specified in the Option Agreement, which period shall not be less than thirty (30) days unless such termination is for Cause), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination of Continuous Service, the Optionholder does not exercise his or her Option within the time specified herein or in the Option Agreement (as applicable), the Option shall terminate.

(g) Extension of Termination Date. Except as otherwise provided in the applicable Option Agreement or other agreement between the Optionholder and the Company, if the exercise of the Option following the termination of the Optionholder’s Continuous Service (other than for Cause or upon the Optionholder’s death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of a period of three (3) months after the termination of the Optionholder’s Continuous Service during which the exercise of the Option would not be in violation of such registration requirements, or (ii) the expiration of the term of the Option as set forth in the Option Agreement.
(h) Disability of Optionholder. Except as otherwise provided in the applicable Option Agreement or other agreement between the Optionholder and the Company, in the event that an Optionholder’s Continuous Service terminates as a result of the Optionholder’s Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination of Continuous Service (or such longer or shorter period specified in the Option Agreement, which period shall not be less than six (6) months), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination of Continuous Service, the Optionholder does not exercise his or her Option within the time specified herein or in the Option Agreement (as applicable), the Option shall terminate.

(i) Death of Optionholder. Except as otherwise provided in the applicable Option Agreement or other agreement between the Optionholder and the Company, in the event that (i) an Optionholder’s Continuous Service terminates as a result of the Optionholder’s death, or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder’s Continuous Service for a reason other than death or for Cause, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder’s estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated as the beneficiary of the Option upon the Optionholder’s death, but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement, which period shall not be less than six (6) months), or (ii) the expiration of the term of such Option as set forth in the Option Agreement. If, after the Optionholder’s death, the Option is not exercised within the time specified herein or in the Option Agreement (as applicable), the Option shall terminate. If the Optionholder designates a third party beneficiary of the Option in accordance with Section 5(d)(iii), then upon the death of the Optionholder such designated beneficiary shall have the sole right to exercise the Option and receive the Common Stock or other consideration resulting from the Option exercise.

(j) Termination for Cause. Except as explicitly provided otherwise in an Optionholder’s Option Agreement, in the event that an Optionholder’s Continuous Service is terminated for Cause, the Option shall terminate upon the termination date of such Optionholder’s Continuous Service, and the Optionholder shall be prohibited from exercising his or her Option from and after the time of such termination of Continuous Service.

(k) Non-Exempt Employees. No Option granted to an Employee that is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable for any shares of Common Stock until at least six months following the date of grant of the Option. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option will be exempt from his or her regular rate of pay.
(l) Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder’s Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Subject to the “Repurchase Limitation” in Section 8(l), any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate. Provided that the “Repurchase Limitation” in Section 8(l) is not violated, the Company shall not be required to exercise its repurchase option until at least six (6) months (or such longer or shorter period of time required to avoid classification of the Option as a liability for financial accounting purposes) have elapsed following exercise of the Option unless the Board otherwise specifically provides in the Option Agreement.

(m) Right of Repurchase. Subject to the “Repurchase Limitation” in Section 8(l), the Option may include a provision whereby the Company may elect to repurchase all or any part of the vested shares of Common Stock acquired by the Optionholder pursuant to the exercise of the Option.

(n) Right of First Refusal. The Option may include a provision whereby the Company may elect to exercise a right of first refusal following receipt of notice from the Optionholder of the intent to transfer all or any part of the shares of Common Stock received upon the exercise of the Option. Such right of first refusal shall be subject to the “Repurchase Limitation” in Section 8(l). Except as expressly provided in this Section 5(n) or in the Option Agreement, such right of first refusal shall otherwise comply with any applicable provisions of the Bylaws of the Company.

6. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS.

(a) Restricted Stock Awards. Each Restricted Stock Award Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. To the extent consistent with the Company’s Bylaws, at the Board’s election, shares of Common Stock may be (x) held in book entry form subject to the Company’s instructions until any restrictions relating to the Restricted Stock Award lapse; or (y) evidenced by a certificate, which certificate shall be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award Agreements need not be identical; provided, however, that each Restricted Stock Award Agreement shall include (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Award may be awarded in consideration for (A) past or future services actually or to be rendered to the Company or an Affiliate, or (B) any other form of legal consideration that may be acceptable to the Board in its sole discretion and permissible under applicable law.

(ii) Vesting. Subject to the “Repurchase Limitation” in Section 8(l), shares of Common Stock awarded under the Restricted Stock Award Agreement may be subject to forfeiture to the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant’s Continuous Service. In the event a Participant’s Continuous Service terminates, the Company may receive via a forfeiture condition, any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination of Continuous Service under the terms of the Restricted Stock Award Agreement.
(iv) **Transferability**. Rights to acquire shares of Common Stock under the Restricted Stock Award Agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Agreement, as the Board shall determine in its sole discretion, so long as Common Stock awarded under the Restricted Stock Award Agreement remains subject to the terms of the Restricted Stock Award Agreement.

(b) **Restricted Stock Unit Awards**. Each Restricted Stock Unit Award Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical, *provided, however*, that each Restricted Stock Unit Award Agreement shall include (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) **Consideration**. At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board in its sole discretion and permissible under applicable law.

(ii) **Vesting**. At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) **Payment**. A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

(iv) **Additional Restrictions**. At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) **Dividend Equivalents**. Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all the terms and conditions of the underlying Restricted Stock Unit Award Agreement to which they relate.
(vi) Termination of Participant’s Continuous Service. Except as otherwise provided in the applicable Restricted Stock Unit Award Agreement, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant’s termination of Continuous Service.

(vii) Compliance with Section 409A of the Code. Notwithstanding anything to the contrary set forth herein, any Restricted Stock Unit Award granted under the Plan that is not exempt from the requirements of Section 409A of the Code shall contain such provisions so that such Restricted Stock Unit Award will comply with the requirements of Section 409A of the Code. Such restrictions, if any, shall be determined by the Board and contained in the Restricted Stock Unit Award Agreement evidencing such Restricted Stock Unit Award. For example, such restrictions may include, without limitation, a requirement that any Common Stock that is to be issued in a year following the year in which the Restricted Stock Unit Award vests must be issued in accordance with a fixed pre-determined schedule.

(c) Stock Appreciation Rights. Each Stock Appreciation Right Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. Stock Appreciation Rights may be granted as stand-alone Stock Awards or in tandem with other Stock Awards. The terms and conditions of Stock Appreciation Right Agreements may change from time to time, and the terms and conditions of separate Stock Appreciation Right Agreements need not be identical; provided, however, that each Stock Appreciation Right Agreement shall include (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Term. No Stock Appreciation Right shall be exercisable after the expiration of ten (10) years from the date of grant or such shorter period specified in the Stock Appreciation Right Agreement.

(ii) Strike Price. Each Stock Appreciation Right will be denominated in shares of Common Stock equivalents. The strike price of each Stock Appreciation Right granted as a stand-alone or tandem Stock Award shall not be less than one hundred percent (100%) of the Fair Market Value of the Common Stock equivalents subject to the Stock Appreciation Right on the date of grant.

(iii) Calculation of Appreciation. The appreciation distribution payable on the exercise of a Stock Appreciation Right will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the Stock Appreciation Right) of a number of shares of Common Stock equal to the number of shares of Common Stock equivalents in which the Participant is vested under such Stock Appreciation Right, and with respect to which the Participant is exercising the Stock Appreciation Right on such date, over (B) the strike price that will be determined by the Board on the date of grant.

(iv) Vesting. At the time of the grant of a Stock Appreciation Right, the Board may impose such restrictions or conditions to the vesting of such Stock Appreciation Right as it, in its sole discretion, deems appropriate.
(v) Exercise. To exercise any outstanding Stock Appreciation Right, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Right Agreement evidencing such Stock Appreciation Right.

(vi) Non-Exempt Employees. No Stock Appreciation Right granted to an Employee that is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable for any shares of Common Stock until at least six months following the date of grant of the Stock Appreciation Right. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise of a Stock Appreciation Right will be exempt from his or her regular rate of pay.

(vii) Payment. The appreciation distribution in respect to a Stock Appreciation Right may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Stock Appreciation Right Agreement evidencing such Stock Appreciation Right.

(viii) Termination of Continuous Service. Except as otherwise provided in the applicable Stock Appreciation Right Agreement or other agreement between the Participant and the Company, in the event that a Participant’s Continuous Service terminates (other than for Cause or upon the Participant’s death or Disability), the Participant may exercise his or her Stock Appreciation Right (to the extent that the Participant was entitled to exercise such Stock Appreciation Right as of the date of termination of Continuous Service) but only within such period of time ending on the earlier of (A) the date three (3) months following the termination of the Participant’s Continuous Service (or such longer or shorter period specified in the Stock Appreciation Right Agreement, which period shall not be less than thirty (30) days unless such termination is for Cause), or (B) the expiration of the term of the Stock Appreciation Right as set forth in the Stock Appreciation Right Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Stock Appreciation Right within the time specified herein or in the Stock Appreciation Right Agreement (as applicable), the Stock Appreciation Right shall terminate.

(ix) Disability of Participant. Except as otherwise provided in the applicable Stock Appreciation Right Agreement or other agreement between the Participant and the Company, in the event that a Participant’s Continuous Service terminates as a result of the Participant’s Disability, the Participant may exercise his or her Stock Appreciation Right (to the extent that the Participant was entitled to exercise such Stock Appreciation Right as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (A) the date twelve (12) months following such termination of Continuous Service (or such longer or shorter period specified in the Stock Appreciation Right Agreement, which period shall not be less than six (6) months), or (B) the expiration of the term of the Stock Appreciation Right as set forth in the Stock Appreciation Right Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Stock Appreciation Right within the time specified herein or in the Stock Appreciation Right Agreement (as applicable), the Stock Appreciation Right shall terminate.
(x) Death of Participant. Except as otherwise provided in the applicable Stock Appreciation Right Agreement or other agreement between the Participant and the Company, in the event that (i) a Participant’s Continuous Service terminates as a result of the Participant’s death, or (ii) the Participant dies within the period (if any) specified in the Stock Appreciation Right Agreement after the termination of the Participant’s Continuous Service for a reason other than death, then the Stock Appreciation Right may be exercised (to the extent the Participant was entitled to exercise such Stock Appreciation Right as of the date of death) by the Participant’s estate, by a person who acquired the right to exercise the Stock Appreciation Right by bequest or inheritance or by a person designated as the beneficiary of the Stock Appreciation Right upon the Participant’s death, but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Stock Appreciation Right Agreement, which period shall not be less than six (6) months), or (ii) the expiration of the term of such Stock Appreciation Right as set forth in the Stock Appreciation Right Agreement. If, after the Participant’s death, the Stock Appreciation Right is not exercised within the time specified herein or in the Stock Appreciation Right Agreement (as applicable), the Stock Appreciation Right shall terminate.

(xi) Termination for Cause. Except as explicitly provided otherwise in a Participant’s Stock Appreciation Right Agreement, in the event that a Participant’s Continuous Service is terminated for Cause, the Stock Appreciation Right shall terminate upon the termination date of such Participant’s Continuous Service, and the Participant shall be prohibited from exercising his or her Stock Appreciation Right from and after the time of such termination of Continuous Service.

(xii) Compliance with Section 409A of the Code. Notwithstanding anything to the contrary set forth herein, any Stock Appreciation Rights granted under the Plan that are not exempt from the requirements of Section 409A of the Code shall contain such provisions so that such Stock Appreciation Rights will comply with the requirements of Section 409A of the Code. Such restrictions, if any, shall be determined by the Board and contained in the Stock Appreciation Right Agreement evidencing such Stock Appreciation Right. For example, such restrictions may include, without limitation, a requirement that a Stock Appreciation Right that is to be paid wholly or partly in cash must be exercised and paid in accordance with a fixed pre-determined schedule.

7. COVENANTS OF THE COMPANY.

(a) Availability of Shares. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock reasonably required to satisfy such Stock Awards.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained.
(c) No Obligation to Notify. The Company shall have no duty or obligation to any holder of a Stock Award to advise such holder as to the time or manner of exercising such Stock Award. Furthermore, the Company shall have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of a Stock Award or a possible period in which the Stock Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of a Stock Award to the holder of such Stock Award.

8. MISCELLANEOUS.

(a) Use of Proceeds from Sales of Common Stock. Proceeds from the sale of shares of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

(b) Corporate Action Constituting Grant of Stock Awards. Corporate action constituting a grant by the Company of a Stock Award to any Participant shall be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Stock Award is communicated to, or actually received or accepted by, the Participant.

(c) Stockholder Rights. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms and the Participant shall not be deemed to be a stockholder of record until the issuance of the Common Stock pursuant to such exercise has been entered into the books and records of the Company.

(d) No Employment or Other Service Rights. Nothing in the Plan, any Stock Award Agreement or any other instrument executed thereunder or in connection with any Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant’s agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) Incentive Stock Option $100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds one hundred thousand dollars ($100,000), the Options or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).
(f) **Investment Assurances**. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant’s knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant’s own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (x) the issuance of the shares upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (y) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(g) **Withholding Obligations**. To the extent provided by the terms of a Stock Award Agreement, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to a Stock Award by any of the following means (in addition to the Company’s right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Stock Award; provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding payment from any amounts otherwise payable to the Participant; (iv) withholding cash from a Stock Award settled in cash; or (v) by such other method as may be set forth in the Stock Award Agreement.

(h) **Electronic Delivery**. Any reference herein to a “written” agreement or document shall include any agreement or document delivered electronically or posted on the Company’s intranet.

(i) **Deferrals**. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Stock Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee. The Board is authorized to make deferrals of Stock Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant’s termination of employment or retirement, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.
Compliance with Section 409A. To the extent that the Board determines that any Stock Award granted hereunder is subject to Section 409A of the Code, the Stock Award Agreement evidencing such Stock Award shall incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Stock Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued or amended after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Board determines that any Stock Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Board may adopt such amendments to the Plan and the applicable Stock Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Board determines are necessary or appropriate to (1) exempt the Stock Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Stock Award, or (2) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

Compliance with Exemption Provided by Rule 12h-1(f). If: (i) the aggregate of the number of Optionholders and the number of holders of all other outstanding compensatory employee stock options to purchase shares of Common Stock equals or exceeds five hundred (500), and (ii) the assets of the Company at the end of the Company’s most recently completed fiscal year exceed $10 million, then the following restrictions shall apply during any period during which the Company does not have a class of its securities registered under Section 12 of the Exchange Act and is not required to file reports under Section 15(d) of the Exchange Act: (A) the Options and, prior to exercise, the shares of Common Stock acquired upon exercise of the Options may not be transferred until the Company is no longer relying on the exemption provided by Rule 12h-1(f) promulgated under the Exchange Act (“Rule 12h-1(f)”), except: (1) as permitted by Rule 701(c) promulgated under the Securities Act, (2) to a guardian upon the disability of the Optionholder, or (3) to an executor upon the death of the Optionholder (collectively, the “Permitted Transferees”); provided, however, the following transfers are permitted: (i) transfers by the Optionholder to the Company, and (ii) transfers in connection with a change of control or other acquisition involving the Company, if following such transaction, the Options no longer remain outstanding and the Company is no longer relying on the exemption provided by Rule 12h-1(f); provided further, that any Permitted Transferees may not further transfer the Options; (B) except as otherwise provided in (A) above, the Options and shares of Common Stock acquired upon exercise of the Options are restricted as to any pledge, hypothecation, or other transfer, including any short position, any “put equivalent position” as defined by Rule 16a-1(h) promulgated under the Exchange Act, or any “call equivalent position” as defined by Rule 16a-1(b) promulgated under the Exchange Act by the Optionholder prior to exercise of an Option until the Company is no longer relying on the exemption provided by Rule 12h-1(f); and (C) at any time that the Company is relying on the exemption provided by Rule 12h-1(f), the Company shall deliver to Optionholders (whether by physical or electronic delivery or written notice of the availability of the information on an internet site) the information
required by Rule 701(e)(3), (4), and (5) promulgated under the Securities Act every six (6) months, including financial statements that are not more than one hundred eighty (180) days old; *provided, however*, that the Company may condition the delivery of such information upon the Optionholder’s agreement to maintain its confidentiality.

**(l) Repurchase Limitation.** The terms of any repurchase option shall be specified in the Stock Award Agreement. The repurchase price for vested shares of Common Stock shall be the Fair Market Value of the shares of Common Stock on the date of repurchase. The repurchase price for unvested shares of Common Stock shall be the lower of (i) the Fair Market Value of the shares of Common Stock on the date of repurchase or (ii) their original purchase price. However, the Company shall not exercise its repurchase option until at least six (6) months (or such longer or shorter period of time necessary to avoid classification of the Stock Award as a liability for financial accounting purposes) have elapsed following delivery of shares of Common Stock subject to the Stock Award, unless otherwise specifically provided by the Board.

9. **ADJUSTMENTS UPON CHANGES IN COMMON STOCK; OTHER CORPORATE EVENTS.**

**(a) Capitalization Adjustments.** In the event of a Capitalization Adjustment, the Board shall proportionately and appropriately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), and (iii) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive.

**(b) Dissolution or Liquidation.** Except as otherwise provided in the Stock Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to the Company’s right of repurchase) shall terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company’s repurchase option may be repurchased by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service, *provided, however*, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

**(c) Corporate Transaction.** The following provisions shall apply to Stock Awards in the event of a Corporate Transaction unless otherwise provided in the instrument evidencing the Stock Award or any other written agreement between the Company or any Affiliate and the holder of the Stock Award or unless otherwise expressly provided by the Board at the time of grant of a Stock Award.

**(i) Stock Awards May Be Assumed.** Except as otherwise stated in the Stock Award Agreement, in the event of a Corporate Transaction, any surviving corporation or acquiring corporation (or the surviving or acquiring corporation’s parent company) may assume or continue any or all Stock Awards outstanding under the Plan or may substitute similar stock awards for Stock Awards.
Awards outstanding under the Plan (including but not limited to, awards to acquire the same consideration paid to the stockholders of the Company pursuant to the Corporate Transaction), and any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to Stock Awards may be assigned by the Company to the successor of the Company (or the successor’s parent company, if any), in connection with such Corporate Transaction. A surviving corporation or acquiring corporation (or its parent) may choose to assume or continue only a portion of a Stock Award or substitute a similar stock award for only a portion of a Stock Award. The terms of any assumption, continuation or substitution shall be set by the Board in accordance with the provisions of Section 2.

(ii) Stock Awards Held by Current Participants. Except as otherwise stated in the Stock Award Agreement, in the event of a Corporate Transaction in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Stock Awards or substitute similar stock awards for such outstanding Stock Awards, then with respect to Stock Awards that have not been assumed, continued or substituted and that are held by Participants whose Continuous Service has not terminated prior to the effective time of the Corporate Transaction (referred to as the “Current Participants”), the vesting of such Stock Awards (and, if applicable, the time at which such Stock Awards may be exercised) shall not be accelerated and such Stock Awards shall terminate if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction, and any reacquisition or repurchase rights held by the Company with respect to such Stock Awards shall lapse (contingent upon the effectiveness of the Corporate Transaction).

(iii) Stock Awards Held by Persons other than Current Participants. Except as otherwise stated in the Stock Award Agreement, in the event of a Corporate Transaction in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Stock Awards or substitute similar stock awards for such outstanding Stock Awards, then with respect to Stock Awards that have not been assumed, continued or substituted and that are held by persons other than Current Participants, the vesting of such Stock Awards (and, if applicable, the time at which such Stock Award may be exercised) shall not be accelerated and such Stock Awards (other than a Stock Award consisting of vested and outstanding shares of Common Stock not subject to the Company’s right of repurchase) shall terminate if not exercised (if applicable) prior to the effective time of the Corporate Transaction; provided, however, that any reacquisition or repurchase rights held by the Company with respect to such Stock Awards shall not terminate and may continue to be exercised notwithstanding the Corporate Transaction.

(iv) Payment for Stock Awards in Lieu of Exercise. Notwithstanding the foregoing, in the event a Stock Award will terminate if not exercised prior to the effective time of a Corporate Transaction, the Board may provide, in its sole discretion, that the holder of such Stock Award may not exercise such Stock Award but will receive a payment, in such form as may be determined by the Board, equal in value to the excess, if any, of (A) the value of the property the holder of the Stock Award would have received upon the exercise of the Stock Award, over (B) any exercise price payable by such holder in connection with such exercise.
(d) **Change in Control.** A Stock Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Stock Award Agreement for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration shall occur.

10. **TERMINATION OR SUSPENSION OF THE PLAN.**

(a) **Plan Term.** The Board may suspend or terminate the Plan at any time. Unless sooner terminated by the Board pursuant to Section 2, the Plan shall automatically terminate on the day before the tenth (10th) anniversary of the earlier of (i) the date the Plan is adopted by the Board, or (ii) the date the Plan is approved by the stockholders of the Company. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) **No Impairment of Rights.** Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the affected Participant.

11. **EFFECTIVE DATE OF PLAN.**

This Plan shall become effective on the Effective Date.

12. **CHOICE OF LAW.**

The law of the State of California shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state’s conflict of laws rules.

13. **DEFINITIONS.** As used in the Plan, the following definitions shall apply to the capitalized terms indicated below:

(a) **“Affiliate”** means, at the time of determination, any “parent” or “majority-owned subsidiary” of the Company, as such terms are defined in Rule 405 of the Securities Act. The Board shall have the authority to determine the time or times at which “parent” or “majority-owned subsidiary” status is determined within the foregoing definition.

(b) **“Board”** means the Board of Directors of the Company.

(c) **“Capitalization Adjustment”** means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Effective Date without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company). Notwithstanding the foregoing, the conversion of any convertible securities of the Company shall not be treated as a transaction “without the receipt of consideration” by the Company.
(d) “Cause” means with respect to a Participant, the occurrence of any of the following events: (i) such Participant’s commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (ii) such Participant’s attempted commission of, or participation in, a fraud or act of dishonesty against the Company; (iii) such Participant’s intentional, material violation of any contract or agreement between the Participant and the Company or of any statutory duty owed to the Company; (iv) such Participant’s unauthorized use or disclosure of the Company’s confidential information or trade secrets; or (v) such Participant’s gross misconduct. The determination that a termination of the Participant’s Continuous Service is either for Cause or without Cause shall be made by the Company in its sole discretion. Any determination by the Company that the Continuous Service of a Participant was terminated by reason of dismissal without Cause for the purposes of outstanding Stock Awards held by such Participant shall have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

(e) “Change in Control” means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company’s then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company’s securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities or (B) solely because the level of Ownership held by any Exchange Act Person (the “Subject Person”) exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) the stockholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company shall otherwise occur, except for a liquidation into a parent corporation;
(iv) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

(v) individuals who, on the date this Plan is adopted by the Board, are members of the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the members of the Board, provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then in office, such new member shall, for purposes of this Plan, be considered as a member of the Incumbent Board.

Notwithstanding the foregoing definition or any other provision of this Plan, (A) the term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, and (B) the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant shall supersede the foregoing definition with respect to Stock Awards subject to such agreement, provided, however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition shall apply.


(g) “Committee” means a committee of one (1) or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(h) “Common Stock” means the common stock of the Company.

(i) “Company” means Cloudflare, Inc., a Delaware corporation.

(j) “Consultant” means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, shall not cause a Director to be considered a “Consultant” for purposes of the Plan.

(k) “Continuous Service” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Director, or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Company or an Affiliate, shall not terminate a Participant’s Continuous Service; provided, however, if the Entity for which a Participant is rendering service ceases to qualify as an Affiliate, as determined by the Board in its sole discretion, such Participant’s Continuous Service shall be
considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an employee of the Company to a consultant of an Affiliate or to a Director shall not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the Company’s leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(l) “Corporate Transaction” means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) the consummation of a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) the consummation of a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company;

(iii) the consummation of a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) the consummation of a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(m) “Director” means a member of the Board.

(n) “Disability” means the inability of a Participant to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, and shall be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(o) “Effective Date” means the effective date of this Plan, which is the earlier of (i) the date that this Plan is first approved by the Company’s stockholders, or (ii) the date this Plan is adopted by the Board.

(p) “Employee” means any person employed by the Company or an Affiliate.

However, service solely as a Director, or payment of a fee for such services, shall not cause a Director to be considered an “Employee” for purposes of the Plan.
(q) “Entity” means a corporation, partnership, limited liability company or other entity.


(s) “Exchange Act Person” means any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” shall not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date of the Plan as set forth in Section 11, is the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company’s then outstanding securities.

(t) “Fair Market Value” means, as of any date, the value of the Common Stock determined by the Board in compliance with Section 409A of the Code or, in the case of an Incentive Stock Option, in compliance with Section 422 of the Code.

(u) “Incentive Stock Option” means an Option that qualifies as an “incentive stock option” within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(v) “Nonstatutory Stock Option” means an Option that does not qualify as an Incentive Stock Option.

(w) “Officer” means any person designated by the Company as an officer.

(x) “Option” means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(y) “Option Agreement” means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(z) “Optionholder” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(aa) “Own,” “Owned,” “Owner,” “Ownership” A person or Entity shall be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(bb) “Participant” means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.
(cc) “Plan” means this Cloudflare, Inc. 2010 Equity Incentive Plan.

(dd) “Restricted Stock Award” means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

(ee) “Restricted Stock Award Agreement” means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award. Each Restricted Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(ff) “Restricted Stock Unit Award” means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(b).

(gg) “Restricted Stock Unit Award Agreement” means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement shall be subject to the terms and conditions of the Plan.

(hh) “Securities Act” means the Securities Act of 1933, as amended.

(ii) “Stock Appreciation Right” means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 6(c).

(jj) “Stock Appreciation Right Agreement” means a written agreement between the Company and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement shall be subject to the terms and conditions of the Plan.

(kk) “Stock Award” means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, or a Stock Appreciation Right.

(ll) “Stock Award Agreement” means a written agreement between the Company and a Participant evidencing the terms and conditions of a Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(mm) “Subsidiary” means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%).
(nn) “Ten Percent Stockholder” means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Affiliate.
Cloudflare, Inc. (the “Company”), pursuant to its 2010 Equity Incentive Plan (the “Plan”), hereby grants to Optionholder an option to purchase the number of shares of the Company’s Common Stock set forth below. This option is subject to all of the terms and conditions as set forth herein and in the Stock Option Agreement, the Plan, and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety. Capitalized terms not defined herein shall have the meaning set forth in the Plan.

Optionholder:  
Date of Grant:  
Vesting Commencement Date:  
Number of Shares Subject to Option:  
Exercise Price (Per Share): $  
Total Exercise Price: $  
Expiration Date:  

Type of Grant:  
Exercise Schedule:  
Vesting Schedule:  
Payment: By check or wire  

Additional Terms/Acknowledgements: The undersigned Optionholder acknowledges receipt of, and understands and agrees to, this Stock Option Grant Notice and the Plan. Optionholder further acknowledges that as of the Date of Grant, this Stock Option Grant Notice and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements on that subject with the exception of (i) options previously granted and delivered to Optionholder under the Plan, and (ii) the following agreements only:

OTHER AGREEMENTS:  

CLOUDFLARE, INC.  

By:  
Title:  
Date:  

OPTIONHOLDER:  

Signature  
Date:  

ATTACHMENTS: 2010 Equity Incentive Plan and Notice of Exercise
Pursuant to your Stock Option Grant Notice ("Grant Notice") and this Option Agreement, CLOUDFLARE, I NC. (the "Company") has granted you an option under its 2010 Equity Incentive Plan (the "Plan") to purchase the number of shares of the Company’s Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Defined terms not explicitly defined in this Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

1. **Vesting.** Subject to the limitations contained herein, your option will vest as provided in your Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

2. **Number of Shares and Exercise Price.** The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments.

3. **Exercise Restriction for Non-Exempt Employees.** In the event that you are an Employee eligible for overtime compensation under the Fair Labor Standards Act of 1938, as amended (i.e., a "Non-Exempt Employee"), you may not exercise your option until you have completed at least six (6) months of Continuous Service measured from the Date of Grant specified in your Grant Notice, notwithstanding any other provision of your option.

4. **Exercise Prior to Vesting ("Early Exercise").** If permitted in your Grant Notice (i.e., the "Exercise Schedule" indicates "Early Exercise Permitted") and subject to the provisions of your option, you may elect at any time that is both (i) during the period of your Continuous Service and (ii) during the term of your option, to exercise all or part of your option, including the unvested portion of your option; provided, however, that:

   (a) a partial exercise of your option shall be deemed to cover first vested shares of Common Stock and then the earliest vesting installment of unvested shares of Common Stock;

   (b) any shares of Common Stock so purchased from installments that have not vested as of the date of exercise shall be subject to the purchase option in favor of the Company as described in the Company’s form of Early Exercise Stock Purchase Agreement;

   (c) you shall enter into the Company’s form of Early Exercise Stock Purchase Agreement with a vesting schedule that will result in the same vesting as if no early exercise had occurred; and
(d) if your option is an Incentive Stock Option, then, to the extent that the aggregate Fair Market Value (determined at the time of grant) of the shares of Common Stock with respect to which your option plus all other Incentive Stock Options you hold are exercisable for the first time by you during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars ($100,000), your option(s) or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

5. **METHOD OF PAYMENT**. Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash or by check or in any other manner permitted by your Grant Notice, which may include one or more of the following:

(a) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in *The Wall Street Journal*, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

(b) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in *The Wall Street Journal*, by delivery to the Company (either by actual delivery or attestation) of already-owned shares of Common Stock that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company’s stock.

6. **WHOLE SHARES**. You may exercise your option only for whole shares of Common Stock.

7. **SECURITIES LAW COMPLIANCE**. Notwithstanding anything contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option also must comply with other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

8. **TERM**. You may not exercise your option before the commencement or after the expiration of its term. The term of your option commences on the Date of Grant and expires upon the earliest of the following:

(a) immediately upon the termination of your Continuous Service for Cause (as defined in the Plan);
(b) three (3) months after the termination of your Continuous Service for any reason other than Cause (as defined in the Plan), Disability or death, provided that if during any part of such three (3) month period your option is not exercisable solely because of the condition set forth in the section above relating to “Securities Law Compliance,” your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service;

(c) twelve (12) months after the termination of your Continuous Service due to your Disability;

(d) eighteen (18) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates for any reason other than Cause (as defined in the Plan);

(e) the Expiration Date indicated in your Grant Notice; or

(f) the day before the tenth (10th) anniversary of the Date of Grant.

If your option is an Incentive Stock Option, note that to obtain the federal income tax advantages associated with an Incentive Stock Option, the Code requires that at all times beginning on the date of grant of your option and ending on the day three (3) months before the date of your option’s exercise, you must be an employee of the Company or an Affiliate, except in the event of your death or Disability. The Company has provided for extended exercisability of your option under certain circumstances for your benefit but cannot guarantee that your option will necessarily be treated as an Incentive Stock Option if you continue to provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you otherwise exercise your option more than three (3) months after the date your employment with the Company or an Affiliate terminates.

9. EXERCISE.

(a) You may exercise the vested portion of your option (and the unvested portion of your option if your Grant Notice so permits) during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of your option, (2) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (3) the disposition of shares of Common Stock acquired upon such exercise.

(c) If your option is an Incentive Stock Option, by exercising your option you agree that you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of your option that occurs within two (2) years after the date of your option grant or within one (1) year after such shares of Common Stock are transferred upon exercise of your option.
(d) By exercising your option you agree that you shall not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any shares of Common Stock or other securities of the Company held by you, for a period of one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act or such longer period as necessary to permit compliance with NASD Rule 2711 or NYSE Member Rule 472 and similar rules and regulations (the “Lock-Up Period”); provided, however, that nothing contained in this section shall prevent the exercise of a repurchase option, if any, in favor of the Company during the Lock-Up Period. You further agree to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to your shares of Common Stock until the end of such period. The underwriters of the Company’s stock are intended third party beneficiaries of this Section 9(d) and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

10. Transferability. Your option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your lifetime only by you. Notwithstanding the foregoing, by delivering written notice to the Company, in a form satisfactory to the Company, you may designate a third party who, in the event of your death, shall thereafter be entitled to exercise your option. In addition, if permitted by the Company you may transfer your option to a trust if you are considered to be the sole beneficial owner (determined under Section 671 of the Code and applicable state law) while the option is held in the trust, provided that you and the trustee enter into a transfer and other agreements required by the Company.

11. Right of First Refusal. Shares of Common Stock that you acquire upon exercise of your option are subject to any right of first refusal that may be described in the Company’s Bylaws in effect at such time the Company elects to exercise its right; provided, however, that if your option is an Incentive Stock Option and the right of first refusal described in the Company’s Bylaws in effect at the time the Company elects to exercise its right is more beneficial to you than the right of first refusal described in the Company’s Bylaws on the Date of Grant, then the right of first refusal described in the Company’s Bylaws on the Date of Grant shall apply. The Company’s right of first refusal shall expire on the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on a national securities exchange or quotation system.

12. Right of Repurchase. To the extent provided in the Company’s Bylaws in effect at such time the Company elects to exercise its right, the Company shall have the right to repurchase all or any part of the shares of Common Stock you acquire pursuant to the exercise of your option.

13. Option Not a Service Contract. Your option is not an employment or service contract, and nothing in your option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the
Company or an Affiliate to continue your employment. In addition, nothing in your option shall obligate the Company or an Affiliate, their respective stockholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

14. **WITHHOLDING OBLIGATIONS**.

(a) At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a “cashless exercise” pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with the exercise of your option.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable legal conditions or restrictions, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid classification of your option as a liability for financial accounting purposes). If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested, and the Company shall have no obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein unless such obligations are satisfied.

15. **TAX CONSEQUENCES**. You hereby agree that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes your tax liabilities. You shall not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from your option or your other compensation. In particular, you acknowledge that this option is exempt from Section 409A of the Code only if the exercise price per share specified in the Grant Notice is at least equal to the “fair market value” per share of the Common Stock on the Date of Grant and there is no other impermissible deferral of compensation associated with the option. Because the Common Stock 5.
is not traded on an established securities market, the Fair Market Value is determined by the Board, perhaps in consultation with an independent valuation firm retained by the Company. You acknowledge that there is no guarantee that the Internal Revenue Service will agree with the valuation as determined by the Board, and you shall not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates in the event that the Internal Revenue Service asserts that the valuation determined by the Board is less than the “fair market value” as subsequently determined by the Internal Revenue Service.

16. NOTICES. Any notices provided for in your option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

17. GOVERNING PLAN DOCUMENT. Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your option and those of the Plan, the provisions of the Plan shall control.
Cloudflare, Inc. (the “Company”), pursuant to its Amended and Restated 2010 Equity Incentive Plan (the “Plan”), hereby awards to you (as of the date indicated below) a Restricted Stock Unit Award for the number of shares of Common Stock set forth below (the “Award”). The Award is subject to all of the terms and conditions as set forth in this Restricted Stock Unit Grant Notice (the “Grant Notice”) in the Plan, and in the RSU Terms and Conditions (the “Terms and Conditions”), both of which are attached hereto and incorporated herein in their entirety. Additionally, if you reside outside of the United States, whether on the Date of Grant or any time prior to the settlement or expiration of this Award, your Award is subject to Appendix A to the terms and conditions, attached hereto. The Grant Notice and the Terms and Conditions, including Appendix A thereto, are collectively referred to as the “RSU Agreement.” Capitalized terms not otherwise defined herein will have the meanings set forth in the Plan.

Participant Name:

Date of Grant:

Vesting Commencement Date:

Liquidity Event Deadline:

Number of Units (“RSUs”) Subject to Award

Vesting:

Service-Based Requirement:

Liquidity Event Requirement:

Settlement: If an RSU vests as provided for above, the Company will deliver one share of Common Stock for each Vested RSU in accordance with the following schedule (each such delivery date or event below, a “Settlement Time”).

Vesting and Settlement on Death or Disability: If your Continuous Service is terminated for death or Disability prior to the Liquidity Event Requirement being satisfied, any RSUs that have satisfied the Service-Based Requirement as of the date of your death or Disability will become Vested RSUs on that date and the Company will deliver one share of Common Stock for each Vested RSU soon as reasonably practical following such date, but in no event later than March 15th of the calendar year following the calendar year in which you vested. In the event of death or Disability, Shares will be withheld for taxes in accordance with the provisions of Section 9(b) (iv) of the RSU Terms and Conditions.
Additional Terms/Acknowledgements: By accepting the Award, you acknowledge receipt of, and understand and agree to, the RSU Agreement and the Plan. You further acknowledge that as of the Grant Date, the RSU Agreement and the Plan set forth the entire understanding between you and the Company regarding the Award and supersede all prior oral and written agreements on the subject.

This RSU Agreement and any notices, agreements or other documents related to this Award or your participation in the Plan may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. Federal ESIGN Act of 2000, Uniform Electronic Transactions Act or other applicable law) or other transmission method and any counterpart so delivered will be deemed to have been duly and validly delivered and be valid and effective for all purposes.

CLOUDFLARE, INC.

By: ________________________________
    Signature
    Title: ________________________________
    Date: ________________________________

PARTICIPANT:

By: ________________________________
    Signature
    Date: ________________________________

APPENDIX A: Additional Terms and Conditions of the Cloudflare, Inc. 2010 Equity Incentive Plan Restricted Stock Unit Agreement
ATTACHMENT I: RSU Terms and Conditions
ATTACHMENT II: Amended and Restated 2010 Equity Incentive Plan
Cloudflare, Inc. (the “Company”), pursuant to its Amended and Restated 2010 Equity Incentive Plan (the “Plan”), hereby awards to you (as of the date indicated below) a Restricted Stock Unit Award for the number of shares of Common Stock set forth below (the “Award”). The Award is subject to all of the terms and conditions as set forth in this Restricted Stock Unit Grant Notice (the “Grant Notice”) in the Plan, and in the RSU Terms and Conditions (the “Terms and Conditions”), both of which are attached hereto and incorporated herein in their entirety. Additionally, if you reside outside of the United States, whether on the Date of Grant or any time prior to the settlement or expiration of this Award, your Award is subject to Appendix A to the terms and conditions, attached hereto. The Grant Notice and the Terms and Conditions, including Appendix A thereto, are collectively referred to as the “RSU Agreement.” Capitalized terms not otherwise defined herein will have the meanings set forth in the Plan.

Participant:  

Date of Grant:  

Vesting Commencement Date:  

Liquidity Event Deadline:  

Number of Units (“RSUs”) Subject to Award:  

Vesting:

Service-Based Requirement:

Liquidity Event Requirement:

Settlement: If an RSU vests as provided for above, the Company will deliver one share of Common Stock for each Vested RSU in accordance with the following schedule (each such delivery date or event below, a “Settlement Time”).

Vesting and Settlement on Death or Disability: If your Continuous Service is terminated for death or Disability prior to the Liquidity Event Requirement being satisfied, any RSUs that have satisfied the Service-Based Requirement as of the date of your death or Disability will become Vested RSUs on that date and the Company will deliver one share of Common Stock for each Vested RSU soon as reasonably practical following such date, but in no event later than March 15th of the calendar year following the calendar year in which you vested. In the event of death or Disability, Shares will be withheld for taxes in accordance with the provisions of Section 9(b)(iv) of the RSU Terms and Conditions.
Termination;  
Expiration Date:  

Additional Terms/Acknowledgements: By accepting the Award, you acknowledge receipt of, and understand and agree to, the RSU Agreement and the Plan. You further acknowledge that as of the Grant Date, the RSU Agreement and the Plan set forth the entire understanding between you and the Company regarding the Award and supersede all prior oral and written agreements on the subject. Further, you acknowledge and agree that this Award replaces and supersedes any prior offer from the Company to grant you equity in the company in any form, including any offer of options to purchase shares of the Company’s common stock, as indicated in an employment offer letter.

This RSU Agreement and any notices, agreements or other documents related to this Award or your participation in the Plan may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act or other applicable law) or other transmission method and any counterpart so delivered will be deemed to have been duly and validly delivered and be valid and effective for all purposes.

CLOUDFLARE, INC.

By: ________________________________

Signature

Title: ________________________________

Date: ________________________________

PARTICIPANT:

By: ________________________________

Signature

Date: ________________________________

APPENDIX A: Additional Terms and Conditions of the Cloudflare, Inc. 2010 Equity Incentive Plan Restricted Stock Unit Agreement
ATTACHMENT I: RSU Terms and Conditions
ATTACHMENT II: Amended and Restated 2010 Equity Incentive Plan
APPENDIX A

ADDITIONAL TERMS AND CONDITIONS OF THE
CLOUDFLARE, INC. 2010 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT

TERMS AND CONDITIONS. This Appendix includes special terms and conditions applicable to you if you reside in one of the countries listed below. These terms and conditions are in addition to, or, if so indicated, in place of, the terms and conditions set forth in the RSU Agreement. Please note that your Award is granted directly by Cloudflare, Inc.; it is not related to your employment with any Cloudflare Affiliate, nor a part of your compensation or benefits with any Cloudflare Affiliate. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Terms and Conditions and Grant Notice (together with this Appendix, collectively referred to as the “RSU Agreement”), and the Plan.

NOTIFICATIONS. This Appendix also includes country-specific information of which you should be aware with respect to your participation in the RSU Agreement. The information is based on the securities, exchange control and other laws in effect in the respective countries as of December 2018. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you do not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time that your RSUs vest or at Settlement Time, or at the time you sell your shares of Common Stock acquired under the Plan.

In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation. Finally, please note that if you are a citizen or resident of a country other than the country in which you are currently working, or transfer employment after grant, the information contained in this Appendix may not be applicable to you.

AUSTRALIA

EXCHANGE CONTROL INFORMATION. Exchange control reporting is required for cash transactions exceeding AUD 10,000 and for international fund transfers. The Australian bank assisting with the transaction will file the report for you. If there is no Australian bank involved in the transfer, you may be required to file the report.

CHINA

ADDITIONAL SETTLEMENT REQUIREMENTS IN CHINA: The following provision replaces sub-section 7(a) of the RSU Terms and Conditions:

(a) **General.** Subject to the satisfaction of any Tax-Related Items (as defined below), the Company will deliver to you a number of shares of Common Stock equal to the number of Vested RSUs subject to the Award (including any shares received pursuant to a Capitalization Adjustment) at the Settlement Time(s) provided in the Grant Notice, provided, however;
(i) if a scheduled delivery date falls on a date that is not a business day, such delivery date will instead fall on the next business day that follows the scheduled delivery date. The form of such delivery (e.g. a stock certificate or electronic entry evidencing such shares) will be determined by the Company; and

(ii) that (A) if your RSU and/or the shares to be issued upon the settlement of your Vested RSUs cannot be registered under applicable laws at the Settlement Time (including, without limitation, SAFE 37 (as defined below) and SAFE 7 (as defined below)) (the “Requisite Registration”), the Company may, in the Board’s sole discretion, (x) cancel your RSU and, in exchange for a full release by you of the Company, pay you an amount as determined by the Board in good faith in its sole discretion, (y) extend the Settlement Time of your Vested RSU to a date after the completion of the Requisite Registration on which your Vested RSU may be settled, or (z) take no further action and allow the RSU to be forfeited as of the Liquidity Event Deadline; and (B) if the Company has not completed the Requisite Registration before a Change in Control, the Company may, in the Board’s sole discretion, cancel your RSU in connection with such Change in Control and, in exchange for a full release by you of the Company, pay you an amount as determined by the Board in good faith in its sole discretion, less all Tax-Related Items, fees or other amounts required to be paid or withheld in connection with such payment. Any amounts payable to you by the Company (or your employer) with respect to the forfeiture of your RSU are payable to you in local currency, and based upon the local currency to United States dollar exchange rate used by the Company to facilitate the payment in connection with such cancellation or such other reasonable exchange rate determined by the Board in its discretion. As used herein, “SAFE 37” means the “Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Financing and Round Trip Investment via Special Purpose Companies” issued by the State Administration of Foreign Exchange of the PRC on July 4, 2014 and/or its successor regulation(s); and “SAFE 7” means the “Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals’ Participation in Equity Incentive Plans of Companies Listed Overseas” promulgated by the State Administration of Foreign Exchange of the PRC and effective as of February 15, 2012 and/or its successor regulation(s).

COMPLIANCE WITH LAW. Notwithstanding any other term of the RSU Agreement, the Company, its affiliates and you will comply at all times with the laws and regulations of the United States and the PRC in relation to the grant of your RSU and the settlement of your Vested RSUs under Section 7 above. In the event that the laws and regulations of the United States or the PRC at any time, including but not limited to the time of settlement, prohibit the grant of your RSUs, the settlement of your RSU or the receipt of any net sale proceeds pursuant to Section 7 above, then to the extent the laws and regulations of the United States and the PRC permit the Company to preserve the economic value that may be generated by this RSU, the Company may, in its sole discretion (but without any obligation), take such steps or course of action to provide or maintain the benefit of your RSUs as contemplated by this RSU Agreement (or provide benefits to you that are substantially equivalent thereto), subject to the completion, execution and delivery of any agreement or document, and compliance with any reporting, filing, registration or approval process required to be undertaken by you, the Company, any affiliate or any third party to ensure compliance with all applicable laws and regulations including, without limitation, those of the PRC Authorities.
FORM OF SETTLEMENT. Notwithstanding anything in the RSU Agreement and for the avoidance of doubt, the RSUs granted to you, may at the Settlement Time and at the sole discretion of the Board, be cancelled in exchange for a full release by you of the Company, and the Company (or your employer) may pay you an amount as determined by the Board in good faith in its sole discretion, less all Tax-Related Items, fees or other amounts required to be paid or withheld in connection with such payment. This amount may not be tied to the fair market value of the shares of Common Stock at the time of vesting and/or the Settlement Time, and may be paid by either the Company or your employer (if different). You agree to bear any currency fluctuation risk between the time the RSUs are settled, and the time the cash payment is distributed to you.

GERMANY

EXCHANGE CONTROL INFORMATION. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank (Bundesbank). The report must be filed electronically, and the form of report (Allgemeine Meldeportal Statistik) can be accessed via the Bundesbank’s website (www.bundesbank.de). If you use a German bank to transfer a cross-border payment in excess of €12,500 in connection with the sale of shares of shares acquired under the Plan, the bank will make the report for you. In addition, you must report any receivables, payables, or debts in foreign currency exceeding an amount of €5,000,000 on a monthly basis.

POLAND

EXCHANGE CONTROL INFORMATION. Polish residents holding foreign securities (including shares of Common Stock) and maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such transactions or balances exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis by the 20th day of the month following the end of each quarter on special forms available on the website of the National Bank of Poland. In addition, Polish residents are required to transfer funds through a bank account in Poland if the transferred amount in any single transaction exceeds a specified threshold (currently €15,000). You are required to retain the documents connected with a foreign exchange transaction for a period of five (5) years, as measured from the end of the year in which such transaction occurred.

SINGAPORE

CHIEF EXECUTIVE OFFICER AND DIRECTOR NOTIFICATION REQUIREMENT. If you are a director, associate director or shadow director, or the chief executive officer ("CEO") of a Singapore company, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore company in writing when you receive an interest (e.g., RSUs, shares of Common Stock) in the Company or any related companies. In addition, you must notify the Singapore company when you dispose of an interest in the Company or any
related company (including when you sell shares of Common Stock acquired pursuant to your RSU). These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any related company. In addition, a notification must be made of your interests in the Company or any related company within two business days of becoming a director or the CEO.

SECURITIES LAW INFORMATION. The award of RSUs is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the Securities and Futures Act (Chap. 289) (“SFA”). The Plan has not and will not been lodged or registered as a prospectus with the Monetary Authority of Singapore. Hence, statutory liability under the SFA in relation to the content of prospectuses will not apply.

You should note that the RSUs are subject to section 257 of the SFA. Therefore, the RSUs may not be offered or sold, or made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore, unless such offer, sale or invitation is made (i) more than six (6) months from the date of grant, (ii) pursuant to the exemptions under Part XIII, Division 1, Subdivision (4) (other than section 280) of the SFA, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

UNITED KINGDOM

WITHHOLDING. If withholding of income tax is required in connection with the RSUs and the withholding has not been done and the income tax has not been paid by you to the Company within ninety (90) days after the end of the U.K. tax year in which the income tax liability arises, or within such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), the amount of any uncollected income tax will constitute a loan owed by you to the Company, effective on the Due Date, unless you are an executive officer of the Company and therefore prohibited from obtaining a loan from the Company. You agree that the loan will bear interest at then-current Official Rate of HM Revenue and Customs (“HMRC”), it will be immediately due and repayable, and the Company may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to you, by withholding in shares issued upon the settlement of the RSUs or from the cash proceeds from the sale of shares or by demanding cash or a check from you. You also authorize the Company to delay the issuance of any shares unless and until the loan is repaid in full.
Pursuant to your Restricted Stock Unit Grant Notice (the “Grant Notice”) and these RSU Terms and Conditions (the “Terms and Conditions”), Cloudflare Inc. (the “Company”) has granted you a Restricted Stock Unit Award (the “Award”) under its Amended and Restated 2010 Equity Incentive Plan (the “Plan”) for the number of Restricted Stock Units indicated in your Grant Notice. Note that if you reside outside of the United States, whether on the Date of Grant (as indicated in your Grant Notice) or any time prior to the settlement or expiration of your Award, your Award is expressly subject to Appendix A to these Terms and Conditions, attached hereto.

The Grant Notice and these Terms and Conditions, including Appendix A hereto, are collectively referred to as the “RSU Agreement”. Capitalized terms not explicitly defined in the RSU Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of the Award, in addition to those set forth in the Grant Notice and the Plan, are as follows.

1. **Grant**. The Award represents the right to be issued on a future date the number of shares of Common Stock as indicated in the Grant Notice upon the satisfaction of the terms set forth in the RSU Agreement.

2. **Vesting**. The Award will vest, if at all, in accordance with the vesting schedule provided in the Grant Notice.

3. **Number of Shares**. The number of units/shares subject to the Award may be adjusted from time to time for Capitalization Adjustments. Any units, shares, cash or other property that become subject to the Award pursuant to a Capitalization Adjustment will be subject to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other shares covered by the Award.

4. **Securities Law and Other Compliance**. You may not be issued any shares under the Award unless either the shares are registered under the Securities Act, or the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. The Award also must comply with other applicable laws governing the Award, and you will not receive such shares if the Company determines that such receipt would not be in material compliance with such laws and regulations. You hereby agree that you will in no event sell or distribute all or any part of the shares of Common Stock that you receive pursuant to settlement of this Award unless (a) there is an effective registration statement under the Securities Act covering any such transaction involving the shares or (b) the Company receives an opinion of your legal counsel (concurred in by legal counsel for the Company) stating that such transaction is exempt from registration or the Company otherwise satisfies itself that such transaction is exempt from registration. You understand that the Company has no obligation to you to maintain any registration of the shares and has not represented to you that it will so maintain registration of the shares.
5. TRANSFER RESTRICTIONS. No portion of this Award or any interest therein shall be sold, transferred, assigned, encumbered, pledged or otherwise disposed of, whether voluntarily or by operation of law.

6. NO RIGHTS AS STOCKHOLDER. You shall not have voting or other rights as a stockholder with respect to the RSUs prior to the issuance of shares on settlement of Vested RSUs. You will not receive any benefit or adjustment to your RSUs with respect to any cash dividend, stock dividend or other distribution, except as provided in the Plan with respect to a Capitalization Adjustment.

7. SETTLEMENT OF VESTED RSUS AND ISSUANCE OF SHARES.

(a) General. Subject to the satisfaction of any Tax-Related Items (as defined below), the Company will deliver to you a number of shares of Common Stock equal to the number of Vested RSUs subject to the Award (including any shares received pursuant to a Capitalization Adjustment) at the Settlement Time(s) provided in the Grant Notice. However, except with respect to a Settlement Time that occurs on March 15 of any calendar year, if a scheduled delivery date falls on a date that is not a business day, such delivery date will instead fall on the next business day that follows the scheduled delivery date. The form of such delivery (e.g., a stock certificate or electronic entry evidencing such shares) will be determined by the Company.

(b) Delayed Settlement During Closed Trading Window. Notwithstanding the foregoing, following the IPO and the expiration of the Lock-Up Period, in the event that (i) you are subject to the Company’s policy permitting certain individuals to sell shares only during certain “window” periods, in effect from time to time or you are otherwise prohibited from selling shares of Common Stock in the public market and any shares covered by the Award are scheduled to be delivered on a day (the “Original Distribution Date”) that does not occur during an open “window period” applicable to you, as determined by the Company in accordance with such policy, or does not occur on a date when you are otherwise permitted to sell shares of Common Stock on the open market (including under a previously established written trading plan that meets the requirements of Rule 10b5-1 under the Exchange Act and was entered into in compliance with the Company’s policies), and (ii) the Company elects not to satisfy its Tax-Related Items by withholding shares from your distribution, then such shares will not be delivered on such Original Distribution Date and will instead be delivered on the first business day of the next occurring open “window period” applicable to you pursuant to such policy (regardless of whether you have experienced a Termination of Service) or the next business day when you are not prohibited from selling shares of Common Stock in the open market, but in no event later than March 15 of the calendar year following the calendar year in which the RSUs originally became vested.

8. MARKET STAND-OFF AGREEMENT. By acquiring shares of Common Stock under your Award, you agree that you will not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any shares of Common Stock or other securities of the Company held by you, for a period of 180 days following the effective date of a registration statement of the Company filed under the Securities Act or such longer period as the underwriters or the Company request or as necessary to permit compliance with FINRA Rule 2711 or NYSE Member Rule 472 and similar or successor regulatory rules and regulations (the “Lock-Up Period”); provided, however, that nothing contained in this paragraph will prevent the exercise of a repurchase option, if any, in favor of the Company during the Lock-Up Period. You further agree to execute and deliver such other agreements as may be reasonably requested by the Company and the underwriters that are consistent with the foregoing or that are necessary to give further effect thereto. You also agree that any transferee of any shares of Common Stock (or other securities of the Company held by you) will be bound by this Section 7. To enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to your shares of Common Stock until the end of such period. The underwriters of the Company’s stock are intended third party beneficiaries of this provision and will have the right, power and authority to enforce this provision as though they were a party to the RSU Agreement.
9. **Responsibility for Taxes**.

(a) You acknowledge that you are ultimately responsible for all taxes owed in connection with this Award (e.g., at vesting and/or upon receipt of the Shares), including any income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items"), without regard to any action the Company or any Affiliate takes with respect to any such Tax-Related Items that arise in connection with this Award.

(b) Prior to any event that results in the imposition of taxation or required tax withholding, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. The Company may refuse to issue any shares to you until you satisfy the Tax-Related Items. You further authorize the Company, its Affiliates and/or their agents to satisfy their withholding obligations with regard to all Tax-Related Items, if any, by any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company or an Affiliate; (ii) causing you to tender a cash payment; (iii) entering on your behalf (pursuant to this authorization without further consent) into a "same day sale" commitment with a brokerage firm designated or approved by the Company to sell on your behalf a whole number of shares from those shares issuable to you in payment of Vested RSUs as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the Tax-Related Items; or (iv) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the Award with a Fair Market Value (measured as of the date shares of Common Stock are issued to you or, if and as determined by the Company, the date on which the Tax-Related Items are required to be calculated) equal to the amount of such Tax-Related Items. Depending on the withholding method employed, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in shares of Common Stock, for tax purposes, you are deemed to have been issued the full number of shares of Common Stock subject to the vested portion of the Award, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Tax-Related Items.

10. **Independent Tax Advice**. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying shares of Common Stock. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the Tax-Related Items arising in connection with the Award and by accepting the Award, you have agreed that you have done so or knowingly and voluntarily declined to do so. Further, you acknowledge that the Company does not have any duty or obligation to minimize your liability for Tax-Related Items arising from the Award and will not be liable to you for any Tax-Related Items arising in connection with the Award.

11. **Notices; Electronic Communications**. Any notices provided for in the Grant Notice, the RSU Agreement or the Plan will be given in writing and will be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents
related to participation in the Plan and this Award by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

12. GENERAL PROVISIONS.

(a) Assignment. The rights and obligations of the Company under the Award will be transferable to any one or more persons or entities selected by the Board, and all covenants and agreements hereunder will inure to the benefit of, and be enforceable by the Company’s successors and assigns. Your rights and obligations under the Award may only be assigned with the prior written consent of the Company.

(b) No Waiver. No waiver of any provision of this RSU Agreement will be valid unless in writing and signed by the person against whom such waiver is sought to be enforced, nor will failure to enforce any right hereunder constitute a continuing waiver of the same or a waiver of any other right hereunder.

(c) Undertaking. You agree to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either you or the Award pursuant to the express provisions of this RSU Agreement.

(d) Governing Plan Document. This RSU Agreement constitutes the entire contract between the parties hereto with regard to the subject matter hereof. This RSU Agreement is made pursuant to the provisions of the Plan and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. Except as expressly provided in the RSU Agreement, in the event of any conflict between the provisions of the Award and those of the Plan, the provisions of the Plan will control.

(e) Governing Law. The RSU Agreement will be construed and administered in accordance with and governed by the laws of the State of California.

(f) Arbitration. Any dispute or claim concerning the RSUs granted (or not granted) and any disputes or claims relating to or arising out of the Plan shall be fully, finally and exclusively resolved by binding and confidential arbitration conducted pursuant to the rules of Judicial Arbitration and Mediation Services, Inc. (“JAMS”) in Santa Clara, California. The Company shall pay all arbitration fees. In addition to any other relief, the arbitrator may award to the prevailing party recovery of its attorneys’ fees and costs. By accepting these RSUs, Participant and the Company waive their respective rights to have any such disputes or claims tried by a judge or jury.

(g) Successors and Assigns. The provisions of this RSU Agreement will inure to the benefit of, and be binding on, the Company and its successors and assigns and you and your legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person will have become a party to this RSU Agreement.

(h) No Employment or Service Contract. Nothing in this RSU Agreement will affect in any manner whatsoever the right or power of the Company, or an Affiliate, to terminate your employment or services on behalf of the Company, for any reason, with or without Cause.
(i) **Effect on Other Employee Benefit Plans.** The value of the Award subject to the RSU Agreement will not be included as compensation, earnings, salaries, or other similar terms used when calculating the Participant’s benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company’s or any Affiliate’s employee benefit plans.

(j) **Compliance with Section 409A of the Code.** Payments made pursuant to this RSU Agreement are intended to qualify for an exemption from or comply with the requirements of Section 409A of the Code, including any applicable regulations and guidance issued thereunder, and this RSU Agreement and the Plan shall be interpreted, operated and administered in a manner consistent with this intention. Each payment made pursuant to this RSU Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. If it is determined that the Award is deferred compensation subject to Section 409A of the Code, and if you are a “specified employee” (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of your separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h)), then you may be subject to certain delayed payment rules. Notwithstanding any other provision in this RSU Agreement or the Plan, the Company, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify this RSU Agreement so that payments made pursuant to this RSU Agreement qualify for exemption from or comply with Section 409A of the Code; provided, however, that the Company makes no representations that payments made pursuant to this RSU Agreement shall be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to payments made under this RSU Agreement. In no event will the Company or any of its Affiliates have any liability or obligation to reimburse, indemnify, or hold you harmless, for any tax imposed or other costs incurred as a result of Section 409A of the Code or any other individual tax obligation.
LEASE AGREEMENT

BY AND BETWEEN

CIVITAS EQUITY FUND I, LLC,
a California limited liability company

AS LANDLORD

and

CLOUD FLARE, INC.,
a Delaware corporation

AS TENANT

DATED APRIL 18, 2014
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index of Defined Terms</td>
<td>iv</td>
</tr>
<tr>
<td>Basic Lease Information</td>
<td>v</td>
</tr>
<tr>
<td>1. Demise</td>
<td>1</td>
</tr>
<tr>
<td>2. Premises</td>
<td>1</td>
</tr>
<tr>
<td>3. Term; Termination Right</td>
<td>2</td>
</tr>
<tr>
<td>4. Rent</td>
<td>3</td>
</tr>
<tr>
<td>5. Utilities and Services</td>
<td>7</td>
</tr>
<tr>
<td>6. Late Charge</td>
<td>8</td>
</tr>
<tr>
<td>7. Security Deposit</td>
<td>9</td>
</tr>
<tr>
<td>8. Possession</td>
<td>11</td>
</tr>
<tr>
<td>9. Use of Premises</td>
<td>12</td>
</tr>
<tr>
<td>10. Acceptance of Premises</td>
<td>14</td>
</tr>
<tr>
<td>11. Surrender</td>
<td>15</td>
</tr>
<tr>
<td>12. Alterations and Additions</td>
<td>15</td>
</tr>
<tr>
<td>13. Maintenance and Repairs of Premises</td>
<td>17</td>
</tr>
<tr>
<td>14. Landlord’s Insurance</td>
<td>19</td>
</tr>
<tr>
<td>15. Tenant’s Insurance</td>
<td>20</td>
</tr>
<tr>
<td>16. Indemnification</td>
<td>21</td>
</tr>
<tr>
<td>17. Subrogation</td>
<td>21</td>
</tr>
<tr>
<td>18. Signs</td>
<td>22</td>
</tr>
<tr>
<td>19. Free From Liens</td>
<td>22</td>
</tr>
<tr>
<td>20. Entry By Landlord</td>
<td>22</td>
</tr>
<tr>
<td>21. Destruction and Damage</td>
<td>23</td>
</tr>
<tr>
<td>Section</td>
<td>Page</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>22. Condemnation</td>
<td>25</td>
</tr>
<tr>
<td>23. Assignment and Subletting</td>
<td>26</td>
</tr>
<tr>
<td>24. Default</td>
<td>29</td>
</tr>
<tr>
<td>25. Landlord’s Remedies</td>
<td>31</td>
</tr>
<tr>
<td>26. Landlord’s Right to Perform Tenant’s Obligations</td>
<td>33</td>
</tr>
<tr>
<td>27. Attorneys’ Fees</td>
<td>33</td>
</tr>
<tr>
<td>28. Taxes</td>
<td>34</td>
</tr>
<tr>
<td>29. Confidentiality</td>
<td>34</td>
</tr>
<tr>
<td>30. Effect of Conveyance</td>
<td>34</td>
</tr>
<tr>
<td>31. Tenant’s Estoppel Certificate</td>
<td>34</td>
</tr>
<tr>
<td>32. Subordination</td>
<td>35</td>
</tr>
<tr>
<td>33. Environmental Covenants</td>
<td>36</td>
</tr>
<tr>
<td>34. Notices</td>
<td>38</td>
</tr>
<tr>
<td>35. Waiver</td>
<td>39</td>
</tr>
<tr>
<td>36. Holding Over</td>
<td>39</td>
</tr>
<tr>
<td>37. Successors and Assigns</td>
<td>39</td>
</tr>
<tr>
<td>38. Time</td>
<td>39</td>
</tr>
<tr>
<td>39. Brokers</td>
<td>40</td>
</tr>
<tr>
<td>40. Limitation of Liability</td>
<td>40</td>
</tr>
<tr>
<td>41. Financial Statements</td>
<td>40</td>
</tr>
<tr>
<td>42. Rules and Regulations</td>
<td>41</td>
</tr>
<tr>
<td>43. Mortgagee Protection</td>
<td>41</td>
</tr>
<tr>
<td>44. Entire Agreement</td>
<td>41</td>
</tr>
<tr>
<td>45. Interest</td>
<td>42</td>
</tr>
<tr>
<td>46. Governing Law; Construction</td>
<td>42</td>
</tr>
</tbody>
</table>
INDEX OF EXHIBITS

Exhibit

A  Diagram of the Premises
B  Tenant Work Letter, including Exhibit B-1, Base Building Standards
C  Commencement and Expiration Date Memorandum
D  Rules and Regulations
E  Form of Estoppel Certificate
F  Subordination, Non-Disturbance and Attornment Agreement
# Index of Defined Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Rent</td>
<td>3</td>
</tr>
<tr>
<td>Alteration</td>
<td>15</td>
</tr>
<tr>
<td>Alterations</td>
<td>15</td>
</tr>
<tr>
<td>Amortized Landlord Replacements</td>
<td>18</td>
</tr>
<tr>
<td>Appraisal Panel</td>
<td>45</td>
</tr>
<tr>
<td>ASA</td>
<td>45</td>
</tr>
<tr>
<td>Base Building Work</td>
<td>2</td>
</tr>
<tr>
<td>Base Insurance Expenses</td>
<td>4</td>
</tr>
<tr>
<td>Base Rent</td>
<td>3</td>
</tr>
<tr>
<td>Base Taxes</td>
<td>4</td>
</tr>
<tr>
<td>Base Year</td>
<td>4</td>
</tr>
<tr>
<td>Basic Lease Information</td>
<td>1</td>
</tr>
<tr>
<td>Bike Storage Facility</td>
<td>3</td>
</tr>
<tr>
<td>Building</td>
<td>1</td>
</tr>
<tr>
<td>Commencement Date</td>
<td>2</td>
</tr>
<tr>
<td>Comparable Buildings</td>
<td>46</td>
</tr>
<tr>
<td>Comparison Leases</td>
<td>46</td>
</tr>
<tr>
<td>Computation Year</td>
<td>4</td>
</tr>
<tr>
<td>Condemnation</td>
<td>25</td>
</tr>
<tr>
<td>Default</td>
<td>29</td>
</tr>
<tr>
<td>Delivery Date</td>
<td>2</td>
</tr>
<tr>
<td>Electronic Payment</td>
<td>6</td>
</tr>
<tr>
<td>Environmental Laws</td>
<td>36</td>
</tr>
<tr>
<td>Expiration Date</td>
<td>2</td>
</tr>
<tr>
<td>Extension Notice</td>
<td>44</td>
</tr>
<tr>
<td>Extension Term</td>
<td>44</td>
</tr>
<tr>
<td>FDIC</td>
<td>9</td>
</tr>
<tr>
<td>First Outside Date</td>
<td>3</td>
</tr>
<tr>
<td>Force Majeure</td>
<td>3</td>
</tr>
<tr>
<td>GAAP</td>
<td>18</td>
</tr>
<tr>
<td>Hazardous Materials</td>
<td>36</td>
</tr>
<tr>
<td>Holder</td>
<td>41</td>
</tr>
<tr>
<td>Insurance Expenses</td>
<td>3</td>
</tr>
<tr>
<td>Landlord Affiliates</td>
<td>40</td>
</tr>
<tr>
<td>Landlord Parties</td>
<td>12</td>
</tr>
<tr>
<td>Landlord’s Broker</td>
<td>vii</td>
</tr>
<tr>
<td>Landlord’s Determination</td>
<td>45</td>
</tr>
<tr>
<td>Landlord’s Insureds</td>
<td>20</td>
</tr>
<tr>
<td>Laws</td>
<td>12</td>
</tr>
<tr>
<td>Major Damage or Destruction</td>
<td>23</td>
</tr>
<tr>
<td>Mold Conditions</td>
<td>13</td>
</tr>
<tr>
<td>Mold Prevention Practices</td>
<td>13</td>
</tr>
<tr>
<td>Negotiation Period</td>
<td>45</td>
</tr>
<tr>
<td>Option</td>
<td>44</td>
</tr>
<tr>
<td>Phase 2 Base Building Approvals</td>
<td>2</td>
</tr>
<tr>
<td>Premises</td>
<td>1</td>
</tr>
<tr>
<td>Prevailing Market Rate</td>
<td>46</td>
</tr>
<tr>
<td>Private Restrictions</td>
<td>12</td>
</tr>
<tr>
<td>Project</td>
<td>1</td>
</tr>
<tr>
<td>Rules and Regulations</td>
<td>41</td>
</tr>
<tr>
<td>Second Outside Date</td>
<td>3</td>
</tr>
<tr>
<td>SNDA</td>
<td>35</td>
</tr>
<tr>
<td>Successor Landlord</td>
<td>35</td>
</tr>
<tr>
<td>Systems</td>
<td>5</td>
</tr>
<tr>
<td>Term</td>
<td>2</td>
</tr>
<tr>
<td>Tenant Affiliate</td>
<td>26</td>
</tr>
<tr>
<td>Tenant’s Agents</td>
<td>12</td>
</tr>
<tr>
<td>Tenant’s Broker</td>
<td>vii</td>
</tr>
<tr>
<td>Tenant’s Determination</td>
<td>45</td>
</tr>
<tr>
<td>Tenant’s Property</td>
<td>20</td>
</tr>
<tr>
<td>Term</td>
<td>2</td>
</tr>
<tr>
<td>Useful Life</td>
<td>18</td>
</tr>
<tr>
<td>Utilities</td>
<td>4</td>
</tr>
<tr>
<td>Utility Expenses</td>
<td>4</td>
</tr>
<tr>
<td>Work Letter</td>
<td>2</td>
</tr>
</tbody>
</table>
LEASE AGREEMENT

BASIC LEASE INFORMATION

Lease Date: April 18, 2014

Landlord: Civitas Equity Fund I, LLC, a California limited liability company

Landlord’s Address: Civitas Equity Fund I, LLC
c/o Dahlin Group

All notices sent to Landlord under this Lease shall be sent to the above address, with copies to:
Shartsis Friese LLP

Tenant: Cloudflare, Inc., a Delaware corporation

Tenant’s Address:
Before Commencement Date:
CloudFare, Inc.
665 3rd Street
San Francisco, California 94107

After Commencement Date:
CloudFlare, Inc.
101 Townsend Street
San Francisco, California 94107

Building Square Footage: Approximately forty-three thousand five hundred nineteen (43,519) Interior Gross Area (the “IGA”), as measured consistent with the Building Owners and Managers Association (BOMA) Standard for the measurement of commercial office space (ANSI/BOMA Z65.1 2010)

Premises Address: 101 Townsend Street
San Francisco, California 94107
Premises or Project: That certain property known as 101 Townsend Street, San Francisco, California, which includes approximately 12,662 square feet of land, which is improved with a four (4) story office building (with three (3) above ground levels and one lower level) located thereon (the “Building”), containing approximately 43,519 IGA. The Project includes the approximately 16-foot wide paved area adjacent to the Building.

Tenant’s Proportionate Share of Project: 100%
Tenant’s Proportionate Share of Building: 100%
Length of Term: Ninety (90) months, subject to one (1) option to extend for a period of sixty (60) additional months

Estimated Commencement Date: August 1, 2014
Estimated Expiration Date: January 31, 2022

<table>
<thead>
<tr>
<th>Monthly Base Rent</th>
<th>Months</th>
<th>Sq. Ft.</th>
<th>Annual Base Rate</th>
<th>Monthly Base Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 12*</td>
<td>43,519</td>
<td></td>
<td>× $56.00</td>
<td>$203,088.67</td>
</tr>
<tr>
<td>13 – 24</td>
<td>43,519</td>
<td></td>
<td>× $57.68</td>
<td>$209,181.33</td>
</tr>
<tr>
<td>25 – 36</td>
<td>43,519</td>
<td></td>
<td>× $59.41</td>
<td>$215,455.32</td>
</tr>
<tr>
<td>37 – 48</td>
<td>43,519</td>
<td></td>
<td>× $61.19</td>
<td>$221,910.63</td>
</tr>
<tr>
<td>49 – 60</td>
<td>43,519</td>
<td></td>
<td>× $63.03</td>
<td>$228,583.55</td>
</tr>
<tr>
<td>61 – 72</td>
<td>43,519</td>
<td></td>
<td>× $64.92</td>
<td>$235,437.79</td>
</tr>
<tr>
<td>73 – 84</td>
<td>43,519</td>
<td></td>
<td>× $66.87</td>
<td>$242,509.63</td>
</tr>
<tr>
<td>85 – 90</td>
<td>43,519</td>
<td></td>
<td>× $68.88</td>
<td>$249,799.06</td>
</tr>
</tbody>
</table>

*Notwithstanding the foregoing, so long as Tenant is not in default of this Lease beyond any applicable notice and cure period, Base Rent for months one (1) through six (6) shall be abated.

Prepaid Base Rent: Two Hundred Three Thousand Eighty-Eight and 67/100 Dollars ($203,088.67), which shall be applicable to the seventh (7th) month of the Term

Base Year: Calendar year 2015

Security Deposit: Two Million Four Hundred Thirty-Seven Thousand Sixty-Four Dollars ($2,437,064.00), in the form of a Letter of Credit

Permitted Use: General office and any legally permitted uses ancillary thereto, including a networks operation center
Brokers: CBRE (“Landlord’s Broker”)
Jones Lang LaSalle (“Tenant’s Broker”)

Tenant Improvement
Allowance: $2,175,950.00
LEASE AGREEMENT

This Lease Agreement is made and entered into by and between Landlord and Tenant as of the Lease Date. The defined terms used in this Lease which are defined in the Basic Lease Information attached to this Lease Agreement ("Basic Lease Information") shall have the meaning and definition given them in the Basic Lease Information. The Basic Lease Information, the exhibits, the addendum or addenda described in the Basic Lease Information, and this Lease Agreement are and shall be construed as a single instrument and are referred to herein as the "Lease."

1. DEMISE

In consideration for the rents and all other charges and payments payable by Tenant, and for the agreements, terms and conditions to be performed by Tenant in this Lease, LANDLORD DOES HEREBY LEASE TO TENANT, AND TENANT DOES HEREBY HIRE AND TAKE FROM LANDLORD, the Premises described in the Basic Lease Information (the "Premises"), which include the building described in the Basic Lease Information (the "Building") and the entire project described in the Basic Lease Information (the "Project"), upon the agreements, terms and conditions of this Lease for the Term hereinafter stated.

2. PREMISES

The Premises has the address and contains the square footage specified in the Basic Lease Information; provided, however, that any statement of square footage set forth in this Lease, or that may have been used in calculating any of the economic terms hereof, is an approximation which Landlord and Tenant agree is reasonable and no economic terms based thereon shall be subject to revision whether or not the actual square footage is more or less. The location and dimensions of the Premises are depicted on Exhibit A, which is attached hereto and incorporated herein by this reference.

The Premises shall be leased by Tenant in "as-is" condition without any improvements or alterations by Landlord, other than the completion of the Base Building Work as defined in Exhibit B. In connection with the Base Building Work, Landlord shall enforce any warranties provided by the contractor or contractors constructing the same, and to the extent Landlord fails to do so in connection with any item that Tenant is required to maintain under this Lease after reasonable notice and opportunity to cure, Tenant may enforce such warranties, subject to the rights of the contractor(s) providing such warranties.

Landlord reserves the right from time to time to install, use, maintain, repair, relocate and replace pipes, ducts, conduits, wires, and appurtenant meters and equipment for service to the Building which are above the ceiling surfaces, below the floor surfaces, within the walls and in the central core areas of the Building upon at least 24 hours' prior notice to Tenant (except in case of emergency). In connection with any of the foregoing activities of Landlord, Landlord shall use reasonable efforts while conducting such activities to minimize any interference with Tenant's use of the Premises.
3. Term; Termination Right

(a) Term. Subject to Landlord’s receipt of all required permits and approvals and substantial completion of the work described in Section 1.2 of the Tenant Work Letter attached hereto as Exhibit B (the “Work Letter”) (such work being the “Base Building Work”), the term of this Lease (the “Term”) shall be for the period of months specified in the Basic Lease Information, commencing on the Delivery Date.

(b) Delivery Date, Commencement Date. The Delivery Date shall be the date that Landlord tenders delivery of the Building to Tenant with all Base Building Work substantially completed (the “Delivery Date” or the “Commencement Date”), which date is expected to be on or about August 1, 2014. Landlord shall provide Tenant with fifteen (15) days’ prior written notice of the exact Delivery Date. Subject to Tenant’s right to extend the Term as provided herein, the Term shall expire on the day that is ninety (90) months after the Commencement Date (the “Expiration Date”); provided, however, if the Commencement Date shall be other than the first day of a calendar month, then Expiration Date shall be the last day of the month in which the Expiration Date would otherwise occur. Notwithstanding the foregoing, if Landlord is unable to obtain approval for the outdoor roof deck described in the Work Letter at the time of receipt of the remaining Phase 2 Base Building Approvals, construction of the outdoor roof deck shall not be a condition to the occurrence of the Delivery Date.

(c) Commencement Date Memorandum. Upon delivery of the Premises to Tenant, Landlord and Tenant shall execute a Lease Term Commencement Date Memorandum specifying the actual Commencement Date; provided, however, failure to execute such a memorandum shall not affect the actual Commencement Date.

(d) Schedule for Base Building Work. Once City of San Francisco Planning Department approval for the remaining Base Building Work is secured, Landlord and Tenant shall mutually agree upon a schedule of milestones and remedies as they relate to Landlord’s construction permits and completion of the Base Building Work.

(e) Termination Right Relating to Permitting. If City of San Francisco Planning Department approvals for the Phase 2 Building Improvements described in the Work Letter, other than relating to the construction of the outdoor roof deck, are not secured in final form reasonably acceptable to Landlord and Tenant (collectively, the “Phase 2 Base Building Approvals”) before June 1, 2014, then at any time thereafter until such approvals are issued Tenant shall have the right to terminate the Lease. If Tenant does not exercise its termination right and the Phase 2 Base Building Approvals are not secured before July 1, 2014, then either party may terminate the Lease at any time thereafter until such approvals are issued. For the sake of clarity, if Landlord does not obtain approval for the outdoor roof deck but does obtain approvals for the other improvements described in the Work Letter within the time periods set forth above, neither Landlord nor Tenant shall have the right to terminate this Lease under this Section 3(e).
In the event the Premises are not delivered to Tenant with all Base Building Work substantially completed by the later of November 1, 2014, or the date that is 240 days following Landlord’s receipt of the Phase 2 Base Building Approvals (the “First Outside Date”), Tenant will be granted a rent credit in the amount of one (1) day of abated Base Rent for every one (1) day of delivery after the First Outside Date. If Base Building Work is not substantially completed by the later of January 1, 2015, or the date that is 300 days following Landlord’s receipt of the Phase 2 Base Building Approvals (the “Second Outside Date”), Tenant shall have the right to terminate the Lease by written notice to Landlord within thirty (30) days after the Second Outside Date.

If Tenant elects to terminate the Lease per Paragraphs 3(e) or 3(f) above, Landlord’s entire obligation to Tenant shall be to promptly return the full amount of the Security Deposit or Letter of Credit, plus the return of any prepaid rent paid by Tenant.

4. RENT

(a) Base Rent. Tenant shall pay to Landlord, in advance on the first day of each month, without further notice or demand and without abatement, offset, rebate, credit or deduction for any reason whatsoever, the monthly installments of rent specified in the Basic Lease Information (the “Base Rent”).

Upon execution of this Lease by Tenant, Tenant shall deliver to Landlord the Letter of Credit and the Prepaid Base Rent specified in the Basic Lease Information to be applied toward Base Rent for the month of the Term specified in the Basic Lease Information.

(b) Additional Rent. As used in this Lease, the term “Additional Rent” shall mean all sums of money, other than Base Rent, that shall become due from and payable by Tenant pursuant to this Lease.

(i) During the Term, in addition to the Base Rent, Tenant shall pay to Landlord as Additional Rent, in accordance with this Paragraph 4, (A) Tenant’s Proportionate Share of the total dollar increase, if any, in Insurance Expenses attributable to each Computation Year over Base Insurance Expenses (as defined below), and (B) Tenant’s Proportionate Share of the total dollar increase, if any, in Taxes attributable to each Computation Year over Base Taxes (as defined below).

(ii) As used in this Lease, the following terms shall have the meanings specified:

(A) “Insurance Expenses” means the total costs and expenses paid or incurred by Landlord in connection with the obtaining of insurance on the Premises, the Building and/or the Project or any part thereof or interest therein, including, premiums for “all risk” fire and extended coverage insurance, commercial general liability insurance, rent loss or abatement insurance, earthquake insurance, flood or surface water coverage, and other insurance as Landlord deems necessary in its sole discretion. In the event any such insurance policies are maintained on a portfolio wide basis, then Landlord shall have the right to equitably allocate a portion of the costs of such policies to the Premises, the Building and/or the Project, as reasonably determined by Landlord. The foregoing shall not be deemed an agreement by Landlord to carry any particular insurance relating to the Premises, the Building, or the Project, except as provided in Section 14 below.
(B) "Utility Expenses" means the cost of all electricity, water, gas, sewers, oil, trash, telephone, telecommunications, and other utilities (collectively, "Utilities"), including any surcharges imposed, serving the Premises, the Building and the Project or any part thereof, and any amounts, taxes, charges, surcharges, assessments or impositions levied, assessed or imposed upon the Premises, the Building or the Project or any part thereof, or upon Tenant’s use and occupancy thereof, as a result of any rationing of Utility services or restriction on Utility use affecting the Premises, the Building and/or the Project.

(C) "Taxes" means any and all real estate taxes and assessments, which may include any form of tax, assessment (including any special or general assessments and any assessments or charges for Utilities or similar purposes included within any tax bill for the Building or the Project or any part thereof, including, without limitation, entitlement fees, allocation unit fees and/or any similar fees or charges), fee, license fee, business license fee, levy, penalty (if a result of Tenant's delinquency), sales tax, rent tax, occupancy tax or other tax (other than net income, estate, succession, inheritance, transfer or franchise taxes), imposed by any authority having the direct or indirect power to tax, or by any city, county, state or federal government or any improvement or other district or division thereof, whether such tax is determined by the area of the Premises, the Building and/or the Project or any part thereof, or the Rent and other sums payable hereunder by Tenant, including, but not limited to: (1) any gross income or excise tax levied by any of the foregoing authorities, with respect to receipt of Rent and/or other sums due under this Lease; (2) upon any legal or equitable interest of Landlord in the Premises, the Building and/or the Project or any part thereof; (3) upon this transaction or any document to which Tenant is a party creating or transferring any interest in the Premises, the Building and/or the Project; and (4) levied or assessed in lieu of, in substitution for, or in addition to, existing or additional taxes against the Premises, the Building and/or the Project, whether or not now customary or within the contemplation of the parties. "Taxes" shall also include any legal and consultants' fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce taxes but not to exceed the savings resulting therefrom, Landlord specifically reserving the right, but not the obligation, to contest by appropriate legal proceedings the amount or validity of any taxes.

(D) "Base Year" shall mean the calendar year specified in the Basic Lease Information, based on a 100% occupied and fully assessed Building.

(E) "Base Insurance Expenses" shall mean the amount of Insurance Expenses for the Base Year.

(F) "Base Taxes" shall mean the amount of Taxes for the Base Year.

(G) "Computation Year" shall mean each twelve (12) consecutive month period commencing January 1 of each year during the Term following the Base Year, provided that Landlord, upon notice to Tenant, may change the Computation Year from time to time to any other twelve (12) consecutive month period, and, in the event of any such change, Tenant’s Proportionate Share of Insurance Expenses over Base Insurance Expenses, and of Taxes over Base Taxes shall be equitably adjusted for the Computation Years involved in any such change.
(H) “Systems” shall mean the heating, ventilating, air conditioning, plumbing, sewer, drainage, electrical, fire protection, escalator, elevator, life safety and security systems and other mechanical, electrical and communications systems and equipment serving the Premises, the Building and/or the Project or any part thereof.

(c) Payment of Additional Rent.

(i) Approximately thirty (30) days prior to the end of the Base Year and each Computation Year or as soon thereafter as practicable, Landlord shall give to Tenant notice of Landlord’s estimate of the total amounts that will be payable by Tenant under Paragraph 4(b) for the following Computation Year, and Tenant shall pay such estimated Additional Rent on a monthly basis, in advance, on the first day of each month. Tenant shall continue to make said monthly payments until notified by Landlord of a change therein. If at any time or times Landlord determines that the amounts payable under Paragraph 4(b) for the current Computation Year will vary from Landlord’s estimate given to Tenant, Landlord, by notice to Tenant, may revise the estimate for such Computation Year, and subsequent payments by Tenant for such Computation Year shall be based upon such revised estimate. By April 1 of each calendar year following the initial Computation Year, Landlord shall, in good faith, endeavor to provide to Tenant a statement showing the actual Additional Rent due to Landlord for the prior Computation Year. If the total of the monthly payments of Additional Rent that Tenant has made for the prior Computation Year is less than the actual Additional Rent chargeable to Tenant for such prior Computation Year, then Tenant shall pay the difference in a lump sum within ten (10) days after receipt of such statement from Landlord. Any overpayment by Tenant of Additional Rent for the prior Computation Year shall, at Landlord’s option, be either credited towards the Additional Rent next due or returned to Tenant in a lump sum payment within ten (10) days after delivery of such statement. Tenant shall have the right, during Landlord’s regular business hours and on reasonable prior notice, to inspect, at the location of Landlord’s accounting records, Landlord’s books and records regarding Additional Rent for the year to which the statement relates. The inspection of Landlord’s books and records may be conducted by Tenant’s employee or a reputable certified public accountant (i.e., a member of a reputable, independent, nationally or regionally recognized certified public accounting firm, who has experience reviewing financial operating records of office building landlords; provided that such accountant is not retained by Tenant on a contingency fee basis) and such audit or review is completed within five (5) business days. If such inspection reveals that the amount of Additional Rent billed to Tenant was incorrect, the appropriate party shall pay to the other party the deficiency or overpayment, as applicable, within thirty (30) days following delivery of the inspection, without interest at the interest rate set forth in Paragraph 45. All costs and expenses of the inspection shall be paid by Tenant unless the final undisputed determination is that Landlord overstated Additional Rent by more than five percent (5%) for the applicable year, in which case Landlord shall pay the actual and reasonable costs of the arbitration, not to exceed the amount of $5,000. Landlord shall maintain its accounting records of Additional Rent for at least three (3) years following the expiration or earlier termination of this Lease.
(ii) Landlord’s then-current annual operating budgets for Insurance and Taxes for the Building and the Project shall be used for purposes of calculating Tenant’s monthly payment of estimated Additional Rent for the current year, subject to adjustment as provided above. Landlord shall make the final determination of Additional Rent for the year in which this Lease terminates as soon as possible after termination of this Lease. Even though the Term has expired and Tenant has vacated the Premises, with respect to the year in which this Lease expires or terminates, Tenant shall remain liable for payment of any amount due to Landlord in excess of the estimated Additional Rent previously paid by Tenant, and, conversely, Landlord shall promptly return to Tenant any overpayment. Failure of Landlord to submit statements as called for herein shall not be deemed a waiver of Tenant’s obligation to pay Additional Rent as herein provided or Landlord’s obligation to reimburse for overpayment.

(iii) With respect to Insurance Expenses and Taxes for the Building and the Project, Tenant’s “Proportionate Share” shall be one hundred percent (100%).

(d) General Payment Terms. The Base Rent, Additional Rent and all other sums payable by Tenant to Landlord hereunder, any late charges assessed pursuant to Paragraph 6 below and any interest assessed pursuant to Paragraph 45 below, are referred to as the “Rent.” The Rent for any fractional part of a calendar month at the commencement or termination of the Term shall be a prorated amount of the Rent for a full calendar month based upon a thirty (30) day month. Except as otherwise expressly set forth herein, any nonrecurring payments of Additional Rent are due within thirty (30) days following the issuance of an invoice by Landlord. Tenant shall make all payments of Base Rent and recurring payments of Additional Rent due pursuant to the terms of this Lease by means of a federal funds wire transfer or such other method of electronic funds transfer as may be required by Landlord in its sole and absolute discretion (the “Electronic Payment”). Prior to the Commencement Date, Tenant shall obtain from Landlord the proper bank ABA number, account number and designation of the account to which such Electronic Payment shall be made. Tenant shall promptly notify Landlord in writing of any additional information that will be required to establish and maintain Electronic Payment from Tenant’s bank or financial institution. Landlord shall have the right, after at least fifteen (15) days’ prior written notice to Tenant, to change the name of the depository for receipt of any Electronic Payment and to discontinue payment of any sum by Electronic Payment and require such payments to be made by check through a domestic branch of a United States financial institution payable to such person or place as Landlord may, from time to time, designate to Tenant in writing.

(e) Statements Binding. Every statement given by Landlord pursuant to subparagraph (c) of this Paragraph 4 shall be conclusive and binding upon Tenant unless (i) within one hundred twenty (120) days after the receipt of such statement Tenant shall notify Landlord that it disputes the correctness thereof, specifying the particular respects in which the statement is claimed to be incorrect, and (ii) if such dispute shall not have been settled by agreement, Tenant shall submit the dispute to binding arbitration within one hundred twenty (120) days after receipt of the statement. Pending the determination of such dispute by agreement or arbitration as aforesaid, Tenant shall, within thirty (30) days after receipt of such statement, pay Additional Rent in accordance with Landlord’s statement and such payment shall be without prejudice to Tenant’s position. If the dispute shall be determined in Tenant’s favor, Landlord shall forthwith pay Tenant the amount of Tenant’s overpayment of Additional Rent resulting from compliance with Landlord’s statement.
(f) **Tax Protest.** Notwithstanding the provision of Paragraph 4(e) above, Tenant, at Tenant’s sole cost and expense, shall have the right to seek a reduction in or otherwise contest any Taxes by action or proceeding against the entity with authority to assess or impose the same. Landlord shall not be required to join in any proceeding or action brought by Tenant; provided however, that Tenant shall be required to provide written notice to Landlord of any such proceeding that Tenant pursues and copies of all correspondence relating thereto. Tenant shall continue, during the pendency of such proceeding or action, to pay all Additional Rent owing hereunder. Tax refunds shall be credited against Taxes for the associated period and refunded to Tenant regardless of when received, based on the period to which the refund is applicable, provided that in no event shall the amount to be refunded to Tenant for any such period exceed the total amount paid by Tenant for Taxes as Additional Rent under this Article 4 for such period. If Taxes for any period during the Term or any extension thereof are increased after payment thereof for any reason, including, without limitation, error or reassessment by applicable governmental or municipal authorities, Tenant shall pay its Proportionate Share of such increased Taxes.

5. **Utilities and Services**

(a) **In General.** Tenant will be responsible, at its sole cost and expense, for the furnishing of all services and Utilities to the Premises, including, but not limited to heating, ventilation and air conditioning, electricity, water, telephone, telecommunications, janitorial and security services.

(i) All Utilities to the Premises shall be separately metered at the Premises and shall be paid directly by Tenant to the applicable utility provider.

(ii) Landlord shall not provide janitorial services for the Premises. Tenant shall be solely responsible for performing all janitorial services and other cleaning of the Premises, all in compliance with applicable Laws. The janitorial and cleaning of the Premises shall be adequate to maintain the Premises in a manner consistent with Comparable Buildings.

(b) **Energy Disclosure.** When fully implemented, California Code of Regulations, Title 20, Section 1680 et seq. requires owners of non-residential buildings to provide EPA Energy Benchmark Reports when a building is sold, refinanced or leased in full. Tenant hereby gives its consent for the utility or utilities providing service to the Premises to disclose such information to Landlord and shall, within thirty (30) days after written request from Landlord, provide Tenant’s electric usage information and data to Landlord or such further written consent for the utility or utilities providing service to Tenant to disclose such information to Landlord as may be required by the utilities, and shall reasonably assist with Landlord’s compliance with those code sections or any similar, related or successor provision of Law.
(c) **No Landlord Liability**. Notwithstanding anything in this Lease to the contrary, Tenant acknowledges and agrees that Landlord shall not be liable, in any respect, for any injury or death of any person or any loss, injury or damage to property caused by or resulting from any variation, interruption, or failure of Utilities or any other services due to any cause whatsoever. No temporary interruption or failure of such services incident to the making of repairs, alterations, improvements, or due to accident, strike, or conditions or other events shall be deemed an eviction of Tenant or relieve Tenant from any of its obligations hereunder. In no event shall Landlord be liable in any respect for any injury or death of any person or any loss, damage or injury to the Premises or any property therein or thereon occasioned by bursting, rupture, leakage or overflow of any plumbing or other pipes (including, without limitation, water, steam, and/or refrigerant lines), sprinklers, tanks, drains, drinking fountains or washstands, or other similar cause in, above, upon or about the Premises, the Building, or the Project.

(d) **Disclosure**. Except as delineated in Exhibit B-1 to the Work Letter, (i) Landlord makes no representation with respect to the adequacy or fitness of the air-conditioning or ventilation equipment in the Building to maintain temperatures which may be required for, or because of, any equipment of Tenant, other than normal fractional horsepower office equipment, or occupancy of the Premises by more than one person per 125 square feet; and (ii) Landlord shall have no liability for loss or damage in connection therewith. Tenant shall not, without Landlord’s prior written consent, use heat-generating machines, machines other than normal fractional horsepower office machines, equipment or lighting other than building standard lights in the Premises, which may affect the temperature otherwise maintained by the air conditioning system or increase the water normally furnished for the Premises by Landlord pursuant to the terms of this Paragraph 5. If such consent is given, Landlord shall have the right to install supplementary air conditioning units or other facilities in the Premises, including supplementary or additional metering devices, and the cost thereof, including the cost of installation, operation and maintenance, increased wear and tear on existing equipment and other similar charges, shall be paid by Tenant to Landlord upon billing by Landlord. Tenant shall not use water or heat or air conditioning in excess of that normally supplied by Landlord. Tenant’s consumption of electricity shall not exceed the Building’s capacity.

6. **Late Charge**

Notwithstanding any other provision of this Lease to the contrary, Tenant hereby acknowledges that late payment to Landlord of Rent, or other amounts due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. If any Rent or other sums due from Tenant are not received by Landlord or by Landlord’s designated agent within five (5) days after their due date, then Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount. Landlord and Tenant hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of Tenant’s late payment and shall not be construed as a penalty. Landlord’s acceptance of such late charges shall not constitute a waiver of Tenant’s default with respect to such overdue amount or stop Landlord from exercising any of the other rights and remedies granted under this Lease. Notwithstanding the foregoing, Landlord will not assess a late charge until Landlord has given written notice of such late payment for the first late payment in any twelve (12) month period and after Tenant has not cured such late payment within five (5) days from receipt of such notice. No other notices will be required during the following twelve (12) months for a late charge to be incurred.
(a) **General.** To the extent any cash Security Deposit is required, currently with Tenant’s execution of this Lease, Tenant shall deposit with Landlord the Security Deposit specified in the Basic Lease Information as security for the full and faithful performance of each and every term, covenant and condition of this Lease. Landlord may use, apply or retain the whole or any part of the Security Deposit as may be reasonably necessary (a) to remedy any Default by Tenant under this Lease, (b) to repair damage to the Premises caused by Tenant, (c) to perform Tenant’s obligations under Paragraph 11, in the event Tenant fails to do so, (d) to reimburse Landlord for the payment of any amount which Landlord may reasonably spend or be required to spend by reason of Tenant’s Default, and (e) to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant’s Default. Should Tenant faithfully and fully comply with all of the terms, covenants and conditions of this Lease, within thirty (30) days following the expiration of the Term, the Security Deposit or any balance thereof shall be returned to Tenant or, at the option of Landlord, to the last assignee of Tenant’s interest in this Lease. Landlord shall not be required to keep the Security Deposit separate from its general funds and Tenant shall not be entitled to any interest on such deposit. If Landlord so uses or applies all or any portion of said deposit, within five (5) days after written demand therefor Tenant shall deposit cash with Landlord in an amount sufficient to restore the Security Deposit to the full extent of the above amount, and Tenant’s failure to do so shall be a default under this Lease. In the event Landlord transfers its interest in this Lease, Landlord shall transfer the then remaining amount of the Security Deposit to Landlord’s successor in interest, and thereafter Landlord shall have no further liability to Tenant with respect to such Security Deposit. Tenant hereby waives any and all rights under and the benefits of Section 1950.7, except subsection (b), of the California Civil Code, and all other provisions of law now in force or that become in force after the date of execution of this Lease, that provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by Tenant, or to clean the Premises. Landlord and Tenant agree that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other foreseeable or unforeseeable loss or damage caused by the act or omission of Tenant or Tenant’s officers, agents, employees, independent contractors, or invitees.

(b) **Letter of Credit.** Concurrent with its execution of this Lease, Tenant shall deliver to Landlord as collateral for the full and faithful performance by Tenant of all of its obligations under this Lease and for all losses and damages Landlord may suffer as a result of any default by Tenant under this Lease, an irrevocable and unconditional negotiable letter of credit (the “**Letter of Credit**”) in the amount specified in the Basic Lease Information (the “**LC Amount**”). Such Letter of Credit shall be in a form acceptable to Landlord and otherwise containing the terms required herein, issued by a bank which accepts deposits, maintains accounts, has a local office which will negotiate a letter of credit and whose deposits are insured by the Federal Deposit Insurance Corporation (“**FDIC**”) and approved by Landlord. The Letter of Credit shall be (i) at sight and irrevocable; (ii) subject to the terms of this Paragraph 7, maintained in effect, whether through replacement, renewal or extension, for the entire period from the date of execution of this Lease through that date which is sixty (60) days following the expiration or earlier termination hereof, and to the extent the Letter of Credit delivered to Landlord does not extend by its terms until the end of the Term through automatic annual renewals, Tenant shall deliver a new Letter of Credit or certificate of renewal or extension to Landlord at least thirty (30) days
prior to the expiration of the Letter of Credit, without any action whatsoever on the part of Landlord; and (iii) fully assignable by Landlord in connection with a transfer of Landlord’s interest in this Lease and permit partial draws. In addition to the foregoing, the form and terms of the Letter of Credit shall be acceptable to Landlord, in Landlord’s reasonable discretion, and shall provide, among other things, in effect that: (A) Landlord, or its then managing agent, shall have the right to draw down an amount up to the face amount of the Letter of Credit upon the presentation to the issuing bank of Landlord’s (or Landlord’s then managing agent’s) written statement that such amount is due to Landlord under the terms and conditions of this Lease and/or because Tenant failed to cause a new Letter of Credit or certificate of renewal or extension to be delivered to Landlord at least thirty (30) days prior to the expiration of the Letter of Credit; (B) the Letter of Credit will be honored by the issuing bank without inquiry as to the accuracy thereof and regardless of whether the Tenant disputes the content of such statement; and (C) in the event of a transfer of Landlord’s interest in this Lease, Landlord shall transfer the Letter of Credit, in whole or in part (or cause a substitute letter of credit to be delivered, as applicable) to the transferee and thereupon the Landlord shall, without any further agreement between the parties, be released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the whole or any portion of said Letter of Credit to a new Landlord.

(c) Replenishment Restrictions. If, as a result of any application or use by Landlord of all or any part of the Letter of Credit, the amount of the Letter of Credit shall be less than the LC Amount, then Tenant shall, within ten (10) days thereafter, provide Landlord with additional letter(s) of credit in an amount equal to the deficiency (or a replacement letter of credit in the total amount of the LC Amount) and any such additional (or replacement) letter of credit shall comply with all of the provisions of this Paragraph 7, and if Tenant fails to comply with the foregoing, the same shall constitute a default by Tenant. Tenant further covenants and warrants that it will neither assign nor encumber the Letter of Credit or any part thereof and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. Without limiting the generality of the foregoing, if the Letter of Credit expires earlier than the expiration of the Term, Landlord will accept a renewal letter of credit or substitute letter of credit (such renewal or substitute letter of credit to be in effect and delivered to Landlord, as applicable, not later than thirty (30) days prior to the expiration of the Letter of Credit), which with respect to any letter of credit shall be irrevocable and automatically renewable as above provided through the expiration of the Term, upon the same terms as the expiring Letter of Credit or such other terms as may be acceptable to Landlord in its reasonable discretion. However, if the Letter of Credit is not timely renewed thirty (30) days prior to the expiration of the Letter of Credit or a substitute letter of credit is not timely received within thirty (30) days prior to the expiration of the Letter of Credit, or if Tenant fails to maintain the Letter of Credit in the amount and in accordance with the terms set forth in this Paragraph 7, then Landlord shall have the right to present the Letter of Credit to the bank in accordance with the terms of this Paragraph 7, and the entire sum evidenced thereby shall be paid to and held by Landlord as a cash security deposit and as collateral for the performance of Tenant’s obligations under this Lease and for all losses and damages Landlord may suffer as a result of any default by Tenant under this Lease, and Tenant shall cause to be issued and delivered to Landlord a replacement Letter of Credit in the LC Amount within five (5) business days after the Landlord has drawn down on the Letter of Credit. The failure to do so shall constitute a Default (as defined in Paragraph 24 below) by Tenant.
(d) **Default.** If there shall occur a default under this Lease, Landlord may, but without obligation to do so, draw upon the Letter of Credit, in part or in whole, to cure any default of Tenant and/or to compensate Landlord for any and all damages of any kind or nature sustained or which may be sustained by Landlord resulting from Tenant’s default. Tenant hereby waives the provisions of California Civil Code Section 1950.7, except subsection (b), and/or any successor statute, it being expressly agreed that Landlord may apply all or any portion of the Letter of Credit, or proceeds thereof, in payment of any and all sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any officer, employee, agent or invitee of Tenant, and that following a default by Tenant, all or any portion of the Letter of Credit, or proceeds thereof, may be retained by Landlord following a termination of the Lease and applied to future damages, including damages for future rent, pending determination of the same. Tenant agrees not to interfere in any way with payment to Landlord of the proceeds of the Letter of Credit, either prior to or following a “draw” by Landlord of any portion of the Letter of Credit, regardless of whether any dispute exists between Tenant and Landlord as to Landlord’s right to draw from the Letter of Credit. No condition or term of this Lease shall be deemed to render the Letter of Credit conditional to justify the issuer of the Letter of Credit in failing to honor a drawing upon such Letter of Credit in a timely manner.

(e) **Replacement.** If at any time (a) the financial institution that provided the Letter of Credit is either (i) closed by the FDIC or any other governmental authority, or (ii) declared insolvent by the FDIC for any reason, or (b) Landlord reasonably believes that such financial institution will either be (y) closed by the FDIC or any governmental authority, or (z) declared insolvent by the FDIC for any reason, Tenant shall, within five (5) business days after either the occurrence of such closure or declaration of insolvency or notice from Landlord that Landlord reasonably believes that such financial institution will close or be declared insolvent, either (1) provide Landlord a replacement Letter of Credit satisfying all of the terms of this paragraph, or (2) post a cash security deposit in the LC Amount with Landlord, failing which a default shall be deemed to have occurred as of the end of such five (5) business day period.

(f) **Reduction.** Provided Tenant has not been in default of the Lease beyond any applicable notice and cure period and achieves profitability as determined by GAAP accounting methods (as demonstrated in writing to the reasonable satisfaction of Landlord), upon fifteen (15) days’ advance written notice from Tenant to Landlord, by Tenant, the LC Amount shall be reduced to One Million Six Hundred Twenty-Four Thousand Seven Hundred Nine Dollars ($1,624,709.00) after the forty-eighth (48th) month of the Term and reduced further to One Million Fifteen Thousand Four Hundred Forty Dollars ($1,015,440.00) after the sixty-first (61st) month of the Term. In either case, the reduction in the Letter of Credit will not take place if Landlord gives notice to the issuing bank not to make the reduction no later than ten (10) days before the reduction is to take place. Thereafter, Landlord shall retain said ($1,015,440.00) as a Letter of Credit for the remainder of the Lease Term.

8. **Possession**

(a) **Tenant’s Right of Possession.** Subject to Paragraph 8(b), Tenant shall be entitled to possession of the Premises upon commencement of the Term.
Delay in Delivering Possession. If for any reason whatsoever, Landlord cannot deliver possession of the Premises to Tenant on or before the Estimated Commencement Date, this Lease shall not be void or voidable except as expressly provided in Paragraph 3 above, and neither Landlord nor Landlord’s agents, advisors, employees, partners, members, shareholders, directors, invitees, independent contractors (collectively, the “Landlord Parties”), shall be liable to Tenant for any loss or damage resulting therefrom. Tenant shall not be liable for Rent until Landlord delivers possession of the Premises to Tenant. The Expiration Date shall be extended by the same number of days that Tenant’s possession of the Premises was delayed beyond the Estimated Commencement Date.

9. USE OF PREMISES

(a) Permitted Use. During the Term, subject to the terms of this Lease and subject to any emergencies, Tenant shall have the right to access the Premises 24 hours per day, 365 days per year. The use of the Premises by Tenant and Tenant’s agents, advisors, employees, partners, shareholders, directors, customers, invitees and independent contractors, including, but not limited to Tenant’s Contractors (as defined in the Work Letter) (collectively, the “Tenant Parties”) shall be solely for the Permitted Use specified in the Basic Lease Information and for no other use. Tenant shall not permit any objectionable or unpleasant odor, smoke, dust, gas, noise or vibration to emanate from or near the Premises. The Premises shall not be used to create any nuisance or trespass, for any illegal purpose under local, state or federal law, for any purpose not permitted by Laws (as hereinafter defined), for any purpose that would invalidate the insurance or increase the premiums on policies resulting from Tenant’s Permitted Use or any other use or action by Tenant or Tenant Parties which increases Landlord’s premiums or requires additional coverage by Landlord to insure the Premises. Tenant agrees to pay to Landlord, as Additional Rent, any increases in premiums on policies resulting from Tenant’s Permitted Use or any other use or action by Tenant or Tenant Parties which increases Landlord’s premiums or requires additional coverage by Landlord to insure the Premises. Tenant acknowledges receipt of the load specifications for the raised floor system for the Premises and agrees not to overload the floor(s) of the Building.

(b) Compliance with Governmental Regulations and Private Restrictions. Tenant and Tenant Parties shall, at Tenant’s expense, faithfully observe and comply with (i) all municipal, state and federal laws, statutes, codes, rules, regulations, ordinances, requirements, and orders including, without limitation, the International Building Code, as each of the same may be amended from time to time (collectively, “Laws”), now in force or which may hereafter be in force pertaining to the Premises or Tenant’s use of the Premises, the Building or the Project; (ii) all recorded covenants, conditions and restrictions affecting the Project (“Private Restrictions”) now in force, provided that Landlord provides, upon Landlord’s execution of this Lease, copies of the documents evidencing such Private Restrictions to Tenant; or which may hereafter be in force; and (iii) the Rules and Regulations (as defined in Paragraph 42 below). The judgment of any court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any Laws or Private Restrictions, shall be conclusive of that fact as between Landlord and Tenant.
(c) **Civil Code Section 1938 Disclosure**. To Landlord’s actual knowledge, the property being leased or rented pursuant to this Lease has not undergone inspection by a Certified Access Specialist (CASp). The foregoing verification is included in this Lease solely for the purpose of complying with California Civil Code Section 1938 and shall not in any manner affect Landlord’s and Tenant’s respective responsibilities for compliance with construction-related accessibility standards as provided herein.

(d) **Waste, Nuisance**. Without limiting the generality of the other provisions of this Article, Tenant shall not cause, maintain, or allow any waste or nuisance in, on or about the Premises; permit on the Premises a substance or material which presents a fire, explosion or other hazard; permit noise or odors in the Premises which are objected to by Landlord, or allow noise, vibrations or odors to carry outside the Premises; receive, deliver or remove merchandise, supplies or equipment, or remove or store refuse, other than in areas approved in advance in writing by Landlord; use the Premises or permit anything to be done in, on, or about the Premises which will in any way conflict with any Laws, whether local, state or federal, now in force or which may hereafter be enacted or promulgated.

(e) **Mold Prevention Practices**. Because mold spores are present essentially everywhere and mold can grow in almost any moist location, Tenant acknowledges the necessity of adopting and enforcing good housekeeping practices, ventilation and vigilant moisture control within the Premises (particularly in and around kitchen areas, janitorial closets, bathrooms, water fountains and other plumbing facilities and fixtures, break rooms, outside walls, doors, and windows, and in and around HVAC systems and associated drains) for the prevention of mold (such measures, "Mold Prevention Practices"). Tenant will, at its sole cost and expense, keep and maintain the Premises in good order and condition in accordance with the Mold Prevention Practices and acknowledges that the control of moisture, and prevention of mold within the Premises, are integral to its obligations under this Lease. Tenant, at its sole cost and expense, shall:

(i) Regularly monitor the Premises for the presence of mold and any conditions that reasonably can be expected to give rise to or be attributed to mold or fungus including, but not limited to, observed or suspected instances of water damage, condensation, seepage, leaks or any other water collection or penetration (from any source, internal or external), mold growth, mildew, repeated complaints of respiratory ailments or eye irritation by Tenant’s employees or any other occupants of the Premises, or any notice from a governmental agency of complaints regarding the indoor air quality at the Premises (the “Mold Conditions”); and

(ii) Promptly notify Landlord in writing if it observes, suspects, has reason to believe mold or Mold Conditions in, at, or about the Premises or a surrounding area. In the event of suspected mold or Mold Conditions in, at, or about the Premises and surrounding areas, Landlord may cause an inspection of the Premises to be conducted, during such time as Landlord may designate, to determine if mold or Mold Conditions are present in, at, or about the Premises. Such inspection will be at Landlord’s sole expense, unless a Mold Condition is discovered.

(iii) Tenant hereby releases and relieves Landlord from any and all liability for bodily injury and damage to property, waives any and all claims against Landlord and assumes all risk of personal injury and property damage related to or allegedly caused by or associated with any mold or Mold Conditions in or on the Premises existing on the Commencement Date or arising thereafter.
(f) **Roof Access**. Subject to Landlord’s right to access set forth in Paragraph Error! Reference source not found., Tenant shall have access to the roof of the Building at all times.

(g) **Roof Top Equipment**. Tenant, at its sole cost and expense, shall have the right to install, maintain, and from time to time replace one or more satellites dishes or other equipment (the “Roof Top Equipment”) on the roof of the Building, provided that prior to commencing any installation or maintenance, Tenant shall (i) obtain Landlord’s prior approval of the proposed size, weight and location of the Roof Top Equipment and method for fastening all such equipment to the roof, which approval shall not be unreasonably withheld (ii) such installation and/or replacement shall comply strictly with all Laws and the conditions of any bond or warranty maintained by Landlord on the roof, and (iii) obtain, at Tenant’s sole cost and expense, any necessary federal, state, and municipal permits, licenses and approvals, and deliver copies thereof to Landlord. Landlord may supervise or perform any roof penetration related to the installation of all Roof Top Equipment, and Landlord may charge the cost thereof to Tenant. Tenant agrees that all installation, construction and maintenance shall be performed in a neat, responsible, and workmanlike manner, using generally acceptable construction standards, consistent with such reasonable requirements as shall be imposed by Landlord. Tenant further agrees to label each cable or wire placed by Tenant in the telecommunications pathways of the Building, with identification information as reasonably required by Landlord. Tenant shall repair any damage to the Building caused by Tenant’s installation, maintenance, replacement, use or removal of the Roof Top Equipment. The Roof Top Equipment shall remain the property of Tenant, and Tenant may remove the Roof Top Equipment at its cost at any time during the Term. Tenant shall remove the Roof Top Equipment at Tenant’s cost and expense upon the expiration or termination of this Lease. Landlord makes no warranty or representation that the Building or any portions thereof are suitable for the use any Roof Top Equipment, it being assumed that Tenant has satisfied itself thereof. Tenant shall protect, defend, indemnify and hold harmless Landlord and Landlord’s Agents from and against claims, damages, liabilities, costs and expenses of every kind and nature, including reasonable attorneys’ fees, incurred by or asserted against Landlord arising out of Tenant’s installation, maintenance, replacement, use or removal of the Roof Top Equipment.

10. **ACCEPTANCE OF PREMISES**

By its execution hereof, Tenant acknowledges that it had the opportunity to fully inspect the Premises. By accepting Landlord’s delivery of the Premises, Tenant accepts the Premises as suitable for Tenant’s intended use and as being in good and sanitary operating order, condition and repair, AS IS, and without representation or warranty by Landlord as to the condition, use or occupancy which may be made thereof, subject only to completion of the Base Building Work as provided in Exhibit B. Any exceptions to the foregoing must be by written agreement executed by Landlord and Tenant.
11. SURRENDER

Tenant agrees that on the last day of the Term, or on the sooner termination of this Lease, Tenant shall surrender the premises to Landlord (a) in good condition and repair (damage by acts of God, fire, and normal wear and tear excepted), and (b) otherwise in accordance with Paragraph 33(b)(iii). Normal wear and tear shall not include any damage or deterioration that would have been prevented by proper maintenance by Tenant or Tenant otherwise performing all of its obligations under this Lease. On or before the expiration or sooner termination of this Lease, (i) Tenant shall remove all of Tenant’s Property (as hereinafter defined) and Tenant’s signage from the Premises, the Building and the Project and repair, patch, repair and repaint to match any damage any damage caused by such removal, and (ii) Landlord may, by notice to Tenant given not later than ninety (90) days prior to the Expiration Date (except in the event of a termination of this Lease prior to the scheduled Expiration Date, in which event no advance notice shall be required), require Tenant at Tenant’s expense to remove any or all Alterations (but not any of the initial Tenant Improvements) and to repair any damage caused by such removal. Notwithstanding the foregoing, Landlord shall notify Tenant, at the time of Landlord’s consent, which Alterations shall be removed. Any of Tenant’s Property not so removed by Tenant as required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant’s expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord’s retention and disposition of such property; provided, however, that Tenant shall remain liable to Landlord for all costs incurred in storing and disposing of such abandoned property of Tenant. All Tenant Improvements and Alterations except those which Landlord requires Tenant to remove shall remain in the Premises as the property of Landlord.

12. ALTERATIONS AND ADDITIONS

(a) In General. Tenant shall not make, or permit to be made, any alteration, addition or improvement (hereinafter referred to individually as an “Alteration” and collectively as the “Alterations”) to the Premises or any part thereof without the prior written consent of Landlord, which consent shall not be unreasonably withheld; provided, however, that Landlord shall have the right in its sole and absolute discretion to consent or to withhold its consent to any Alteration which affects the structural portions of the Premises, the Building or the Project or the Systems serving the Premises. Notwithstanding the foregoing, Tenant may make any Alterations, without Landlord’s consent (but with written notice prior to commencement and with evidence of payment in a lien-free manner to be provided upon completion), that do not affect any structural portions of the Premises, the Building or the Project or the Systems serving the Premises, that are decorative or cosmetic in nature, and which have an aggregate cost that does not exceed $75,000.00 in any six (6) month period. Except to the extent approved in advance by Landlord in writing and subject to conformance with all San Francisco Planning and Building Department requirements, in no event shall any work or Alteration by Tenant alter the exterior appearance of the Building or disrupt any ground or soil within the Project.

(b) Requirements. Any Alteration to the Premises shall be at Tenant’s sole cost and expense, in compliance with all applicable Laws and codes (including the International Building Code and code work applicable to the Base Building Work), and all requirements requested by Landlord, including, without limitation, the requirements of any insurer providing coverage for
the Premises or the Project or any part thereof, and in accordance with plans and specifications approved in, writing by Landlord, and shall be constructed and installed by a contractor approved in writing by Landlord, which approval shall not be unreasonably withheld. In connection with any Alteration, Tenant shall deliver plans and specifications therefor to Landlord. As a further condition to giving consent, with respect to any project with an anticipated cost in excess of Two Hundred Fifty Thousand Dollars ($250,000.00), Landlord may require Tenant to provide Landlord, at Tenant’s sole cost and expense, a payment and performance bond in form acceptable to Landlord, in a principal amount not less than the estimated costs of such Alterations, to ensure Landlord against any liability for mechanics’ and materialmen’s liens and to ensure completion of work. Before Alterations may begin, valid building permits or other required approvals, permits or licenses must be furnished to Landlord, and, once the Alterations begin, Tenant will diligently and continuously pursue their completion. Landlord may monitor construction of the Alterations and Tenant shall reimburse Landlord for its reasonable costs (including, without limitation, the costs of any construction manager retained by Landlord) in reviewing plans and documents and in monitoring construction, and shall pay a logistical coordination fee to Landlord in an amount equal to five percent (5%) of the total costs of any Alterations upon completion of the same (except that such fee shall not be applicable to the Tenant Improvements made by Tenant in order to prepare the Premises for initial occupancy by Tenant). Tenant shall maintain during the course of construction, at its sole cost and expense, builders’ risk insurance for the amount of the completed value of the Alterations on an all-risk non-reporting form covering all improvements under construction, including building materials, and other insurance in amounts and against such risks as Landlord shall reasonably require in connection with the Alterations. In addition to and without limitation on the generality of the foregoing, Tenant shall ensure that its contractors procure and maintain in full force and effect during the course of construction a “broad form” commercial general liability policy of insurance, including bodily injury and property damage liability, naming Landlord, Tenant, any property manager designated by Landlord and Landlord’s lenders as additional insureds. The minimum limit of coverage of the aforesaid policy shall be in the amount of not less than Three Million Dollars ($3,000,000.00) each occurrence not less than Three Million Dollars ($3,000,000.00) in the aggregate. Such policies of insurance shall contain a severability of interest clause or a cross liability endorsement. Such policies of insurance shall be issued as primary policies and not contributing with or in excess of coverage that Landlord may carry, by an insurance company authorized to do business in the state in which the Premises are located for the issuance of such type of insurance coverage and rated A-:VIII or better in Best’s Key Rating Guide. Such requirements are in addition to Tenant’s insurance obligations set forth in Article 14 below.

(c) Landlord’s Property. All Alterations, including, but not limited to, heating, lighting, electrical, air conditioning, fixed partitioning, drapery, wall covering and paneling, built-in cabinet work and carpeting installations made by Tenant, together with all property that has become an integral part of the Premises or the Building, shall at once be and become the property of Landlord, and shall not be deemed Tenant’s Property.

(d) Cable Installation. Except to the extent included in the initial Tenant Improvements, no private telephone systems and/or other related computer or telecommunications equipment or lines may be installed without Landlord’s prior written consent, which consent shall not be unreasonably withheld. If Landlord gives such consent, all equipment must be installed within the Premises and, at the request of Landlord made at any time at least thirty (30) days prior to the expiration of the Term, removed upon the expiration or sooner termination of this Lease and the Premises restored to the same condition as before such installation.
Heat Producing Equipment. Notwithstanding anything herein to the contrary, before installing any equipment or lights which generate an undue amount of heat in the Premises, or if Tenant plans to use any high-power usage equipment in the Premises, Tenant shall obtain the written permission of Landlord, which permission shall not be unreasonably withheld. Landlord may refuse to grant such permission unless Tenant agrees to pay the costs to Landlord for installation of supplementary air conditioning capacity or electrical systems necessitated by such equipment.

Notice. Tenant agrees not to proceed to make any Alterations, notwithstanding consent from Landlord to do so, until Tenant notifies Landlord in writing of the date Tenant desires to commence construction or installation of such Alterations and Landlord has approved such date in writing, in order that Landlord may post appropriate notices to avoid any liability to contractors or material suppliers for payment for Tenant’s improvements. Tenant will at all times permit such notices to be posted and to remain posted until the completion of work.

No Liens. Tenant shall not, at any time prior to or during the Term, directly or indirectly employ, or permit the employment of, any contractor, mechanic or laborer in the Premises, whether in connection with any Alteration or otherwise, if it is reasonably foreseeable that such employment will materially interfere or cause any material conflict with other contractors, mechanics, or laborers engaged in the construction, maintenance or operation of the Project by Landlord, Tenant or others. In the event of any such interference or conflict, Tenant, upon demand of Landlord, shall cause all contractors, mechanics or laborers causing such interference or conflict to leave the Project promptly.

13. Maintenance and Repairs of Premises

(a) Maintenance by Tenant. Throughout the Term, Tenant shall, at its sole expense, subject to Landlord’s obligations as set forth in Paragraphs 13(b) hereof, (i) keep and maintain in good order and condition the interior and exterior of the Building, including, but not limited to, the roof covering, lighting and Systems, and Tenant’s Property, (ii) keep and maintain in good order and condition, repair and replace all of Tenant’s security systems in or about or serving the Premises, (iii) maintain and replace all specialty lamps, bulbs, starters and ballasts, and (iv) keep and maintenance in good order and condition the exterior of the Premises, including the roof covering, pavement, sidewalks, landscaping, sprinkler system, sidewalks, driveways, curbs, lighting, and exterior of the Building, including, but not limited to, by repairing and painting over any vandalism and any defacement of Building; and (v) to the extent of any damage caused by Tenant, the roof membrane, structural portions of interior and exterior walls, and window repairs. Tenant shall not do nor shall Tenant allow Tenant Parties to do anything to cause any damage, deterioration or unsightliness to the Premises, the Building or the Project. In connection with the foregoing Tenant shall (i) cause the fire alarm systems serving the Premises to be monitored by a monitoring or protective services firm reasonably approved by Landlord in writing; (ii) procure annual maintenance contracts for the HVAC system and elevators and implement any maintenance recommendations of the service providers under such annual maintenance contracts, (iv) engage licensed pest control service providers to service the Building.
on a reasonable basis; and (iv) cause annual roof inspections to be performed by a licensed roofing contractor selected by Tenant, and shall implement any maintenance recommendations of such roofing contractor. All such contractors and providers shall be reasonably acceptable to Landlord and Tenant shall provide Landlord with copies of all such contracts and related reports and correspondence.

(b) Maintenance by Landlord.

(i) Subject to the provisions of Paragraphs 13(a), 21 and 22, Landlord, at its own cost and expense, agrees to: (1) repair and maintain the structural portions of the roof (specifically excluding the roof coverings), the foundation, the footings, the floor slab, and the load bearing walls and exterior walls of the Building (excluding any glass and any routine maintenance, including, without limitation, any painting, sealing, patching and waterproofing of such walls); (2) repair or replace the Base Building due to latent defects in the initial construction of the Building for which Tenant is not liable under this Lease; (3) perform warranty repairs of any defects in Base Building Work; (4) perform normal capital level repairs and replacement of major Systems such as roof membrane, Base Building HVAC, plumbing and electrical (and major components of same) unless such capital level replacement costs are due to damages caused by Tenant or accelerated Systems deterioration due to Tenant’s management and operations of such Systems.

(c) Capital Replacement of Base Building and Building Systems. Notwithstanding the provisions of Section 13(a) above, to the extent that the Base Building or Building Systems that Tenant would otherwise be required to maintain require replacement that would be considered a capital expense item under “Generally Accepted Accounting Principles” ("GAAP"), Tenant shall notify Landlord in writing. Upon confirmation of the need for such replacement, Landlord shall perform the necessary replacement (collectively, the “Amortized Landlord Replacements”). The cost of the Amortized Landlord Replacement shall include the cost of compliance with any Applicable Laws in connection with the completion of such replacement. The cost of each Amortized Landlord Replacement shall be amortized from the date of substantial completion of the Amortized Landlord Replacement over the useful life of each such Amortized Landlord Replacement, as determined in accordance with GAAP (the “Useful Life”), together with interest at eight percent (8%) per annum, in equal monthly installments. Upon written notice from Landlord of the date of substantial completion of each Amortized Landlord Replacement and the amount of the monthly installments, Tenant shall pay on the first (1st) day of the calendar month that is thirty (30) days after such written notice is given and on the first (1st) day of each subsequent month during the Useful Life of each Amortized Landlord Replacement during the then Term and for any Extension Term, the amount of such equal monthly installment, which shall be in addition to the Base Rent. The first (1st) payment by Tenant shall include the monthly payment(s), if any, in the amortization period to, but not including, the due date for the first (1st) payment by Tenant.

(d) Additional Rent Payable by Tenant. Expenses incurred by Landlord for the following items shall be paid by Tenant as Additional Rent within thirty (30) days after demand:

(i) Capital improvements to the Building required by government agencies not “triggered” by Tenant’s particular use or any Tenant Improvements or Alterations performed by or for Tenant, but only to the extent of the capital improvements annual cost as amortized over the useful life of the capital improvement in accordance with generally accepted accounting principles.
(ii) Capital improvements to the Building required by government agencies and “triggered” by Tenant’s particular use or any Tenant Improvements or Alterations performed by or for Tenant other than the initial Tenant Improvements.

(iii) Increases in Landlord’s insurance over the Base Year.

(iv) Increases in Property Tax over Base Year and any future public bond assessments. Tenant shall not be exempt from any Property Tax reassessment during the Lease Term or extensions thereof.

(v) Amortized Landlord Replacements, as provided in Section 13(c) above.

Notwithstanding anything in this Paragraph 13 to the contrary, Landlord shall have the right to either repair or to require Tenant to repair any damage to any portion of the Premises, the Building and/or the Project caused by or created due to any act, omission, negligence or willful misconduct of Tenant or Tenant Parties and to restore the Premises, the Building and/or the Project, as applicable, to the condition existing prior to the occurrence of such damage; provided, however, that in the event Landlord elects to perform such repair and restoration work, Tenant shall reimburse Landlord upon demand for all costs and expenses incurred by Landlord in connection therewith. Landlord’s obligation hereunder to repair and maintain is subject to the condition precedent that Landlord shall have received written notice of the need for such repairs and maintenance and a reasonable time to perform such repair and maintenance. Tenant shall promptly report in writing to Landlord any defective condition known to it which Landlord is required to repair, and failure to so report such defects shall make Tenant responsible to Landlord for any liability incurred by Landlord by reason of such condition.

(e) Tenant’s Waiver of Rights. Tenant hereby expressly waives all rights to make repairs at the expense of Landlord or to terminate this Lease, as provided for in California Civil Code Sections 1941 and 1942, and 1932(1), respectively, and any similar or successor statute or law in effect or any amendment thereof during the Term.

14. LANDLORD’S INSURANCE

Landlord shall purchase and keep in force (a) commercial general liability insurance policies in an amount not less than One Million Dollars ($1,000,000.00) per occurrence and Three Million Dollars ($3,000,000.00) aggregate, including bodily injury, products and completed operations coverage, and not less than Two Million Dollars ($2,000,000.00) in excess liability coverage, (b) fire, extended coverage and “all risk” insurance covering the Building and the Project in amounts not less than the full insurance replacement value, and (c) at Landlord’s option, earthquake and flood insurance with customary limits and deductibles. Tenant shall, at its sole cost and expense, comply with any and all reasonable requirements pertaining to the Premises, the Building and the Project of any insurer necessary for the maintenance of reasonable fire and commercial general liability insurance, covering the Building and the Project. Landlord may maintain “Loss of Rents” insurance, insuring that the Rent will be paid in a timely manner to Landlord for a period of at least twelve (12) months if the Premises, the Building or the Project or any portion thereof are destroyed or rendered unusable or inaccessible by any cause insured against under this Lease.
15. **TENANT’S INSURANCE**

(a) **Commercial General Liability Insurance.** Tenant shall, at Tenant’s expense, maintain in full force and effect during the Term of this Lease, commercial general liability insurance, including bodily injury, property damage, products, completed operations and contractual liability covering Tenant’s operations and activities at the Premises, insuring Tenant, and naming Landlord, and Landlord’s lenders as additional insureds (collectively, “Landlord’s Insureds”). The minimum limit of coverage of such policy shall be in the amount of not less than Three Million Dollars ($3,000,000.00) each occurrence and in the amount of not less than Five Million Dollars ($5,000,000.00) in the aggregate, for bodily injury, personal injury, death, contractual liability (which shall include coverage for Tenant’s indemnification obligations in this Lease), products/completed operations liability, business interruption insurance, and property damage. Coverage shall contain a severability of interest clause or a cross liability endorsement.

(b) **Property Insurance.** Tenant shall, at Tenant’s expense, maintain in full force and effect during the Term of this Lease, All-Risk insurance with valuation basis for the full replacement cost, providing coverage for all of Tenant’s personal property, furniture, furnishings, trade fixtures and equipment (including cabling) at the Premises (collectively, “Tenant’s Property”) as well as any Alterations, Tenant Improvements constructed pursuant to Exhibit B, if any, and any other improvements constructed by Tenant. During the term of this Lease the proceeds from any such policy or policies of insurance shall be used for the repair or replacement of the property so insured. Landlord will not carry insurance on any of Tenant’s possessions.

(c) **Worker’s Compensation Insurance; Employer’s Liability Insurance.** Tenant shall, at Tenant’s expense, maintain in full force and effect during the Term of this Lease, worker’s compensation insurance with not less than the minimum limits required by law, and employer’s liability insurance with a minimum limit of coverage of One Million Dollars ($1,000,000.00).

(d) **Automobile Liability.** Tenant shall, at Tenant’s expense, maintain in full force and effect during the Term of this Lease, Commercial Automobile Liability insurance providing coverage for any Tenant-Owned Autos, Non-Owned and Hired Autos and used in the conduct of its business. Such policy shall be in the amount of no less than One Million Dollars ($1,000,000.00) Combined Single Limit.

(e) **Policy Requirements and Evidence of Coverage.** Landlord may from time to time require reasonable increases in the limits of any policy required hereunder if Landlord believes that such additional coverage is necessary or desirable. The limit of any insurance shall not limit the liability of Tenant hereunder. No policy maintained by Tenant under this Paragraph 15 shall contain a deductible greater than Twenty-Five Thousand Dollars ($25,000.00). No policy shall be cancelable or subject to reduction of coverage without thirty (30) days’ prior written notice to Landlord or 10 days for non-payment. Such policies of insurance shall be issued as primary policies and not contributing with or in excess of coverage that Landlord may carry, by an
insurance company authorized to do business in the state in which the Premises are located for the issuance of such type of insurance coverage and rated A-:VIII or better in Best’s Key Rating Guide. Tenant shall deliver to Landlord certificates of insurance and all endorsements required herein to be maintained by Tenant at the time of execution of this Lease by Tenant. Tenant shall, at least fifteen (15) days prior to expiration of each policy, furnish Landlord with certificates of renewal thereof.

16. INDEMNIFICATION

Except to the extent caused by the gross negligence or willful misconduct of Landlord and the Landlord Parties, Tenant shall defend, protect, indemnify and hold harmless Landlord and the Landlord Parties, against and from any and all claims, suits, liabilities, judgments, costs, demands, causes of action and expenses (including, without limitation, reasonable attorneys’ fees, costs and disbursements) arising from (1) the use of, or any activity done, permitted or suffered in or about, the Premises (2) any activity done, permitted or suffered by Tenant or Tenant Parties in or about the Building or the Project, and (3) any act, neglect, fault, willful misconduct or omission of Tenant or Tenant Parties, or from any breach or default in the terms of this Lease by Tenant or Tenant Parties, and (4) any action or proceeding brought on account of any matter in items (1), (2) or (3). If any action or proceeding is brought against Landlord by reason of any such claim, upon notice from Landlord, Tenant shall defend the same at Tenant’s expense by counsel reasonably satisfactory to Landlord. As a material part of the consideration to Landlord, Tenant hereby releases Landlord and the Landlord Parties from responsibility for, waives its entire claim of recovery and assumes all risk of (i) damage to property or injury to persons in or about the Premises, the Building or the Project from any cause whatsoever (except to the extent is caused by the gross negligence or willful misconduct of Landlord or the Landlord Parties), or (ii) loss resulting from business interruption or loss of income at the Premises. The obligations of Tenant under this Paragraph 16 shall survive any termination of this Lease. The foregoing indemnity shall not relieve any insurance carrier of its obligations under any policies required to be carried by either party pursuant to this Lease, to the extent that such policies cover the peril or occurrence that results in the claim that is subject to the foregoing indemnity.

17. SUBROGATION

Landlord and Tenant hereby mutually waive any claim against the other and the Landlord Parties or Tenant Parties, as applicable, for any loss or damage to any of their property located on or about the Premises, the Building or the Project that is caused by or results from perils covered by property insurance carried by the respective parties (or that would have been so covered if the waiving party had carried the insurance required hereunder), to the extent of the proceeds of such insurance actually received with respect to such loss or damage, whether or not due to the negligence of the other party or its Agents. Because the foregoing waivers will preclude the assignment of any claim by way of subrogation to an insurance company or any other person, each party shall immediately notify its insurer, if required by such insurer, in writing, of the terms of these mutual waivers and have their insurance policies endorsed, if necessary, to prevent the invalidation of the insurance coverage because of these waivers. Nothing in this Paragraph 17 shall relieve a party of liability to the other for failure to carry insurance required by this Lease.
18. SIGNS

Subject to Landlord’s prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, Tenant, at Tenant’s sole cost and expense, subject to all applicable Laws and Tenant’s receipt of all permits and approvals, shall have the exclusive right to install building signs on the Building in locations and size(s) that shall be in accordance with all Applicable Laws. Landlord, at no cost or expense to Landlord, shall cooperate with Tenant in securing permits, variances and all other necessary approvals to install exterior signage on the Building, including signage that may not be permitted as of the Commencement Date but which is requested by Tenant and reasonably acceptable to Landlord.

During the Term, Tenant, at Tenant’s sole cost and expense, shall install and maintain all such signage in good repair. Tenant shall remove any sign, advertisement or notice placed on the Premises, the Building or the Project by Tenant upon the expiration of the Term or sooner termination of this Lease, and Tenant shall repair, patch and repaint to match any damage or injury to the Premises, the Building or the Project caused thereby, all at Tenant’s expense. If any signs are not removed, or necessary repairs not made, Landlord shall have the right to remove the signs and repair any damage or injury to the Premises, the Building or the Project at Tenant’s sole cost and expense.

19. FREE FROM LIENS

Tenant shall keep the Premises, free from any liens arising out of any work performed, material furnished or obligations incurred by or for Tenant. In the event that Tenant shall not, within ten (10) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, Landlord shall have in addition to all other remedies provided herein and by law the right but not the obligation to cause same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses incurred by it in connection therewith (including, without limitation, reasonable attorneys’ fees) shall be payable to Landlord by Tenant upon demand. Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law or that Landlord shall deem proper for the protection of Landlord, the Premises, from mechanics’ and materialmen’s liens. Tenant shall give to Landlord at least five (5) business days’ prior written notice of commencement of any repair or construction on the Premises with a cost in excess of Fifty Thousand Dollars ($50,000.00).

20. ENTRY BY LANDLORD

(a) In General. Tenant shall permit the Landlord and the Landlord Parties to enter into and upon the Premises at all reasonable times, upon reasonable notice of not less than 24 hours (except in the case of an emergency, for which no notice shall be required), and subject to Tenant’s reasonable security arrangements, for the purpose of inspecting the same or showing the Premises to prospective purchasers or lenders or to provide services, alter, improve, maintain and repair the Premises or the Building as required or permitted of Landlord under the terms hereof, or for any other business purpose, without any rebate of Rent and without any liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned (except for actual damages resulting from the sole active gross negligence or willful misconduct of
Landlord); Tenant shall permit Landlord to post notices of non-responsibility and ordinary “for sale” or “for lease” signs. No such entry shall be construed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction or constructive eviction of Tenant from the Premises. Landlord may temporarily close entrances, doors, elevators or other facilities without liability to Tenant by reason of such closure in the case of an emergency and when Landlord otherwise reasonably deems such closure necessary.

21. DESTRUCTION AND DAMAGE

(a) If the Project or the Premises are damaged by fire or other perils covered by extended coverage insurance, Tenant shall give Landlord prompt notice thereof. Landlord shall provide notice of its estimated time to restore the Premises within ninety (90) days after such notice.

(i) In the event of Major Damage or Destruction that Landlord estimates will take in excess of two hundred seventy days to repair, either Landlord or Tenant may elect to terminate this Lease by written notice to the other party given within thirty (30) days after the date of Landlord’s notice of the estimated time to restore, in which case this Lease shall be deemed to have terminated as of the Casualty Discovery Date. As used herein “Major Damage or Destruction” shall mean damage or destruction of all or of any portion of the improvements constructed by Landlord on the Project, if the hard costs of restoring such portion of the improvements will exceed twenty-five percent (25%) of the hard cost of replacing all such improvements in their entirety. To the extent neither party terminates this Lease, Landlord shall commence promptly to repair and restore the Premises and prosecute the same diligently to completion, and the Lease shall remain in full force and effect.

(ii) In the event of damage other than Major Damage or Destruction for which Landlord will receive insurance proceeds sufficient to cover the costs to repair and restore such damage plus deductibles, and, if the damage may be substantially repaired or restored to its condition existing immediately prior to such damage or destruction within two hundred seventy (270) days from the Casualty Discovery Date, then subject to applicable Laws, Landlord shall commence and proceed diligently with the work of repair and restoration, in which event this Lease shall continue in full force and effect. If such repair and restoration requires longer than two hundred seventy (270) days or if the insurance proceeds therefor (plus any amounts Tenant may elect or is obligated to contribute) are not sufficient to cover the cost of such repair and restoration plus deductibles, Landlord may elect either to so repair and restore, in which event this Lease shall continue in full force and effect, or not to repair or restore, in which event this Lease shall terminate. In either case, Landlord shall give written notice to Tenant of its intention within ninety (90) days after the Casualty Discovery Date. If Landlord elects not to restore the Premises, this Lease shall be deemed to have terminated as of the Casualty Discovery Date.

(iii) Notwithstanding anything to the contrary contained in this Paragraph, in the event of damage to the Premises occurring during the last twelve (12) months of the Term, and the Building cannot be substantially used by Tenant and the damage cannot be repaired or restored within sixty (60) days, either Landlord or Tenant may elect to terminate this Lease by written notice of such election given to the other, within thirty (30) days after the Casualty Discovery Date.
(b) If the Premises are damaged by any peril not fully covered by insurance proceeds to be received by Landlord (except for any amounts applicable to a deductible), and the cost to repair such damage exceeds $125,000 and any amount Tenant may agree to contribute, Landlord may elect either to commence promptly to repair and restore the Premises and prosecute the same diligently to completion, in which event this Lease shall remain in full force and effect; or not to repair or restore the Premises, in which event this Lease shall terminate. Landlord shall give Tenant written notice of its intention within one hundred eighty (180) days after the Casualty Discovery Date. If Landlord elects not to restore the Premises, this Lease shall be deemed to have terminated as of the date on which Tenant surrenders possession of the Premises to Landlord, except that if the damage to the Premises materially impairs Tenant’s ability to continue its business operations in the Premises, then this Lease shall be deemed to have terminated as of the date such damage occurred.

(c) Notwithstanding anything to the contrary in this Paragraph 21, Landlord shall have the option to terminate this Lease, exercisable by notice to Tenant within sixty (60) days after the Casualty Discovery Date, in each of the following instances:

   (i) If the Building or any portion thereof is damaged or destroyed and the repair and restoration of such damage requires longer than two hundred seventy (270) days from the Casualty Discovery Date.

   (ii) If the Building or the Project or any portion thereof is damaged or destroyed and the insurance proceeds therefor (when added to any deductible plus $125,000) are not sufficient to cover the costs of repair and restoration, regardless of whether or not the Premises is destroyed, unless the difference is covered by Tenant.

(d) In the event of repair and restoration as herein provided, the monthly installments of Base Rent shall be abated proportionately in the ratio which Tenant’s use of the Premises is impaired during the period of such repair or restoration; provided, however, that Tenant shall not be entitled to such abatement to the extent that any action or inaction of Tenant or Tenant Parties resulted in the denial of rental interruption insurance, if any. Except as expressly provided in the immediately preceding sentence with respect to abatement of Base Rent, Tenant shall have no claim against Landlord for, and hereby releases Landlord and the Landlord Parties from responsibility for and waives its entire claim of recovery for any cost, loss or expense suffered or incurred by Tenant as a result of any damage to or destruction of the Premises, the Building or the Project or the repair or restoration thereof, including, without limitation, any cost, loss or expense resulting from any loss of use of the whole or any part of the Premises, the Building or the Project and/or any inconvenience or annoyance occasioned by such damage, repair or restoration.

(e) If Landlord is obligated to or elects to repair or restore as herein provided, Landlord shall repair or restore the Premises substantially to their condition existing as of the Commencement Date; and Tenant shall promptly repair and restore, at Tenant’s expense, the Tenant Improvements and any Alterations.

(f) Tenant hereby waives the provisions of California Civil Code Section 1932(2) and Section 1933(4) which permit termination of a lease upon destruction of the leased premises, and the provisions of any similar law now or hereinafter in effect, and the provisions of this Paragraph 21 shall govern exclusively in case of such destruction.
22. CONDEMNATION

(a) If the whole or any material part of the Premises, the Building, the Project is permanently taken for any public or quasi-public purpose by any lawful governmental power or authority, by exercise of the right of appropriation, inverse condemnation, condemnation or eminent domain, or sold to prevent such taking (each such event being referred to as a “Condemnation”), and (i) such Condemnation renders the Premises, the Building, the Project unsuitable, in Landlord’s reasonable opinion, for the purposes for which they were constructed; or (ii) the Premises, the Building, the Project cannot be repaired, restored or replaced at a reasonable expense to an economically profitable unit, then Landlord may, at its option, terminate this Lease as of the date title vests in the condemning party. If twenty-five percent (25%) or more of the Premises is taken and if the Premises remaining after such Condemnation and any repairs by Landlord would be untenable (in Landlord’s reasonable opinion) for the conduct of Tenant’s business operations, Tenant shall have the right to terminate this Lease as of the date title vests in the condemning party. If either party elects to terminate this Lease as provided herein, such election shall be made by written notice to the other party given within ninety (90) days after the nature and extent of such Condemnation have been finally determined. If neither Landlord nor Tenant elects to terminate this Lease to the extent permitted above, Landlord shall promptly proceed to restore the Premises, to the extent of any Condemnation award received by Landlord, to substantially the same condition as existed prior to such Condemnation, allowing for the reasonable effects of such Condemnation, and a proportionate abatement shall be made to the Base Rent corresponding to the time during which, and to the portion of the floor area of the Premises (adjusted for any increase thereto resulting from any reconstruction) of which, Tenant is deprived on account of such Condemnation and restoration, as reasonably determined by Landlord. Except as expressly provided in the immediately preceding sentence with respect to abatement of Base Rent, Tenant shall have no claim against Landlord for, and hereby releases Landlord and the Landlord Parties from responsibility for and waives its entire claim of recovery for any cost, loss or expense suffered or incurred by Tenant as a result of any Condemnation, whether permanent or temporary, or the repair or restoration of the Premises, the Building or the Project following such Condemnation, including, without limitation, any cost, loss or expense resulting from any loss of use of the whole or any part of the Premises, the Building, the Project and/or any inconvenience or annoyance occasioned by such Condemnation, repair or restoration. The provisions of California Code of Civil Procedure Section 1265.130, which allows either party to petition the Superior Court to terminate this Lease in the event of a partial taking of the Premises, the Building or the Project, and any other applicable law now or hereafter enacted, are hereby waived by Tenant.

(b) Landlord shall be entitled to any and all compensation, damages, income, rent, awards, or any interest therein whatsoever which may be paid or made in connection with any Condemnation, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease or otherwise; provided, however, that Tenant shall be entitled to receive any award separately allocated by the condemning authority to Tenant for Tenant’s relocation expenses or the value of Tenant’s Property (specifically excluding components of the Premises which under this Lease or by law are or at the expiration of the Term will become the property of Landlord, including without limitation fixtures and Alterations), provided that such award does not reduce any award otherwise allocable or payable to Landlord.
23. ASSIGNMENT AND SUBLETTING

(a) Tenant shall not voluntarily or by operation of law, (1) mortgage, pledge, hypothecate or encumber this Lease or any interest herein, (2) assign or transfer this Lease or any interest herein, sublease the Premises or any part thereof, or any right or privilege appurtenant thereto, or allow any other person (the employees and invitees of Tenant excepted) to occupy or use the Premises, or any portion thereof, without first obtaining the written consent of Landlord, which consent shall not be withheld unreasonably as set forth below in this Paragraph 23, provided that Tenant is not then in Default under this Lease nor is any event then occurring which with the giving of notice or the passage of time, or both, would constitute a Default hereunder. Except in connection with an offering of shares to the public on a nationally recognized exchange, a transfer of greater than a fifty percent (50%) interest (whether stock, partnership interest, membership interest or otherwise) of Tenant, either in one (1) transaction or a series of transactions shall be deemed to be an assignment under this Lease. Notwithstanding anything to the contrary contained in Paragraph 23(a), Tenant may, subject to Landlord’s prior written consent, but without Landlord’s having any rights pursuant to clause (1) or (2) of Paragraph 23(b) below, and without the payment of any amounts pursuant to this Paragraph 23, sublet the Premises or assign this Lease to a Tenant Affiliate, provided that (i) Tenant shall give not less than five (5) business days’ prior written notice thereof to Landlord (to the extent such notice is permitted by applicable Law), (ii) Tenant shall continue to be fully obligated under this Lease, (iii) any such assignee or sublessee shall expressly assume and agree to perform all the terms and conditions of this Lease to be performed by Tenant (but with respect to a sublease, only with respect to that portion of the Premises that is the subject of the sublease and excluding all rental obligations of Tenant hereunder), and (iv) such Tenant Affiliate has a tangible net worth (determined in accordance with GAAP) equal to or greater than the tangible net worth of Tenant as of the date of the proposed assignment. As used herein, “Tenant Affiliate” means (A) an entity controlling, controlled by or under common control with Tenant, (B) a successor entity related to Tenant by merger, consolidation, nonbankruptcy reorganization, or government action, or (C) a purchaser of all or substantially all of Tenant’s assets located in the Premises; and a party shall be deemed to “control” another party for purposes of the definition contained in the aforesaid clause (A) only if the first party owns more than fifty percent (50%) of the stock or other beneficial interests of the second party. In addition to the foregoing, any assignee of Tenant must have a tangible net worth (determined in accordance with GAAP) sufficient, in Landlord’s reasonable opinion, to enable it to perform its obligations under the Lease.

(b) When Tenant requests Landlord’s consent to such assignment or subletting, it shall notify Landlord in writing of the name and address of the proposed assignee or subtenant and the nature and character of the business of the proposed assignee or subtenant and shall provide current and three (3) years’ prior financial statements for the proposed assignee or subtenant, which financial statements shall be audited (to the extent available) and shall in any event be prepared in accordance with generally accepted accounting principles. Tenant shall also provide Landlord with a copy of the proposed sublease or assignment agreement, including all material terms and conditions thereof. Landlord shall have the option, to be exercised within fifteen (15) days of receipt of the foregoing, to (1) terminate this Lease as of the commencement date stated
in the proposed assignment or sublease if the sublease is for more than fifty percent (50%) of the Premises, (2) sublease or take an assignment, as the case may be, from Tenant of the interest, or any portion thereof, in this Lease and/or the Premises that Tenant proposes to assign or sublease, on the same terms and conditions as stated in the proposed sublet or assignment agreement, (3) consent to the proposed assignment or sublease, or (4) refuse its consent to the proposed assignment or sublease, provided that (A) such consent shall not be unreasonably withheld so long as Tenant is not then in Default under this Lease nor is any event then occurring which, with the giving of notice or the passage of time, or both, would constitute a Default hereunder, and (B) as a condition to providing such consent, Landlord may require attornment from the proposed subtenant on terms and conditions acceptable to Landlord. In the event Landlord elects to terminate this Lease or sublease or take an assignment from Tenant of the interest, or portion thereof, in this Lease and/or the Premises that Tenant proposes to assign or sublease as provided in the foregoing clauses (1) and (2), respectively, then Landlord shall have the additional right to negotiate directly with Tenant’s proposed assignee or subtenant and to enter into a direct lease or occupancy agreement with such party on such terms as shall be acceptable to Landlord in its sole and absolute discretion, and Tenant hereby waives any claims against Landlord related thereto, including, without limitation, any claims for any compensation or profit related to such lease or occupancy agreement.

(c) Without otherwise limiting the criteria upon which Landlord may withhold its consent, Landlord shall be entitled to consider all reasonable criteria including, but not limited to, the following: (1) whether the use to be made of the Premises by the proposed subtenant or assignee will comply with the Permitted Use, and whether such use would be prohibited by any other portion of this Lease, including, but not limited to, any rules and regulations then in effect, or under applicable Laws, and whether such use imposes a greater load upon the Premises and the Building and Project services than imposed by Tenant, (2) the business reputation of the proposed individuals who will be managing and operating the business operations of the proposed assignee or subtenant, and the long-term financial and competitive business prospects of the proposed assignee or subtenant, and (3) the creditworthiness and financial stability of the proposed assignee or subtenant in light of the responsibilities involved. In any event, Landlord may withhold its consent to any assignment or sublease, if (i) the actual use proposed to be conducted in the Premises or portion thereof conflicts with the provisions of Paragraph 9(a) or (b) above or with any other lease which restricts the use to which any space in the Building or the Project may be put, (ii) the proposed assignment or sublease requires alterations, improvements or additions to the Premises or portions thereof, (iii) the portion of the Premises proposed to be sublet is irregular in shape and/or does not permit safe or otherwise appropriate means of ingress and egress, or does not comply with governmental safety and other codes, and (iv) the proposed sublessee or assignee is either a governmental or quasi-governmental agency or instrumentality thereof.

(d) If Landlord approves an assignment or subleasing as herein provided, Tenant shall pay to Landlord, as Additional Rent, fifty percent (50%) of the excess, if any, of (1) the rent and any additional rent payable by the assignee or sublessee to Tenant, minus (2) Base Rent plus Additional Rent allocable to that part of the Premises affected by such assignment or sublease pursuant to the provisions of this Lease after deducting Tenant’s reasonable marketing costs, real estate commissions, attorneys’ fees, improvement costs and any other costs directly associated with the sublet or assignment of the Premises, amortized over the life of the sublease in the case
of a sublease. The assignment or sublease agreement, as the case may be, after approval by Landlord, shall not be amended without Landlord’s prior written consent, and shall contain a provision directing the assignee or subtenant to pay the rent and other sums due thereunder directly to Landlord upon receiving written notice from Landlord that Tenant is in default under this Lease with respect to the payment of Rent. In the event that, notwithstanding the giving of such notice, Tenant collects any rent or other sums from the assignee or subtenant, then Tenant shall hold such sums in trust for the benefit of Landlord and shall immediately forward the same to Landlord. Landlord’s collection of such rent and other sums shall not constitute an acceptance by Landlord of attornment by such assignee or subtenant.

(e) Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant’s obligations under this Lease shall at all times remain fully and primarily responsible and liable for the payment of the Rent and for compliance with all of Tenant’s other obligations under this Lease (regardless of whether Landlord’s approval has been obtained for any such assignment or subletting).

(f) Tenant shall pay Landlord’s reasonable fees not to exceed $1,000.00 plus the reasonable fees of Landlord’s counsel), incurred in connection with Landlord’s review and processing of documents regarding any proposed assignment or sublease.

(g) A consent to one assignment, subletting, occupation or use shall not be deemed to be a consent to any other or subsequent assignment, subletting, occupation or use, and consent to any assignment or subletting shall in no way relieve Tenant of any liability under this Lease. Any assignment or subletting without Landlord’s consent shall be void, and shall, at the option of Landlord, constitute a Default under this Lease.

(h) Notwithstanding anything in this Lease to the contrary, in the event Landlord consents to an assignment or subletting by Tenant in accordance with the terms of this Paragraph 23, Tenant’s assignee or subtenant shall have no right to further assign this Lease or any interest therein or thereunder or to further sublease all or any portion of the Premises without the prior written consent of Landlord, in its sole and absolute discretion. In furtherance of the foregoing, Tenant acknowledges and agrees on behalf of itself and any assignee or subtenant claiming under it (and any such assignee or subtenant by accepting such assignment or sublease shall be deemed to acknowledge and agree) that no sub-subleases or further assignments of this Lease shall be permitted at any time without the prior written consent of Landlord.

(i) If this Lease is assigned, whether or not in violation of the provisions of this Lease, Landlord may collect Rent from the assignee. If the Premises or any part thereof is sublet or used or occupied by anyone other than Tenant, whether or not in violation of this Lease, Landlord may, after a Default by Tenant, collect Rent from the subtenant or occupant. In either event, Landlord may apply the net amount collected to Rent, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of the provisions of this Paragraph 23, or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of Tenant’s obligations under this Lease. The consent by Landlord to an assignment, mortgaging, pledging, encumbering, transfer, use, occupancy or subletting pursuant to any provision of this Lease shall not, except as otherwise provided herein, in any way be considered to relieve Tenant from obtaining the express consent of Landlord to
any other or further assignment, mortgaging, pledging, encumbering, transfer, use, occupancy or subletting. References in this Lease to use or occupancy by anyone other than Tenant shall not be construed as limited to subtenants and those claiming under or through subtenants but as including also licensees or others claiming under or through Tenant, immediately or remotely. The listing of any name other than that of Tenant on any door of the Premises or on any directory or in any elevator in the Building, or otherwise, shall not, except as otherwise provided herein, operate to vest in the person so named any right or interest in this Lease or in the Premises, or be deemed to constitute, or serve as a substitute for, or any waiver of, any prior consent of Landlord required under this Paragraph 23.

(j) Each subletting and/or assignment pursuant to this Paragraph shall be subject to all of the covenants, agreements, terms, provisions and conditions contained in this Lease and each of the covenants, agreements, terms, provisions and conditions of this Lease shall be automatically incorporated therein. If Landlord shall consent to, or reasonably withhold its consent to, any proposed assignment or sublease, Tenant shall indemnify, defend and hold harmless Landlord against and from any and all loss, liability, damages, costs and expenses (including reasonable counsel fees) resulting from any claims that may be made against Landlord by the proposed assignee or sublessee or by any brokers or other persons claiming a commission or similar fee in connection with the proposed assignment or sublease.

(k) Tenant acknowledges and agrees that the restrictions, conditions and limitations imposed by this Paragraph 23 on Tenant’s ability to assign or transfer this Lease or any interest therein, to sublet the Premises or any part thereof, to transfer or assign any right or privilege appurtenant to the Premises, or to allow any other person to occupy or use the Premises or any portion thereof, are, for the purposes of California Civil Code Section 1951.4, as amended from time to time, and for all other purposes, reasonable at the time that this Lease was entered into, and shall be deemed to be reasonable at the time that Tenant seeks to assign or transfer this Lease or any interest herein, to sublet the Premises or any part thereof, to transfer or assign any right or privilege appurtenant to the Premises, or to allow any other person to occupy or use the Premises or any portion thereof.

24. DEFAULT

The occurrence of any one of the following events shall constitute a default on the part of Tenant (“Default”):

(a) The vacation or abandonment of the Premises by Tenant for a period of thirty (30) consecutive days or any vacation or abandonment of the Premises by Tenant which would cause any insurance policy to be invalidated or otherwise lapse in each of the foregoing cases irrespective of whether or not Tenant is then in monetary default under this Lease. Tenant agrees to notice and service of notice as provided for in this Lease and waives any right to any other or further notice or service of notice which Tenant may have under any statute or law now or hereafter in effect;

(b) Failure to pay any installment of Rent or any other monies due and payable hereunder, said failure continuing for a period of three (3) days after the same is due;
(c) The filing of a voluntary petition in bankruptcy by Tenant, the filing by Tenant of a voluntary petition for an arrangement, the filing by or against Tenant of a petition, voluntary or involuntary, for reorganization, or the filing of an involuntary petition by the creditors of Tenant, said involuntary petition remaining undischarged for a period of sixty (60) days;

(d) Receivership, attachment, or other judicial seizure of substantially all of Tenant’s assets on the Premises, such attachment or other seizure remaining undismissed or undischarged for a period of sixty (60) days after the levy thereof;

(e) Death or disability of Tenant, if Tenant is a natural person, or the failure by Tenant to maintain its legal existence, if Tenant is a corporation, partnership, limited liability company, trust or other legal entity;

(f) Failure of Tenant to execute and deliver to Landlord any estoppel certificate, subordination agreement, or lease amendment within the time periods and in the manner required by Paragraphs 31 or 32 or 43, and/or failure by Tenant to deliver to Landlord any financial statement within the time period and in the manner required by Paragraph 41;

(g) An assignment or sublease, or attempted assignment or sublease, of this Lease or the Premises by Tenant contrary to the provision of Paragraph 23, unless such assignment or sublease is expressly conditioned upon Tenant having received Landlord’s consent thereto;

(h) Failure of Tenant to restore the Security Deposit to the amount and within the time period provided in Paragraph 7 above;

(i) Failure in the performance of any of Tenant’s covenants, agreements or obligations hereunder (except those failures specified as events of Default in subparagraphs (b), (h), (k) or (l) herein or any other subparagraphs of this Paragraph 24, which shall be governed by the notice and cure periods set forth in such other subparagraphs), which failure continues for thirty (30) days after written notice thereof from Landlord to Tenant, provided that, if Tenant has exercised reasonable diligence to cure such failure and such failure cannot be cured within such thirty (30) day period despite reasonable diligence, Tenant shall not be in default under this subparagraph so long as Tenant thereafter diligently and continuously prosecutes the cure to completion and actually completes such cure within sixty (60) days after the giving of the aforesaid written notice;

(j) Chronic delinquency by Tenant in the payment of Rent, or any other periodic payments required to be paid by Tenant under this Lease. “Chronic delinquency” means failure by Tenant to pay Rent, or any other payments required to be paid by Tenant under this Lease within three (3) days after written notice thereof for any three (3) months (consecutive or nonconsecutive) during any period of twelve (12) months;

(k) Any insurance required to be maintained by Tenant pursuant to this Lease shall be canceled or terminated or shall expire or be reduced or materially changed, except as permitted in this Lease;
(l) Any failure by Tenant to discharge any lien or encumbrance placed on the Project or any part thereof in violation of this Lease within ten (10) days after the date such lien or encumbrance is filed or recorded against the Project or any part thereof;

(m) Any failure by Tenant to promptly remove, abate or remedy any Hazardous Materials located in, on or about the Premises or the Building in connection with any failure by Tenant to comply with Tenant’s obligations under Paragraph 33;

(n) Tenant’s failure to commence business operations in the Premises within one hundred eighty (180) days following the Commencement Date, subject to delays beyond Tenant’s reasonable control (other than financial difficulty); and

(o) Any representation of Tenant herein or in any financial statement or other materials provided by Tenant or any guarantor of Tenant’s obligations under this Lease shall prove to be untrue or inaccurate in any material respect, or any such financial statements or other materials shall have omitted any material fact.

25. LANDLORD’S REMEDIES

(a) Termination. In the event of any Default by Tenant, then in addition to any other remedies available to Landlord at law or in equity and under this Lease, Landlord may terminate this Lease immediately and all rights of Tenant hereunder by giving written notice to Tenant of such intention to terminate. Tenant waives redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other pertinent present or future Law, in the event Tenant is evicted or Landlord takes possession of the Premises by reason of any Default of Tenant hereunder. If Landlord shall elect to so terminate this Lease then Landlord may recover from Tenant:

(i) the worth at the time of award of any unpaid Rent and any other sums due and payable which have been earned at the time of such termination; plus

(ii) the worth at the time of award of the amount by which the unpaid Rent and any other sums due and payable which would have been earned after termination until the time of award exceeds the amount of such rental loss Tenant proves could have been reasonably avoided; plus

(iii) the worth at the time of award of the amount by which the unpaid Rent and any other sums due and payable for the balance of the term of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus

(iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant’s failure to perform its obligations under this Lease or which in the ordinary course would be likely to result therefrom, including, without limitation, (A) any costs or expenses incurred by Landlord (1) in retaking possession of the Premises; (2) in maintaining, repairing, preserving, restoring, replacing, cleaning, altering, remodeling or rehabilitating the Premises or any affected portions of the Building or the Project, including such actions undertaken in connection with the reletting or attempted reletting of the Premises to a new tenant or tenants; (3) for leasing commissions, advertising costs and other expenses of
reletting the Premises; or (4) in carrying the Premises, including taxes, insurance premiums, utilities and security precautions; (B) any unearned brokerage commissions paid in connection with this Lease; (C) reimbursement of any previously waived or abated Base Rent or Additional Rent or any free rent or reduced rental rate applied hereunder; and (D) any concession made or paid by Landlord for the benefit of Tenant including, but not limited to, any moving allowances, contributions, payments or loans by Landlord for tenant improvements or build-out allowances, if any, and any outstanding balance (principal and accrued interest) of any tenant improvement loan, or assumptions by Landlord of any of Tenant’s previous lease obligations; plus

(v) such reasonable attorneys’ fees incurred by Landlord as a result of a Default, and costs in the event suit is filed by Landlord to enforce such remedy; and plus

(vi) at Landlord’s election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

(vii) As used in subparagraphs (i) and (ii) above, the “worth at the time of award” is computed by allowing interest at an annual rate equal to twelve percent (12%) per annum or the maximum rate permitted by law, whichever is less. As used in subparagraph (iii) above, the “worth at the time of award” is computed by discounting such amount at the discount rate of Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%). Tenant hereby waives for Tenant and for all those claiming under Tenant all right now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Tenant’s right of occupancy of the Premises after any termination of this Lease.

(b) **Continuation of Lease**. In the event of any Default by Tenant, then in addition to any other remedies available to Landlord at law or in equity and under this Lease, Landlord shall have the remedy described in California Civil Code Section 1951.4 (Landlord may continue this Lease in effect after Tenant’s Default and abandonment and recover Rent as it becomes due, provided that Tenant has the right to sublet or assign, subject only to reasonable limitations). In addition, Landlord shall not be liable in any way whatsoever for its failure or refusal to relet the Premises. For purposes of this Paragraph 25(b), the following acts by Landlord will not constitute the termination of Tenant’s right to possession of the Premises:

(i) Acts of maintenance or preservation or efforts to relet the Premises, including, but not limited to, alterations, remodeling, redecorating, repairs, replacements and/or painting as Landlord shall consider advisable for the purpose of reletting the Premises or any part thereof, or

(ii) The appointment of a receiver upon the initiative of Landlord to protect Landlord’s interest under this Lease or in the Premises.

(c) **Termination**. No action by Landlord shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant or unless the termination thereof is decreed by a court of competent jurisdiction.

(d) **Cumulative Remedies**. The remedies herein provided are not exclusive and Landlord shall have any and all other remedies provided herein or by law or in equity.
(e) **No Surrender**. No act or conduct of Landlord, whether consisting of the acceptance of the keys to the Premises, or otherwise, shall be deemed to be or constitute an acceptance of the surrender of the Premises by Tenant prior to the expiration of the Term, and such acceptance by Landlord of surrender by Tenant shall only flow from and must be evidenced by a written acknowledgment of acceptance of surrender signed by Landlord. The surrender of this Lease by Tenant, voluntarily or otherwise, shall not work a merger unless Landlord elects in writing that such merger take place, but shall operate as an assignment to Landlord of any and all existing subleases, or Landlord may, at its option, elect in writing to treat such surrender as a merger terminating Tenant’s estate under this Lease, and thereupon Landlord may terminate any or all such subleases by notifying the sublessee of its election so to do within five (5) days after such surrender.

### 26. **Landlord’s Right to Perform Tenant’s Obligations**

(a) Without limiting the rights and remedies of Landlord contained in Paragraph 25 above, if Tenant shall be in Default in the performance of any of the terms, provisions, covenants or conditions to be performed or complied with by Tenant pursuant to this Lease, then Landlord may at Landlord’s option, without any obligation to do so, and without notice to Tenant perform any such term, provision, covenant, or condition, or make any such payment, and Landlord by reason of so doing shall not be liable or responsible for any loss or damage thereby sustained by Tenant or anyone holding under or through Tenant or any of Tenant Parties.

(b) Without limiting the rights of Landlord under Paragraph 26(a) above, Landlord shall have the right at Landlord’s option, without any obligation to do so, to perform any of Tenant’s covenants or obligations under this Lease without notice to Tenant in the case of an emergency, as determined by Landlord in its sole and absolute judgment, or if Landlord otherwise determines in its sole discretion that such performance is necessary or desirable for the proper management and operation of the Building or the Project.

(c) If Landlord performs any of Tenant’s obligations hereunder in accordance with this Paragraph 26, the full amount of the cost and expense incurred or the payment so made or the amount of the loss so sustained shall immediately be owing by Tenant to Landlord, and Tenant shall promptly pay to Landlord upon demand, as Additional Rent, the full amount thereof with interest thereon from the date of payment by Landlord at the lower of (i) twelve percent (12%) per annum, or (ii) the highest rate permitted by applicable law.

### 27. **Attorneys’ Fees**

(a) **Prevailing Party**. If either party hereto fails to perform any of its obligations under this Lease or if any dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Lease, then the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party on account of such default and/or in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys’ fees and disbursements. Any such attorneys’ fees and other expenses incurred by either party in enforcing a judgment in its favor under this Lease shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys’ fees obligation is intended to be severable from the other provisions of this Lease and to survive and not be merged into any such judgment.
(b) **Collection Costs**. Without limiting the generality of Paragraph 27(a) above, if Landlord utilizes the services of an attorney for the purpose of collecting any Rent due and unpaid and not cured within any applicable cure period by Tenant or in connection with any other breach of this Lease by Tenant, Tenant agrees to pay Landlord reasonable and actual attorneys’ fees, regardless of the fact that no legal action may be commenced or filed by Landlord.

**28. Taxes**

Tenant shall be liable for and shall pay directly to the taxing authority, prior to delinquency, all taxes levied against Tenant’s Property. If any Alteration installed by Tenant pursuant to Paragraph 12 or any of Tenant’s Property is assessed and taxed with the Project or the Building, Tenant shall pay such taxes to Landlord within thirty (30) days after delivery to Tenant of a statement therefor.

**29. Confidentiality**

Tenant acknowledges that the terms and conditions of this Lease are and shall remain confidential. Tenant shall not reveal such terms and conditions to any third party (excepting only statements issued to either party’s attorneys, accountants and financial advisors, and statements otherwise required by law or in connection with an assignment, sublease or other transferee, so long as the receiving party is advised of the confidential nature of the information and agrees to keep the same confidential.

**30. Effect of Conveyance**

In the event of any Transfer by Landlord of its entire interest in the Project, Landlord shall be and hereby is entirely freed and relieved of all covenants and obligations of Landlord hereunder, and it shall be deemed and construed, without further agreement between the parties and the transferee of such interest, that the transferee of Landlord’s interest in the Project has assumed and agreed to carry out any and all covenants and obligations of Landlord hereunder.

**31. Tenant’s Estoppel Certificate**

From time to time, upon written request of Landlord, Tenant shall execute, acknowledge and deliver to Landlord or its designee, an Estoppel Certificate in substantially the form attached hereto as *Exhibit E* and with any other statements reasonably requested by Landlord or its designee. Any such Estoppel Certificate may be relied upon by a prospective transferee of Landlord’s interest or a mortgagee of (or holder of a deed of trust encumbering) Landlord’s interest or assignment of any mortgage or deed of trust upon Landlord’s interest in the Premises. If Tenant fails to provide such certificate within ten (10) business days of receipt by Tenant of a written request by Landlord as herein provided, such failure shall, at Landlord’s election, constitute a Default under this Lease, and Tenant shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee or deed of trust holder.
32. SUBORDINATION

(a) Landlord shall use commercially reasonable efforts to obtain a subordination, non-disturbance, and attornment agreement (“SNDA”) from its lender, in the form of Exhibit F attached hereto. Notwithstanding the foregoing, this Lease is subject and subordinate to all present and future ground or underlying leases of the Project and to the lien of any mortgages or trust deeds, now or hereafter in force against the Project and the Building, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the holders of such mortgages or trust deeds, or the lessors under such ground lease or underlying leases, require in writing that this Lease be superior thereto. Tenant covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage, to attorn so long as Tenant has been offered a commercially reasonable SNDA on such entity’s standard form, without any deductions or set-offs whatsoever, to the purchaser upon any such foreclosure sale if so requested to do so by such party, and to recognize such party as the lessor under this Lease. Tenant covenants and agrees that in the event of cancellation or termination of any ground lease or underlying lease in accordance with its terms or by surrender thereof, whether voluntary, involuntary or by operation of law, and provided that the lessor under any such ground lease or underlying lease has either approved this Lease in writing or notified Tenant in writing of its election to cause Tenant to attorn to it upon cancellation or termination of such ground lease or underlying lease, then this Lease shall not be cancelled or terminated as a result of the cancellation or termination of such ground lease or underlying lease, but Tenant shall make full and complete attornment to the lessor under any such ground lease or underlying lease for the balance of the term hereof with the same force and effect as though this Lease were originally made directly from the lessor under any such ground lease or underlying lease to Tenant. Following Tenant’s attornment to purchaser upon any foreclosure sale or any lessor under any ground lease or underlying lease as set forth above (a “Successor Landlord”), this Lease shall continue in full force and effect as a direct lease between Successor Landlord and Tenant upon all of the terms, conditions and covenants as are set forth in this Lease, except that the Successor Landlord shall not (a) be liable for any previous act or omission of Landlord under this Lease, except to the extent such act or omission shall constitute a continuing Landlord default hereunder; (b) be subject to any offset, not expressly provided for in this Lease; or (c) be bound by any previous modification of this Lease or by any previous prepayment of more than one (1) month’s Rent, unless such modification or prepayment shall have been expressly approved in writing by the Successor Landlord (or predecessor in interest). Tenant shall, within ten (10) business days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary to evidence or confirm the subordination or superiority of this Lease to any mortgages, trust deeds, ground leases or underlying leases and Tenant’s obligation to attorn to any holder of any mortgage or deed of trust or any lessor under any ground lease or underlying lease, subject to the provisions of this Paragraph 32. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of Tenant hereunder in the event of any foreclosure proceeding or sale.

35
33. ENVIRONMENTAL COVENANTS

(a) Definitions.

(i) As used in this Lease, the term “Hazardous Materials” means (i) any substance or material that is included within the definitions of “hazardous substances,” “hazardous materials,” “toxic substances,” “pollutant,” “contaminant,” “hazardous waste,” or “solid waste” in any Environmental Law; (ii) petroleum or petroleum derivatives, including crude oil or any fraction thereof, all forms of natural gas, and petroleum products or by-products or waste; (iii) polychlorinated biphenyls (PCBs); (iv) asbestos and asbestos containing materials (whether friable or non-friable); (v) lead and lead based paint or other lead containing materials (whether friable or non-friable); (vi) urea formaldehyde; (vii) microbiological pollutants; (viii) batteries or liquid solvents or similar chemicals; (ix) radon gas; and (x) mildew, fungus, mold, bacteria and/or other organic spore material, whether or not airborne, colonizing, amplifying or otherwise.

(ii) As used in this Lease, the term “Environmental Laws” means all statutes, terms, conditions, limitations, restrictions, standards, prohibitions, obligations, schedules, plans and timetables that are contained in or promulgated pursuant to any federal, state or local laws (including rules, regulations, ordinances, codes, judgments, orders, decrees, contracts, permits, stipulations, injunctions, the common law, court opinions, and demand or notice letters issued, entered, promulgated or approved thereunder), relating to pollution or the protection of the environment, including laws relating to emissions, discharges, releases or threatened releases of Hazardous Materials into ambient air, surface water, ground water or lands or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials including, but not limited to, the: Comprehensive Environmental Response Compensation and Liability Act of 1980 (CERCLA), as amended by the Superfund Amendments and Reauthorization Act of 1986 (SARA), 42 U.S.C. 9601 et seq.; Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (RCRA), 42 U.S.C. 6901 et seq.; Federal Water Pollution Control Act, 33 U.S.C. 1251 et seq.; Toxic Substances Control Act, 15 U.S.C. 2601 et seq.; Clean Air Act, 42 U.S.C. 7401 et seq.; and the Safe Drinking Water Act, 42 U.S.C. § 300f et seq. “Environmental Laws” shall include any statutory or common law that has developed or develops in the future regarding mold, fungus, microbiological pollutants, mildew, bacteria and/or other organic spore material. “Environmental Law” shall not include laws relating to industrial hygiene or worker safety, except to the extent that such laws address asbestos and asbestos containing materials (whether friable or non-friable) or lead and lead based paint or other lead containing materials.

(b) Tenant Obligations.

(i) During its use and occupancy of the Premises Tenant will not permit Hazardous Materials to be present on or about the Premises except for normal quantities of cleaning and other business supplies customarily used and stored in an office and that it will comply with all Environmental Laws relating to the use, storage or disposal of any such Hazardous Materials. Notwithstanding anything herein to the contrary in no event shall Tenant permit any pesticides, insecticides or herbicides to be stored, used, or disposed in on or about the Premises without the prior written consent of Landlord.
(ii) If Tenant’s use of Hazardous Materials on or about the Premises results in a release, discharge or disposal of Hazardous Materials on, in, at, under, or emanating from, the Premises or the Project, Tenant agrees to investigate, clean up, remove or remediate such Hazardous Materials in full compliance with (i) the requirements of (A) all Environmental Laws and (B) any governmental agency or authority responsible for the enforcement of any Environmental Laws; and (ii) any additional requirements of Landlord that are necessary, in Landlord’s sole discretion, to protect the value of the Premises or the Project. Landlord shall also have the right, but not the obligation, to take whatever action with respect to any such Hazardous Materials that it deems necessary, in Landlord’s sole discretion, to protect the value of the Premises or the Project. All costs and expenses paid or incurred by Landlord in the exercise of such right shall be payable by Tenant promptly upon demand. If Tenant knows, or has reasonable cause to believe, that a Hazardous Material has been released, discharged or disposed of in, on, under or about the Premises, then Tenant shall promptly give written notice of such fact to Landlord and shall promptly give Landlord a copy of any statement, report or notice concerning such event that Tenant has in its possession or control.

(iii) Upon reasonable notice to Tenant not less than 24 hours’ notice (except in the case of emergency), Landlord may inspect the Premises for the purpose of determining whether there exists on the Premises any Hazardous Materials or other condition or activity that is in violation of the requirements of this Lease or of any Environmental Laws. The right granted to Landlord herein to perform inspections shall not create a duty on Landlord’s part to inspect the Premises, or liability on the part of Landlord for Tenant’s use, storage or disposal of Hazardous Materials, it being understood that Tenant shall be solely responsible for all liability in connection therewith.

(iv) Tenant shall surrender the Premises to Landlord upon the expiration or earlier termination of this Lease free of Hazardous Materials caused or permitted by any of the Tenant Parties and in a condition which complies with all Environmental Laws and any additional requirements of Landlord that are reasonably necessary to protect the value of the Premises, the Building or the Project. Tenant’s obligations and liabilities pursuant to this Paragraph 33 shall be in addition to any other surrender requirements in this Lease and shall survive the expiration or earlier termination of this Lease. If it is reasonably determined by Landlord that the condition of all or any portion of the Premises, the Building, and/or the Project is not in compliance with the provisions of this Lease with respect to Hazardous Materials, including, without limitation, all Environmental Laws due to the violation of Tenant of the provisions of this Lease, at the expiration or earlier termination of this Lease, then at Landlord’s sole option, Landlord may require Tenant to hold over possession of the Premises until Tenant can surrender the Premises to Landlord in the condition in which the Premises existed as of the Commencement Date. The burden of proof hereunder shall be upon Tenant. For purposes hereof, the term “normal wear and tear shall not include any deterioration in the condition or diminution of the value of any portion of the Premises, the Building, and/or the Project in any manner whatsoever related to directly, or indirectly, Hazardous Materials. Any such holdover by Tenant will be with Landlord’s consent, will not be terminable by Tenant in any event or circumstance and will otherwise be subject to the provisions of Paragraph 36 below.
(v) Tenant shall indemnify and hold harmless Landlord from and against any and all claims, damages, fines, judgments, penalties, costs, losses (including, without limitation, loss in value of the Premises or the Project, damages due to loss or restriction of rentable or usable space, and damages due to any adverse impact on marketing of the space and any and all sums paid for settlement of claims), liabilities and expenses (including, without limitation, reasonable attorneys’, consultants’, and experts’ fees) incurred by Landlord during or after the term of this Lease and attributable to (i) any Hazardous Materials placed on or about the Premises, the Building or the Project by Tenant or Tenant Parties, or resulting from the action or inaction of Tenant or Tenant Parties, or (ii) Tenant’s breach of any provision of this Paragraph 33. This indemnification includes, without limitation, any and all costs incurred by Landlord due to any investigation of the site or any cleanup, removal or restoration mandated by a federal, state or local agency or political subdivision.

(c) Landlord Obligations and Disclosures.

(i) Landlord, at Landlord’s sole cost and expense, shall remove any Hazardous Materials required to be removed in connection with the Base Building Work and shall indemnify and hold Tenant harmless (including reasonable attorneys’ fees) from any future action which shall occur as a result of the presence of Hazardous Materials existent prior to the Commencement Date, except to the extent introduced to the Premises or exacerbated by Tenant or any Tenant Party.

(ii) To the extent any Hazardous Materials remain in place in accordance with applicable Law (e.g., any legally entombed older roof membranes), Landlord shall remain responsible for removing the same if and when required to be removed by Law, or Landlord otherwise elects to remove the same.

(iii) Landlord hereby discloses that underground tanks holding unknown substances were discovered in 1997 and were removed under consultant and government supervision and the work “signed off” as complete removal and restoration.

(d) Survival. The provisions of this Paragraph 33 shall survive the expiration or earlier termination of this Lease.

34. Notices

All notices and demands which are required or may be permitted to be given to either party by the other hereunder shall be in writing and shall be sent by United States mail, postage prepaid, certified, or by personal delivery or nationally recognized overnight courier, addressed to the addressee at Tenant’s Address or Landlord’s Address as specified in the Basic Lease Information, or to such other place as either party may from time to time designate in a notice to the other party given as provided herein. Copies of all notices and demands given to Landlord shall additionally be sent to Landlord’s property manager at the address specified in the Basic Lease Information or at such other address as Landlord may specify in writing from time to time. Notice shall be deemed given upon actual receipt (or attempted delivery if delivery is refused), if personally delivered, or one (1) business day following deposit with a reputable overnight courier that provides a receipt, or on the third (3rd) day following deposit in the United States mail in the manner described above. Nothing contained in this Paragraph 34 shall be deemed to limit any alternative method of notification to Tenant as may be permitted under applicable law, including without limitation the provisions of Section 1161, et seq. of the California Code of Civil Procedure or any successor statute hereinafter enacted.
35. WAIVER

The waiver of any breach of any term, covenant or condition of this Lease shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant, other than the failure of Tenant to pay the particular rental so accepted, regardless of Landlord’s knowledge of such preceding breach at the time of acceptance of such Rent. No delay or omission in the exercise of any right or remedy of Landlord in regard to any Default by Tenant shall impair such a right or remedy or be construed as a waiver. Any waiver by Landlord of any Default must be in writing and shall not be a waiver of any other Default concerning the same or any other provisions of this Lease.

36. HOLDING OVER

Any holding over after the expiration of the Term, without the express written consent of Landlord, shall constitute a Default and, without limiting Landlord’s remedies provided in this Lease, such holding over shall be construed to be a tenancy at sufferance, at a rental rate equal to one hundred fifty percent (150%) of the Base Rent last due in this Lease, plus Additional Rent, and shall otherwise be on the terms and conditions herein specified, so far as applicable; provided, however, that in no event shall any renewal or expansion option, option to purchase, or other similar right or option contained in this Lease be deemed applicable to any such tenancy at sufferance. If the Premises are not surrendered at the end of the Term or sooner termination of this Lease, and in accordance with the provisions of Paragraphs 11 and 33(b)(ii), Tenant shall indemnify, defend and hold Landlord harmless from and against any and all loss or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any loss or liability resulting from any claim against Landlord made by any succeeding tenant or prospective tenant founded on or resulting from such delay and losses to Landlord due to lost opportunities to lease any portion of the Premises to any such succeeding tenant or prospective tenant, together with, in each case, actual attorneys’ fees and costs.

37. SUCCESSORS AND ASSIGNS

The terms, covenants and conditions of this Lease shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all of the parties hereto. If Tenant shall consist of more than one entity or person, the obligations of Tenant under this Lease shall be joint and several.

38. TIME

Time is of the essence of this Lease and each and every term, condition and provision herein.

39
39. BROKERS

Landlord and Tenant each represents and warrants to the other that neither it nor its officers or agents nor anyone acting on its behalf has dealt with any real estate broker except the Brokers specified in the Basic Lease Information in the negotiating or making of this Lease. Landlord shall be responsible for payment of Tenant’s Broker and Landlord’s Broker pursuant to separate written agreements, and each party agrees to indemnify and hold harmless the other from any claim or claims, and costs and expenses, including attorneys’ fees, incurred by the indemnified party in conjunction with any other claim or claims of any other broker or brokers to a commission in connection with this Lease as a result of the actions of the indemnifying party.

40. LIMITATION OF LIABILITY

In the event of any default or breach by Landlord under this Lease or arising in connection herewith or with Landlord’s operation, management, leasing, repair, renovation, alteration or any other matter relating to the Project or the Premises Tenant’s remedies shall be limited solely and exclusively to an amount which is equal to the lesser of (a) the interest in the Building of the then-current Landlord or (b) the equity interest Landlord would have in the Building if the Building were encumbered by third party debt in an amount equal to eighty percent (80%) of the value of the Building (as such value is determined by Landlord), provided that in no event shall such liability extend to any sales or insurance proceeds received by Landlord or the “Landlord Affiliates” in connection with the Project, the Building or the Premises. For purposes of this Lease, “Landlord Affiliates” shall mean, collectively, Landlord, its partners, shareholders, members, officers, directors, employees, investment advisors, or any successor in interest of any of them. Neither Landlord, nor any of the Landlord Affiliates shall have any personal liability therefor, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant. The limitations of liability contained in this Paragraph 40 shall inure to the benefit of Landlord’s and the Landlord Affiliates’ present and future partners, beneficiaries, officers, directors, trustees, shareholders, members, agents and employees, and their respective partners, heirs, successors and assigns. Under no circumstances shall any present or future partner of Landlord (if Landlord is a partnership), future member in Landlord (if Landlord is a limited liability company) or trustee or beneficiary (if Landlord or any partner or member of Landlord is a trust), have any liability for the performance of Landlord’s obligations under this Lease. Notwithstanding any contrary provision herein, neither Landlord nor the Landlord Affiliates shall be liable under any circumstances for injury or damage to, or interference with Tenant’s business, including, but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring. The provisions of this paragraph shall apply only to the Landlord and the parties herein described, and shall not be for the benefit of any insurer nor any other third party.

41. FINANCIAL STATEMENTS

Within ten (10) business days after Landlord’s request upon a sale or financing of the Building, but not more than twice per calendar year, or in case of any Tenant default, Tenant shall deliver to Landlord the then current financial statements of Tenant, (including interim periods following the end of the last fiscal year for which annual statements are available), including a balance sheet and profit and loss statement for the most recent prior year, all prepared in accordance with generally accepted accounting principles consistently applied, which statements shall be audited to the extent available.
42. RULES AND REGULATIONS

Tenant shall comply with the rules and regulations attached hereto as Exhibit D, along with any modifications, amendments and supplements thereto, and such reasonable rules and regulations as Landlord may adopt, from time to time, for the orderly and proper operation of the Project (collectively, the “Rules and Regulations”). The Rules and Regulations may include, but shall not be limited to, the following: (a) restrictions on parking; and (b) regulation of the removal, storage and disposal of Tenant’s refuse and other rubbish. The then-current Rules and Regulations shall be binding upon Tenant upon delivery of a copy of them to Tenant. Landlord shall not be responsible to Tenant for the failure of any other person to observe and abide by any of said Rules and Regulations.

43. MORTGAGEE PROTECTION

(a) Modifications for Lender. If, in connection with obtaining financing for the Project or any portion thereof, Landlord’s lender shall request reasonable modifications to this Lease as a condition to such financing, Tenant shall not unreasonably withhold, delay or defer its consent to such modifications, provided that such modifications do not materially adversely affect Tenant’s rights or increase Tenant’s obligations under this Lease.

(b) Rights to Cure. Tenant shall give to any trust deed or mortgage holder (“Holder”), by a method provided for in Paragraph 34 above, at the same time as it is given to Landlord, a copy of any notice of default given to Landlord, provided that, prior to such notice, Tenant has been notified in writing (by way of notice of assignment of rents and leases, or otherwise) of the address of such Holder. Tenant further agrees that, if Landlord shall have failed to cure such default within the time provided for in this Lease, then the Holder shall have an additional reasonable period within which to cure such default, or if such default cannot be cured without Holder pursuing its remedies against Landlord, then such additional time as may be necessary to commence and complete a foreclosure proceeding, provided that Holder commences and thereafter diligently pursues the remedies necessary to cure such default (including, but not limited to, commencement of foreclosure proceedings, if necessary to effect such cure), in which event this Lease shall not be terminated.

44. ENTIRE AGREEMENT

This Lease, including the Exhibits and any Addenda attached hereto, which are hereby incorporated herein by this reference, contains the entire agreement of the parties hereto, and no representations, inducements, promises or agreements, oral or otherwise, between the parties, not embodied herein or therein, shall be of any force and effect. If there is more than one Tenant, the obligations hereunder imposed shall be joint and several.
45. INTEREST
Any installment of Rent and any other sum due from Tenant under this Lease which is not received by Landlord within three (3) days from when the same is due shall bear interest from the date such payment was originally due under this Lease until paid at the lesser of (a) an annual rate equal to the maximum rate of interest permitted by law, or (b) twelve percent (12%) per annum. Payment of such interest shall not excuse or cure any Default by Tenant. In addition, Tenant shall pay all costs and reasonable attorneys’ fees incurred by Landlord in collection of such amounts.

46. GOVERNING LAW; CONSTRUCTION
This Lease shall be construed and interpreted in accordance with the laws of state in which the Premises is located. The parties acknowledge and agree that no rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall be employed in the interpretation of this Lease, including the Exhibits and any Addenda attached hereto. All captions in this Lease are for reference only and shall not be used in the interpretation of this Lease. Whenever required by the context of this Lease, the singular shall include the plural, the masculine shall include the feminine, and vice versa. If any provision of this Lease shall be determined to be illegal or unenforceable, such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect.

47. NAME OF BUILDING
In the event Landlord chooses to change the name or address of the Building and/or the Project, Tenant agrees that such change shall not affect in any way its obligations under this Lease, and that, except for the name or address change, all terms and conditions of this Lease shall remain in full force and effect. Tenant agrees further that such name or address change shall not require a formal amendment to this Lease, but shall be effective upon Tenant’s receipt of written notification from Landlord of said change.

48. JURY TRIAL WAIVER
To the extent now or hereafter permitted by law, Tenant hereby waives any right to trial by jury with respect to any action or proceeding (i) brought by Landlord, Tenant or any other party, relating to (A) this Lease and/or any understandings or prior dealings between the parties hereto, or (B) the Premises, the Building or the Project or any part thereof, or (ii) to which Landlord is a party. Tenant hereby agrees that this Lease constitutes a written consent to waiver of trial by jury pursuant to the provisions of California Code of Civil Procedure Section 631, and Tenant does hereby constitute and appoint Landlord its true and lawful attorney-in-fact, which appointment is coupled with an interest, and Tenant does hereby authorize and empower Landlord, in the name, place and stead of Tenant, to file this Lease with the clerk or judge of any court of competent jurisdiction as a statutory written consent to waiver of trial by jury.

49. RECORDATION
Neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Tenant or by any one acting through, under or on behalf of Tenant, and the recording thereof in violation of this provision shall make this Lease null and void at Landlord’s election.
50. **Force Majeure**

Any prevention, delay or stoppage due to fire or other casualty, strikes, lockouts, or other labor disturbances, shortage of equipment or materials, governmental requirements, power shortages or outages, acts or omissions of the other party to this Lease, or other causes beyond the reasonable control of Landlord or Tenant as the case may be, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease (collectively, a **“Force Majeure”**), shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party’s performance as caused by a Force Majeure.

51. **Acceptance**

This Lease shall only become effective and binding upon full execution hereof by Landlord and delivery of a signed copy to Tenant and Landlord’s receipt of any Security Deposit and the Prepaid Base Rent.

52. **Counterpart / Signatures**

This Lease Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any signature on this Lease Agreement or an amendment to this Lease Agreement sent by electronic means shall be valid and binding. A party sending a signature by electronic means shall promptly send an executed original counterpart of the document to the other party by mail or courier service.

53. **Bike Storage**

Tenant may install and maintain a bike storage facility on the Premises (collectively, the **“Bike Storage Facility”**), at a location reasonably approved by Landlord on the Premises subject to the following conditions: (i) Tenant shall provide, install and maintain the Bike Storage Facility at its sole cost and expense; (ii) Tenant shall submit to Landlord for its review and approval (which approval shall not be unreasonably withheld, conditioned or delayed) detailed plans and specifications for the Bike Storage Facility and shall install the Bike Storage Facility pursuant to the plans and specifications approved by Landlord, in a good and workmanlike manner and in accordance with the reasonable direction of Landlord relative thereto; (iii) Tenant shall obtain all the necessary permits and approvals which may be required from all lawful authorities to erect and install the Bike Storage Facility. Tenant may continue to keep and maintain the Bike Storage Facility throughout the Term of this Lease and any renewals or extension thereof. Landlord shall cooperate with Tenant, at Tenant’s sole cost and expense, to secure any permits which may be required for the Bike Storage Facility.
54. PETS

Subject to the provisions of this Paragraph 54, Tenant shall be permitted to bring non-aggressive, fully vaccinated domesticated dogs that are kept by Tenant’s employees as pets, into the Premises. This right is subject to the following:

(a) All dogs are to be kept under control at all times. While outside the Building, all dogs are to be kept on leads. No dogs are to be left unaccompanied while outside of the Building. No dogs may be kept at the Premises overnight.

(b) Upon request by Landlord, copies of current vaccination records for all dogs shall be provided to Landlord.

(c) Tenant shall be responsible for any cleaning costs or other costs, repairs and regular maintenance and restoration which may arise from the dogs’ presence in the Premises, including performing regular pest control services.

(d) Tenant shall be liable for any and all acts which any dog may undertake (e.g., biting).

(e) Tenant shall be responsible for immediately removing any dog waste and excrement from the Premises.

(f) In no case shall the total number of dogs in the Premises exceed 1 (one) dog per 10,000 square feet.

(g) Any damage, wear and tear or corrective action arising from dogs in the Building shall be deemed to be in excess of normal wear and tear and shall be corrected by Tenant at its expense at the expiration or termination of this Lease, including if reasonably required, the fumigation or other treatment to eliminate fleas and other pests from the Building.

55. RENEWAL OPTION (WITH FMV RENT)

(a) Exercise of Options. Provided Tenant is in occupancy of at least two full floors of the Building and is not in default (beyond applicable notice and grace periods) pursuant to any of the terms and conditions of this Lease, at the date of both the Expiration Date and the effective date of the Option (as defined below), Tenant shall have the option (the “Option”) to renew this Lease for an additional sixty (60) month period (the “Extension Term”) commencing on the date following the Expiration Date upon the terms and conditions contained in this Paragraph 55. To exercise the Option, Tenant shall give Landlord notice (the “Extension Notice”) of intent to exercise said Option not less than nine (9) months and not more than fifteen (15) months prior to the date on which the Extension Term which is the subject of the notice will commence. The notice shall be given as provided in Paragraph 34 hereof. In the event Tenant exercises the Option, this Lease will terminate in its entirety at the end of the Extension Term and Tenant will have no further option to renew or extend the Term of this Lease.

(b) Procedures for Determining Prevailing Market Rate.

(i) If Tenant timely exercises the Option, Landlord shall deliver to Tenant a good faith written proposal of the “Prevailing Market Rate” (as hereinafter defined) for the Premises for the Extension Term. Within thirty (30) days after receipt of Landlord’s proposal, Tenant shall notify Landlord in writing that (A) Tenant accepts Landlord’s proposal or (B) Tenant rejects Landlord’s proposal. If Tenant does not give Landlord a timely notice in response to Landlord’s proposal, Landlord’s proposal of the Prevailing Market Rate for the Extension Term shall be deemed accepted by Tenant.
(ii) If Tenant timely rejects Landlord’s proposal, Landlord and Tenant shall first negotiate in good faith in an attempt to agree upon the Prevailing Market Rate for the Extension Term. If Landlord and Tenant are able to agree within thirty (30) days following Landlord’s receipt of Tenant’s notice rejecting Landlord’s proposal (the “Negotiation Period”), such agreement shall constitute a determination of Prevailing Market Rate for purposes of this Paragraph. If Landlord and Tenant are unable to agree upon the Prevailing Market Rate during the Negotiation Period, then within thirty (30) days after expiration of the Negotiation Period, the parties shall meet and concurrently deliver to each other their respective written estimates of the Prevailing Market Rate for the Extension Term, supported by the reasons therefor (respectively, “Landlord’s Determination” and “Tenant’s Determination”). Landlord’s Determination may be more or less than its initial proposal of Prevailing Market Rate. If either party fails to deliver its Determination in a timely manner, then the Prevailing Market Rate shall be the amount specified by the other party. If the higher of such Determinations is not more than one hundred five percent (105%) of the lower of such Determinations, then the Prevailing Market Rate shall be the average of the two Determinations. If the Prevailing Market Rate is not resolved by exchange of the Determinations, the Prevailing Market Rate shall be determined as follows, each party being bound to its Determination and such Determinations constituting the only two choices available to the Appraisal Panel (as hereinafter defined).

(iii) Within thirty (30) days after the parties exchange Landlord’s and Tenant’s Determinations, the parties shall each appoint a neutral and impartial appraiser who shall be certified as an MAI or ASA appraiser and shall have at least ten (10) years’ experience, immediately prior to his or her appointment, as a real estate appraiser of office properties in the City of San Francisco, including significant experience appraising Comparable Buildings. For purposes hereof, an “MAI” appraiser means an individual who holds an MAI designation conferred by, and is an independent member of, the American Institute of Real Estate Appraisers (or its successor organization, or, if there is no successor organization, the organization and designation most similar), and an “ASA” appraiser means an individual who holds the Senior Member designation conferred by, and is an independent member of, the American Society of Appraisers (or its successor organization, or, if there is no successor organization, the organization and designation most similar). If either Landlord or Tenant fails to appoint an appraiser within said thirty (30) day period, the Prevailing Market Rate for the Extension Term shall be the Determination of the other party who timely appointed an appraiser.

Landlord’s and Tenant’s appraisers shall work together in good faith to appoint a neutral or impartial third party appraiser within ten (10) business days, and notify both Landlord and Tenant of such selection. The three appraisers shall then work together in good faith to decide which of the two Determinations more closely reflects the Prevailing Market Rate of the Premises for the Extension Term. The Determination selected by such appraisers shall be binding upon Landlord and Tenant. If all three appraisers cannot agree upon which of the two Determinations more closely reflects the Prevailing Market Rate within thirty (30) days, the decision of a majority of the appraisers shall prevail.

(iv) Within five (5) days following notification of the identity of the third appraiser, Landlord and Tenant shall submit copies of Landlord’s Determination and Tenant’s Determination to the third appraiser. The three appraisers are referred to herein as the “Appraisal Panel.” The Appraisal Panel, if it so elects, may conduct a hearing, at which
Landlord and Tenant may each make supplemental oral and/or written presentations, with an opportunity for rebuttal by the other party and for questioning by the members of the Appraisal Panel. Within thirty (30) days following the appointment of the third appraiser, the Appraisal Panel, by majority vote, shall select either Landlord’s Determination or Tenant’s Determination as the Prevailing Market Rate of the Premises for the Extension Term, and shall have no right to propose a middle ground or to modify either of the two proposals or the provisions of this Lease. The decision of the Appraisal Panel shall be final and binding upon the parties, and may be enforced in accordance with the provisions of California law. In the event of the failure, refusal or inability of any member of the Appraisal Panel to act, a successor shall be appointed in the manner that applied to the selection of the member being replaced.

(v) Each party shall pay the fees and expenses of the appraiser appointed by such party, and one-half of the fees and expenses of the third appraiser and the expenses incident to the proceedings of the Appraisal Panel (excluding attorneys’ fees and similar expenses of the parties which shall be borne separately by each of the parties).

(c) **Prevailing Market Rate**. As used in this Lease, the phrase “**Prevailing Market Rate**” means the amount that a landlord under no compulsion to lease the Premises, and a tenant under no compulsion to lease the Premises, would agree upon at arm’s length as Base Rent for the Premises for the Extension Term, as of the commencement of the Extension Term. The Prevailing Market Rate shall be based upon non-sublease, non-encumbered, non-equity lease transactions recently entered into for space in the Building and in Comparable Buildings (“**Comparison Leases**”) and may include periodic increases. Rental rates payable under Comparison Leases shall be adjusted to account for variations between this Lease and the Comparison Leases with respect to: (i) the length of the Extension Term compared to the lease term of the Comparison Leases; (ii) rental structure, including additional rent, and taking into consideration any “base year”; (iii) the size of the Premises compared to the size of the premises under the Comparison Leases; (iv) utility, location, floor levels, views and efficiencies of the floor(s) of the Premises compared to the premises under the Comparison Leases; (v) the age and quality of construction of the Building; (vi) the value of existing leasehold improvements to Tenant; and (vii) the financial condition and credit history of Tenant compared to the tenants under the Comparison Leases. In determining the Prevailing Market Rate, no consideration shall be given to (i) any rental abatement period granted to tenants in Comparison Leases in connection with the design and construction of tenant improvements, (ii) whether Landlord or the landlords under Comparison Leases are paying real estate brokerage commissions in connection with Tenant’s exercise of the Extension Option or in connection with the Comparison Leases, and (iii) moving allowances paid. For purposes of this Paragraph, “**Comparable Buildings**” mean those buildings located in the vicinity of the Building.

In no event shall the Prevailing Market Rent be less than ninety percent (90%) the Base Rent paid by Tenant during the twelve months of the Lease Term immediately preceding the Extension Term.

(d) **Option is Personal**. The rights contained in this Paragraph 55 shall be personal to the Tenant and shall not be transferable to any assignee, sub-lessee or other transferee (other than a Tenant Affiliate) of Tenant’s interest in this Lease and may only be exercised by the Tenant or a Tenant Affiliate if the Tenant or a Tenant Affiliate occupies at least two (2) full floors of the Building at the Expiration Date and at the commencement of the Extension Term.

[Remainder of Page Intentionally Blank]

46
IN WITNESS WHEREOF, Landlord and Tenant have executed and delivered this Lease as of the Lease Date specified in the Basic Lease Information.

**LANDLORD:** CIVITAS EQUITY FUND I, LLC,
a California limited liability company

By: /s/ Karl Danielson  
Name: Karl Danielson  
Title: Manager

**TENANT:** CLOUDFLARE, INC.,  
a Delaware corporation

By: /s/ Matthew Prince  
Name: Matthew Prince  
Title: CEO, CloudFlare, Inc.

By: /s/ Michelle Zatlyn  
Name: Michelle Zatlyn  
Title: Co-founder, CloudFlare, Inc.
This Exhibit is attached to and made a part of the Lease Agreement (the “Lease”) by and between CIVITAS EQUITY FUND I, LLC, a California limited liability company (“Landlord”) and CLOUD FLARE, INC., a Delaware corporation (“Tenant”) for space in the Building located at 101 Townsend Street, San Francisco, California.

This Tenant Work Letter shall set forth the terms and conditions relating to the construction of the Premises. This Tenant Work Letter is essentially organized chronologically and addresses the issues of the construction of the Premises, in sequence, as such issues will arise during the actual construction of the Premises. All references in this Tenant Work Letter to Paragraphs of “this Lease” shall mean the relevant portions of the Lease, and all references in this Tenant Work Letter to Sections of “this Tenant Work Letter” shall mean the relevant portions of Sections 1 through 5 of this Tenant Work Letter.

1. DELIVERY OF THE PREMISES

1.1 Delivery. Subject to Paragraph 8 of the Lease, Landlord shall deliver the Premises promptly following the full execution and unconditional delivery of this Lease and completion of Landlord’s Work (defined below).

1.2 Condition. Landlord shall deliver the Premises in “warm shell” condition and in conformance with the base building standards as set forth on Exhibit B-1 hereto (the “Base Building”). Subject to the foregoing, Tenant shall accept the Premises in their then existing, “AS-IS” condition.

1.3 Space Plan Subsidy. In addition to the Tenant Improvement Allowance, upon the mutual execution of the Lease and delivery of a space plan, Landlord shall reimburse Tenant’s architect for a space plan up to $0.10 per IGA. Tenant shall provide Landlord with each version of the preliminary space plan and CAD files. If the Lease Agreement is subsequently terminated, Landlord may use said space plan in its own promotional material so long as it does not disclose proprietary information about the Tenant’s business or refer to the Tenant in such promotional material and provided Landlord releases Tenant’s architect from all liability for such space plan.

2. TENANT IMPROVEMENTS

2.1 Tenant Improvement Allowance. Tenant shall be entitled to a one-time tenant improvement allowance (the “Tenant Improvement Allowance”) in the amount of Two Million One Hundred Seventy-Five Thousand Nine Hundred Fifty Dollars ($2,175,950.00) for the costs relating to the initial design (including consultant and project management fees), permitting and construction of Tenant’s improvements which are affixed to the Premises (collectively, the “Tenant Improvements”) and for the “Tenant Improvement Allowance Items,” as that term is defined in Section 2.2(a) below. In no event shall Landlord be obligated to make disbursements pursuant to this Tenant Work Letter in a total amount which exceeds the Tenant Improvement Allowance. Tenant shall have no claim for any Tenant Improvement Allowance, and Landlord shall have no obligation to reimburse Tenant for any Tenant Improvement costs, that have not been requested within (10) months after the Delivery Date.

B-1
2.2 Disbursement of the Tenant Improvement Allowance.

(a) Tenant Improvement Allowance Items. Except as otherwise set forth in this Tenant Work Letter, the Tenant Improvement Allowance shall be disbursed by Landlord only for the following items and costs (collectively, the “Tenant Improvement Allowance Items”) and, except as otherwise specifically and expressly provided in this Tenant Work Letter, Landlord shall not deduct any other expenses from the Tenant Improvement Allowance. The Tenant Improvement Allowance Items shall consist of:

(i) Payment of the fees and costs of the “Architect” and the “Engineers,” as those terms are defined in Section 3.1 of this Tenant Work Letter, costs paid to Tenant’s consultants in connection with the design, construction and move into the Premises and all related design and construction costs, including the fees and costs of Tenant’s project management consultants;

(ii) The payment of plan check, permit and license fees relating to construction of the Tenant Improvements;

(iii) The cost of construction of the Tenant Improvements, including, without limitation, testing and inspection costs, and trash removal costs, after hours utility usage, and contractors’ fees and general conditions but excluding the costs set forth in Section 5.5 of this Tenant Work Letter;

(iv) The cost of any changes in the Base Building when such changes are required by the Construction Drawings (including if such changes are due to the fact that such work is prepared on an unoccupied basis) or to comply with all applicable building codes, such cost to include all direct architectural and/or engineering fees and expenses incurred in connection therewith;

(v) The cost of any changes to the Construction Drawings or Tenant Improvements required by all applicable building codes;

(vi) Sales and use taxes; and

(vii) All other costs approved by or expended by Tenant in connection with the construction of the Tenant Improvements, but expressly excluding any of Tenant’s Property.

(b) Disbursement of Tenant Improvement Allowance. During the construction of the Tenant Improvements, Landlord shall make monthly disbursements of the Tenant Improvement Allowance for Tenant Improvement Allowance Items for the benefit of Tenant and shall authorize the release of monies for the benefit of Tenant as follows.

B-2
(i) **Monthly Disbursements.** Once each month, or from time to time upon predetermined milestones as mutually agreed upon by Landlord and Tenant, on a day designated by Landlord or if no date is designated by Landlord, then on the first Tuesday of each month (in either event, a “**Submittal Date**”) during the period from the date hereof through the construction of the Tenant Improvements, Tenant shall deliver to Landlord: (A) a request for payment of the “Contractor,” as that term is defined in Section 4.1 of this Tenant Work Letter, and/or to the “Architect” and/or to the “Engineers,” as such terms are defined in Section 3.1 below, and/or to Tenant’s various consultants or other persons or entities entitled to payment (or reimbursement to Tenant if Tenant has already paid the Contractor or other person or entity entitled to payment), approved by Tenant, in a form to be provided by Landlord and Landlord’s lender, each showing the schedule, by trade, of percentage of completion of the Tenant Improvements in the Premises, detailing the portion of the work completed; (B) invoices from all of “Tenant’s Agents,” as that term is defined in Section 4.1(b) of this Tenant Work Letter, for labor rendered and materials delivered to the Premises for the applicable payment period; (C) executed conditional mechanics’ lien releases from all of Tenant’s Agents which shall substantially comply with the appropriate provisions of California Civil Code Section 8132 or 8136 or unconditional releases if appropriate pursuant to California Civil Code Section 8134 or 8138; provided, however, that with respect to fees and expenses of the Architect, Engineers, or construction or project managers or other similar consultants, and/or any other pre-construction items for which the payment scheme set forth in items (A) through (C) above of this Tenant Work Letter, is not applicable (collectively, the “**Non-Construction Allowance Items**”), Tenant shall only be required to deliver to Landlord on or before the applicable Submittal Date, reasonable evidence of incurring the cost for the applicable Non-Construction Allowance Items (unless Landlord has received a preliminary notice in connection with such costs in which event conditional lien releases must be submitted in connection with such costs); and (D) all other information reasonably requested in good faith by Landlord. Tenant’s request for payment shall be deemed Tenant’s acceptance and approval of the work furnished and/or the materials supplied as set forth in Tenant’s payment request vis-à-vis Landlord. Within fifteen (15) days following the Submittal Date, and assuming Landlord receives all of the information described in items (A) through (D) above in Landlord’s lender prescribed form, Landlord shall use commercially reasonable best efforts to deliver a check to Tenant made jointly payable to Contractor and Tenant or if Tenant elects, to the Contractor, subcontractor, architect, engineer or consultant designated by Tenant and/or a separate check to Tenant where Tenant has provided evidence reasonably satisfactory to Landlord that Tenant has paid such Contractor (or other supplier of services or goods) accompanied when appropriate by unconditional lien releases, or any other provider of goods and services designated by Tenant to Landlord, and Tenant in payment of the lesser of: (1) the amounts so requested by Tenant, as set forth above in this Section 2.2(b)(i), less a ten percent (10%) retention (the aggregate amount of such retentions to be known as the “**Final Retention**”); provided, however, that no such retention shall be duplicative of the retention Tenant would otherwise withhold (but will not withhold) pursuant to its agreement with such Contractor and no such deduction shall be applicable to amounts due to Tenant’s consultants, the Architect, or the Engineer or for Non-Construction Allowance Items or other Tenant Improvement Allowance Items in connection with the payment of suppliers for materials delivered to the Premises and subcontractors for completing performance of their work substantially in advance of the completion of the Tenant Improvements, and (2) the balance of any remaining available portion of the Tenant Improvement Allowance (not including the Final Retention). In the event that Landlord or Tenant identifies any material non-compliance with the “Approved Construction Drawings,” as that term is defined in Section 3.4 below, or substandard work, Landlord or Tenant as appropriate shall be provided a detailed statement identifying such
material non-compliance or substandard work by the party claiming the same, and Tenant shall cause such work to be corrected. Such procedure shall also be applicable in connection with the payment of the Final Retention. Landlord’s payment of such amounts shall not be deemed Landlord’s approval or acceptance of the work furnished or materials supplied as set forth in Tenant’s payment request. If Tenant receives a check payable to anyone other than solely to Tenant, Tenant may return such check to Landlord and receive a replacement check made payable only to Tenant within ten (10) business days, if Tenant provides the releases and evidence to the extent required above to receive a check payable solely to Tenant.

(ii) Final Retention. A check for the Final Retention payable jointly to Tenant and Contractor (or payable solely to Tenant if Contractor is no longer owed any money by Tenant for work performed in the Premises) shall be delivered by Landlord to Tenant following the completion of construction of the Premises, provided that (A) Tenant delivers to Landlord properly executed mechanics lien releases in compliance with both California Civil Code Section 8134 and either Section 8136 or Section 8138, (B) Architect delivers to Landlord a certificate, in a form reasonably acceptable to Landlord, certifying that the construction of the Tenant Improvements in the Premises has been substantially completed in accordance with the terms of this Tenant Work Letter, and (C) Tenant fulfills its obligations pursuant to clause (i) of Section 4.3 of this Tenant Work Letter.

(iii) Other Terms. Landlord shall only be obligated to make disbursements from the Tenant Improvement Allowance to the extent costs are incurred by Tenant for Tenant Improvement Allowance Items.

2.3 Standard Tenant Improvement Package. Landlord has established specifications (the “Specifications”) for the Building standard components to be used in the construction of the Tenant Improvements in the Premises, which Specifications have been or shall be supplied to Tenant. The quality of Tenant Improvements shall be equal to or of greater quality than the quality of the Specifications, provided that the Tenant Improvements shall comply with certain Specifications as designated by Landlord, including, without limitation, doors and ceiling systems.

3. Construction Drawings

3.1 Selection of Architect/Construction Drawings. Tenant shall retain an architect/space planner approved by Landlord, which approval shall not be unreasonably withheld or delayed (the “Architect”) to prepare the “Construction Drawings,” as that term is defined in this Section 3.1. Tenant shall retain the engineering consultants approved by Landlord (the “Engineers”), which approval shall not be unreasonably withheld or delayed, to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, lifesafety, and sprinkler work in the Premises, which work is not part of the Base Building. The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the “Construction Drawings.” All Construction Drawings shall comply at a minimum with Landlord’s Specifications and shall be in a drawing format reasonably acceptable to Landlord, however, as provided in Section 3.3 below, in order to expedite plans and construction, Tenant may submit for Landlord’s review the Engineered Drawings separately from the Architectural Drawings. Landlord’s review of the Construction
Drawings as set forth in this Section 3, shall be for its sole purpose and shall not imply Landlord’s review of the same, or obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Construction Drawings are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord’s space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith, except to the extent that Landlord has specifically requested a modification to the Construction Drawings as a condition to Landlord’s approval of the Construction Drawings, and shall not be responsible for any omissions or errors contained in the Construction Drawings, and Tenant’s waiver and indemnity set forth in this Lease shall specifically apply to the Construction Drawings. Furthermore, Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the base building drawings, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Each time Landlord is granted the right to review, consent or approve the Construction Drawings or any component thereof (collectively, “Consent”), such Consent shall not be unreasonably withheld, conditioned or delayed.

3.2 Final Space Plan. Tenant and the Architect shall prepare the final space plan for the Tenant Improvements (the “Final Space Plan”), and shall deliver the Final Space Plan to Landlord for Landlord’s approval. The Final Space Plan shall show all corridors, internal and external offices and partitions, and exiting. Landlord shall, within five (5) business days after Landlord’s receipt of the Final Space Plan (i) approve the Final Space Plan, (ii) approve the Final Space Plan subject to specified conditions to be complied with when the Final Working Drawings are submitted by Tenant to Landlord, or (iii) disapprove the Final Space Plan and return the same to Tenant with requested revisions. Any failure by Landlord to respond to Tenant’s request for approval shall be deemed a disapproval. If Landlord disapproves the Final Space Plan, Tenant may resubmit the Final Space Plan to Landlord at any time, and Landlord shall approve or disapprove of the resubmitted Final Space Plan, based upon the criteria set forth in this Section 3.2, within five (5) business days after Landlord receives such resubmitted Final Space Plan. Such procedures shall be repeated until the Final Space Plan is approved. The Final Space Plan may be provided by Tenant to Landlord in one or more stages and at one or more times and the time periods set forth herein shall apply to each portion submitted.

3.3 Completion of Construction Drawings. Once Landlord has approved the Final Space Plan, Tenant, the Architect and the Engineers shall complete the Construction Drawings for the Premises in a form which is sufficient to allow contractors to bid on the work and to obtain applicable permits and shall submit such Construction Drawings to Landlord for Landlord’s approval. Such Construction Drawings may be submitted in one or more stages at one or more times, provided that Tenant shall ultimately supply Landlord with four (4) completed copies signed by Tenant of such Construction Drawings. Landlord shall, within ten (10) business days after Landlord’s receipt of each stage of the Construction Drawings, either (i) approve the Construction Drawings, (ii) approve the Construction Drawings subject to specified conditions which must be stated in a reasonably clear and complete manner to be satisfied by Tenant prior to submitting the Approved Construction Drawings for permits as set forth in Section 3.4 below of this Tenant Work Letter, or (iii) disapprove and return the Construction Drawings to Tenant with requested revisions. Any failure by Landlord to respond to Tenant’s request for approval shall be deemed a disapproval. If Landlord disapproves the Construction Drawings, Tenant may
resubmit the Construction Drawings to Landlord at any time, and Landlord shall approve or disapprove the resubmitted Construction Drawings, based upon the criteria set forth in this Section 3.3, within five (5) business days after Landlord receives such resubmitted Construction Drawings. Such procedure shall be repeated until the Construction Drawings are approved.

3.4 Approved Construction Drawings. The Construction Drawings for the Tenant Improvements shall be approved by Landlord (the “Approved Construction Drawings”) prior to the commencement of construction of the Tenant Improvements. In the event that Tenant shall submit the Construction Drawings to Landlord in more than one stage, Landlord shall be entitled to approve a stage and to subsequently disapprove of such stage, provided that a problem is found to exist which is evident only following Landlord’s review of subsequent drawings. Upon receipt of Landlord’s approval, Tenant shall submit the Approved Construction Drawings to the appropriate municipal authorities for all applicable building permits required in connection with the construction of the Tenant Improvements (“Permits”). Tenant shall be responsible for obtaining all such Permits; provided, however, Tenant shall coordinate with Landlord in order to allow Landlord, at its option, to take part in all phases of the permitting process. Tenant shall supply Landlord, as soon as possible, with all plan check numbers and dates of submittal. Tenant hereby agrees that neither Landlord nor Landlord’s consultants shall be responsible for obtaining any Permits or certificate of occupancy for the Premises and that obtaining the same shall be Tenant’s responsibility; provided, however, that Landlord shall cooperate with Tenant in performing ministerial acts reasonably necessary to enable Tenant to obtain any such Permits or certificate of occupancy. No material changes, modifications or alterations in the Approved Construction Drawings may be made without the prior written consent of Landlord pursuant to the terms of Section 3.5 below. Tenant shall pursue its Permits with all due diligence.

3.5 Change Orders. In the event Tenant desires to change the Approved Construction Drawings, Tenant shall deliver notice (the “Drawing Change Notice”) of the same to Landlord, setting forth in detail the changes (the “Tenant Change”) Tenant desires to make to the Approved Construction Drawings. Landlord shall, within four (4) business days of receipt of a Drawing Change Notice either (i) approve the Tenant Change, or (ii) disapprove the Tenant Change and deliver a notice to Tenant specifying in reasonably sufficient detail the reasons for Landlord’s disapproval. Any failure by Landlord to respond to Tenant’s request for approval shall be deemed a disapproval. Any additional costs which arise in connection with such Tenant Change shall be paid by Tenant; provided, however, that to the extent the Tenant Improvement Allowance has not been depleted, such payment shall be made out of the Tenant Improvement Allowance.

4. CONSTRUCTION OF THE TENANT IMPROVEMENTS

4.1 Tenant’s Selection of Contractors.

(a) The Contractor. Tenant shall retain a licensed general contractor (the “Contractor”) pre-approved by Landlord, which approval shall not be unreasonably withheld or delayed, prior to Tenant causing the Contractor to construct the Tenant Improvements.
(b) Tenant’s Contractors. The Contractor, Contractor’s subcontractors, and all major trade subcontractors and suppliers used by Tenant (such major trade subcontractors and material suppliers along with all other laborers, materialmen, and suppliers, and the Contractor to be known collectively as “Tenant’s Agents”) must be approved in writing by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, provided that, subject to the terms hereof, Tenant shall cause Landlord’s designated structural, mechanical and life safety subcontractors to be retained in connection with the Tenant Improvements. If Landlord does not approve any of Tenant’s proposed subcontractors, laborers, materialmen or suppliers, Tenant shall submit other proposed subcontractors, laborers, materialmen or suppliers for Landlord’s written approval. The Contractor and the Contractor’s subcontractors (collectively, “Tenant’s Contractors”) and their respective workers shall conduct their activities in and around the Premises, the Building and the Project in a harmonious relationship with all other subcontractors, laborers, materialmen and suppliers at the Premises, the Building and the Project.

4.2 Construction of Tenant Improvements by Tenant’s Contractors.

(a) Construction Contract; Cost Budget. Prior to Tenant’s execution of the construction contract and general conditions with Contractor (the “Contract”), Tenant shall submit the Contract to Landlord for its approval, which approval shall not be unreasonably withheld or delayed. Prior to the commencement of the construction of the Tenant Improvements, and after Tenant has accepted all bids for the Tenant Improvements, Tenant shall provide Landlord with a detailed breakdown, by trade, of the final costs to be incurred or which have been incurred, as set forth more particularly in Sections 2.2(a)(i) through 2.2(a)(vii) above, in connection with the design and construction of the Tenant Improvements to be performed by or at the direction of Tenant or the Contractor, which costs form a basis for the amount of the Contract (the “Final Costs”). Prior to the commencement of construction of the Tenant Improvements, Tenant shall supply Landlord with cash in an amount (the “Over-Allowance Amount”) equal to the difference between the amount of the Final Costs and the amount of the Tenant Improvement Allowance (less any portion thereof already disbursed by Landlord, or in the process of being disbursed by Landlord, on or before the commencement of construction of the Tenant Improvements). The Over-Allowance Amount shall be disbursed by Landlord prior to the disbursement of any of the remaining portion of the Tenant Improvement Allowance, and such disbursement shall be pursuant to the same procedure as the Tenant Improvement Allowance. In the event that, after the Final Costs have been delivered by Tenant to Landlord, the costs relating to the design and construction of the Tenant Improvements shall change, any additional costs necessary to such design and construction in excess of the Final Costs, shall be paid by Tenant to Landlord immediately as an addition to the Over-Allowance Amount or at Landlord’s option, Tenant shall make payments for such additional costs out of its own funds, but Tenant shall continue to provide Landlord with the documents described in clauses (A), (B), (C) and (D) of Section 2.2(b)(i) above of this Tenant Work Letter, for Landlord’s approval, prior to Tenant paying such costs.

(b) Tenant’s Agents.

(i) Landlord’s General Conditions for Tenant’s Agents and Tenant Improvement Work. Tenant’s and Tenant’s Agents’ construction of the Tenant Improvements shall comply with the following: (A) the Tenant Improvements shall be constructed in material conformance with the Approved Construction Drawings; (B) Tenant and Tenant’s Agents shall use commercially reasonable efforts not to interfere with, obstruct, or delay, the work of
Landlord’s Base Building contractor and subcontractors with respect to the Base Building or any other work at the Project; (C) Tenant’s Contractors shall submit schedules of all work relating to the Tenant Improvements to Landlord and Landlord shall, within five (5) business days of receipt thereof, inform Tenant and Tenant’s Contractors of any changes which are reasonably necessary thereto in order to avoid interference with Landlord’s work and Tenant’s Contractors shall adhere to such corrected schedule; and (D) Tenant shall abide by all construction guidelines and reasonable rules made by Landlord’s Building manager with respect to any matter, within reason, in connection with this Tenant Work Letter, including, without limitation, the construction of the Tenant Improvements.

(ii) Indemnity. Tenant’s indemnity of Landlord as set forth, qualified and conditioned in this Lease shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to any act or omission of Tenant or Tenant’s Agents, or anyone directly or indirectly employed by any of them, or in connection with Tenant’s nonpayment of any amount arising out of the Tenant Improvements and/or Tenant’s disapproval of all or any portion of any request for payment. The waivers of subrogation set forth in this Lease pertaining to property damage shall be fully applicable to damage to property arising as a result of any work performed pursuant to the terms of this Tenant Work Letter and Tenant shall be excused from its indemnification obligation to the extent Landlord’s damage is covered by insurance required to be carried by Landlord under the Lease and as to which the waiver of subrogation is applicable.

(iii) Requirements of Tenant’s Agents. Tenant’s Contractor shall guarantee to Tenant and for the benefit of Landlord that the portion of the Tenant Improvements for which it is responsible shall be free from any defects in workmanship and materials for a period of not less than one (1) year from the date of completion thereof. Tenant’s Contractor shall be responsible for the replacement or repair, without additional charge, of all work done or furnished in accordance with its contract that shall become defective within one (1) year after the Commencement Date. All such warranties or guarantees as to materials or workmanship of or with respect to the Tenant Improvements shall be contained in the Contract or subcontract and shall be written such that such guarantees or warranties shall inure to the benefit of both Landlord and Tenant, as their respective interests may appear, and can be directly enforced by either. Tenant covenants to give to Landlord any assignment or other assurances which may be necessary to effect such right of direct enforcement.

(iv) Insurance Requirements.

(A) General Coverages. All of Tenant’s Agents shall carry worker’s compensation insurance covering all of their respective employees, and shall also carry public liability insurance, including property damage, all with limits, in form and with companies as are required to be carried by Tenant as set forth in this Lease (provided that the limits of liability to be carried by Tenant’s Agents and Contractor, shall be in an amount which is customary for such respective Tenant’s Agents employed by tenants constructing improvements in the Comparable Buildings), and the policies therefor shall insure Landlord and Tenant, as their interests may appear, as well as the Contractor and subcontractors.

B-8
(B) **Special Coverages.** Contractor shall carry “Builder’s All Risk” insurance, in an amount approved by Landlord but not more than the amount of the Contract, covering the construction of the Tenant Improvements, and such other insurance as Landlord may reasonably require, it being understood and agreed that the Tenant Improvements shall be insured by Tenant pursuant to this Lease immediately upon completion thereof. Such insurance shall be in amounts and shall include such extended coverage endorsements as may be reasonably required by Landlord (to the extent they are generally required by landlords of Comparable Buildings) and shall be in a form and with companies as are required to be carried by Tenant pursuant to the terms of this Lease.

(C) **General Terms.** Certificates for all insurance carried pursuant to this Section 4.2(b)(iv) shall be delivered to Landlord before the commencement of construction of the Tenant Improvements and before the Contractor’s equipment is moved onto the Project. All such policies of insurance must contain a provision that the company writing said policy will give Landlord thirty (30) days’ prior notice of any cancellation or lapse of the effective date or any reduction in the amounts of such insurance. In the event that the Tenant Improvements are damaged by any cause during the course of the construction thereof and this Lease is not terminated, Tenant shall immediately repair the same at Tenant’s sole cost and expense. Tenant’s Agents shall maintain all of the foregoing insurance coverage in force until the completion of the Tenant Improvements. All such insurance relating to property, except Workers’ Compensation, maintained by Tenant’s Agents shall preclude subrogation claims by the insurer against anyone insured thereunder. Such insurance shall provide that it is primary insurance as respects the owner and that any other insurance maintained by Landlord is excess and noncontributing with the insurance required hereunder. The requirements for the foregoing insurance shall not derogate from the provisions for indemnification of Landlord by Tenant under Section 4.2(b)(ii) of this Tenant Work Letter and Tenant’s right with respect to the waiver of subrogation.

(c) **Governmental Compliance.** The Tenant Improvements shall comply in all respects with the following: (i) all Laws; (ii) applicable standards of the American Insurance Association (formerly, the National Board of Fire Underwriters) and the National Electrical Code; (iii) the applicable standards of the then current International Building Code; (iv) building material manufacturer’s specifications; and (v) Landlord’s “green building” requirements and/or its “savings by design” criteria as the same relate to interior lighting (collectively, the “**Code**”).

(d) **Inspection by Landlord.** Landlord shall have the right to inspect the Tenant Improvements at all reasonable times; provided, however, that Landlord’s failure to inspect the Tenant Improvements shall in no event constitute a waiver of any of Landlord’s rights hereunder nor shall Landlord’s inspection of the Tenant Improvements constitute Landlord’s approval of the same. In the event that Landlord should disapprove any portion of the Tenant Improvements during an inspection, Landlord shall notify Tenant in writing within a reasonable time of such inspection of such disapproval and shall specify in reasonably sufficient detail the items disapproved. Any defects or deviations in, and/or disapprovals in accordance herewith by Landlord of, the Tenant Improvements shall be rectified by Tenant at Tenant’s expense and at no additional expense to Landlord; provided, however, that in the event Landlord determines that a defect or deviation exists or reasonably disapproves of any matter in connection with any portion of the Tenant Improvements, Landlord may, following notice to Tenant and a reasonable period of time for Tenant to cure, take such action as Landlord deems necessary to correct the same, at Tenant’s expense, and at no additional expense to Landlord, and without incurring any liability on Landlord’s part.
(e) **Meetings**. Commencing upon the execution of this Lease, Tenant shall hold periodic meetings at a reasonable time, with the Architect and the Contractor regarding the progress of the preparation of Construction Drawings and the construction of the Tenant Improvements, which meetings shall be held at a location reasonably designated by Landlord, and Landlord and/or its agents shall receive prior notice of, and shall have the right to attend, all such meetings, and, upon Landlord’s request, certain of Tenant’s Agents shall attend such meetings. In addition, minutes shall be taken at all such meetings, a copy of which minutes shall be promptly delivered to Landlord. One such meeting each month shall include the review of Contractor’s current request for payment.

(f) **Timing**. Tenant shall use its best, good faith, efforts and all due diligence to (i) cooperate with the Landlord to complete all phases of the space planning process, preparation of the Approved Construction Documents, estimating and bidding, and the permitting process in order to receive the Permits and be prepared to start Tenant Improvements upon the Commencement Date; (ii) coordinate Tenant’s pre-commencement construction schedule with Landlord’s Base Building Work construction schedule; and (iii) proceed with its work expeditiously, continuously and efficiently, and shall use its diligent efforts to complete the same within One Hundred and Twenty (120) days after the Commencement Date.

4.3 **Notice of Completion; Copy of Record Set of Plans**. Within ten (10) days after completion of construction of the Tenant Improvements, Tenant shall prepare a Notice of Completion, which Landlord shall execute if factually correct, and Tenant shall cause such Notice of Completion to be recorded in the office of the Recorder of the City and County of San Francisco in accordance with Section 8182 of the Civil Code of the State of California or any successor statute, and shall furnish a copy thereof to Landlord upon such recordation. If Tenant fails to do so, Landlord may execute and file the same on behalf of Tenant as Tenant’s agent for such purpose, at Tenant’s sole cost and expense. At the conclusion of construction, (i) Tenant shall cause the Architect and Contractor (A) to update the Approved Construction Drawings as necessary to reflect all changes made to the Approved Construction Drawings during the course of construction, (B) to certify to the best of their knowledge that the updated drawings are true and correct, which certification shall survive the expiration or termination of this Lease, and (C) to deliver to Landlord two (2) CD-ROMs of such updated Approved Construction Drawings, in CADD format, within thirty (30) days following issuance of a certificate of occupancy for the Premises, and (ii) Tenant shall deliver to Landlord a copy of all warranties, guaranties, and operating manuals and information relating to the improvements, equipment, and systems in the Premises.

5. **Miscellaneous**

5.1 **Tenant’s Representative**. Tenant shall designate in writing its representative with respect to the matters set forth in this Tenant Work Letter, who shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.
5.2 Landlord’s Representative. Landlord has designated Doug Dahlin and Karl Danielson as its representatives with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

5.3 Time of the Essence in This Tenant Work Letter. Unless otherwise indicated, all references herein to a “number of days” shall mean and refer to calendar days. If any item requiring approval is timely disapproved by Landlord, the procedure for preparation of the document and approval thereof shall be repeated until the document is approved by Landlord.

5.4 Tenant’s Lease Default. Notwithstanding any terms to the contrary contained in this Lease, if Tenant is in default of this Lease (including, without limitation, this Tenant Work Letter) at any time on or before the completion of the Tenant Improvements, then (i) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance and/or Landlord may cause Contractor to cease the construction of the Tenant Improvements (in which case, Tenant shall be responsible for any delay in the completion of the Tenant Improvements caused by such work stoppage), and (ii) all other obligations of Landlord under the terms of this Tenant Work Letter shall be suspended until such time as such default is cured pursuant to the terms of the Lease (in which case, Tenant shall be responsible for any delay in the completion of the Tenant Improvements caused by such inaction by Landlord). Notwithstanding the forgoing, if a default by Tenant is cured, forgiven or waived, Landlord’s suspended obligations shall be fully reinstated and resumed, effective immediately.

5.5 No Miscellaneous Charge. During the Tenant Improvement construction period and move-in, Landlord shall provide commercially reasonable use of freight elevators and/or loading docks during the Business Hours and commercially reasonable use of water, electricity and restrooms to the extent utilized in connection with the construction of the Tenant Improvements, subject to such policies and procedures as Landlord shall prescribe.
EXHIBIT B-1

BASE BUILDING STANDARDS

The Building shall be delivered by Landlord to Tenant in “warm shell” with improvements and materials as follows (collectively, the “Base Building Work”):

Description of Original Building:

1. The Building is a reinforced concrete structure with window bays on three sides, and attached at a common concrete wall on the southwest side. It is three (3) stories above ground and a single story Lower Level. The Townsend Street (northwest) side First Floor is approximately flush with the sidewalk. The Second Street (northeast) side First Floor is along a sloping sidewalk/street and is approximately flush with the sidewalk at Townsend Street and several feet above grade at the east corner and along the southeast side of the Building.

2. The Building perimeter and the Lot property are the same on three sides (Southwest Common wall; Northwest Townsend Street; Northeast Second Street). Along the Southeast Building perimeter is an area of vacant land approximately 16 feet wide running the length of the Southeast wall. It is gated.

Description of Phase 1 Improvements:

1. All work pursuant to approved plans Titled: PHASE 1-STAIR, ELEVATOR, AND SEISMIC UPGRADE for 101 TOWNSEND STREET (a copy of which is to be provided to Tenant by Landlord, and shall be considered an attachment to this lease) including:

   2. Interior demolition of existing TI’s and common areas
   3. Removal of Freight elevator
   4. Seismic upgrade
   5. Two new stairs, each from Lower level to third floor, functioning as general use and as required fire exit ways.
   6. Protected fire exit ways from each stairwell to the exterior of the building at the first floor.
   7. One new passenger elevator
   8. Lowering of the Lower Level Floor approximately two feet.

Description of Phase 2 Improvements:

1. All work pursuant to plans and specifications Titled: PHASE 2-CORE UPGRADES for 101 Townsend Street, prepared by Dahlin Group Architects (preliminary, final and City of San Francisco approved copies of which as they are developed shall be provided to Tenant by Landlord, and shall be considered an attachment to this lease) including:

B-1-1
2. Replacement of all windows on floors 2 & 3
3. Replacement of selected windows and loading doors on First Floor and Lower Level.
4. Exterior of the Building to be cleaned, repainted, and re-colored
5. New elevator and stairs to be extended to provide access roof and construction of an outdoor roof deck.

NOTE: Design plans were submitted to San Francisco Planning Department in August of 2013 and are still pending review and approval. Landlord hereby discloses that Landlord’s Base Building Work as illustrated in its promotional material has not yet been approved by the City of San Francisco Planning Department as related to roof deck, window replacement, and building color. Landlord cannot predict the time frame or likelihood of said approval, and therefore Landlord cannot commit to any completion performance remedy until after such Planning Approvals are secured. Further, any illustration of signage in Landlord’s promotional material has not been approved by City of San Francisco Planning Department and Landlord is making no application for signage. Building signage approval is solely the responsibility of the Tenant.

6. Restrooms: Men’s and Women’s restrooms in configurations similar to that shown on pages B-1-4 through B-1-7 of this Exhibit B-1, except that the men’s restrooms on the second and third floors shall have four (4) fixtures, rather than the two (2) shown on such plans.

7. Installation of Building HVAC system consisting of variable refrigerant flow rooftop units piped to distribution manifolds on each floor and makeup air trunk duct at each floor.

8. Base Building electrical service is 1200 Amp, 120/208V, 3-phase. Total power available for the Building is approximately 1,200 Amps or 432KVA or approximately 10 watts/SF. Building loads for HVAC, restroom water heaters, elevator, common area lighting and other misc. loads are approximately 158KVA or 441 Amps. Electrical service capacity is approximately 759 Amps or 6.25 Watts/SF with branch supply to electrical distribution cabinets on each floor.

9. All means of entrance and egress to the Building shall be fully compliant with all applicable law on the Delivery Date and upon delivery all base building structure and systems will be in conformance to current codes with the exception of areas of base building that are to be modified by Tenant as part of tenant improvements. (i.e.: Front Lobby is a protected exit way and may remain unfinished pending Tenant Improvement enhancements.)
10. Base building stud walls will be finished with gypsum wall board on common area finished side and left bare stud on Tenant side to accommodate any T1 in the wall utilities.

11. New concrete and shotcrete work will be left exposed.

12. Existing concrete shell and structure will be reasonably cleaned and any hazardous material will be either removed or encapsulated in accordance with law.

B-1-3
Exhibit C

Commencement andExpiration Date Memorandum

LANDLORD: Civitas Equity Fund I, LLC
TENANT: CloudFlare, Inc.
LEASE DATE: April 18, 2014
PREMISES: Located at 101 Townsend Street, San Francisco, California 94107

Tenant hereby accepts the Premises as being in the condition required under the Lease with all Base Building Improvements completed (except for minor Punch List items described in Exhibit C-1, which Landlord agrees to complete).

Landlord and Tenant hereby acknowledge that due to requirements of the City of San Francisco (unforeseen at the time of the Lease Date), it is necessary to include the following individually signed sub-Exhibits to this Exhibit C including and limited to:

C-1: Punch List
C-2: Revised Base Building Plan removing 1640 square feet of Tenant Lease area from ground floor at the corner of 2nd and Townsend St
C-3: Schedule of financial adjustments reflecting reduction in lease area by 1640 sf. and compensating Tenant for various costs of delay.
C-4: Schedule of Landlord’s Tenant Improvement funds spent to date of commencement.

The Commencement Date of this Lease is hereby established as April 24, 2015 and the expiration date is October 31, 2022.

TENANT: CloudFlare, Inc., a Delaware corporation
By: /s/ Michelle Zatlyn
Name: Michelle Zatlyn
Title: Director, CloudFlare

By: (Name): 
Title: 

LANDLORD: Civitas Equity Fund I, LLC
By: /s/ Doug Dahlin 4/24/15
(Name): Doug Dahlin
Title: Manager

C-1
Exhibit C-1 Punch List

Punch List of Items to be completed by Landlord as part of Base Building work.

General Throughout:
1. Finalize elevator installation (approximately four weeks for construction and state sign-off).
2. Install drinking fountains (fountains are onsite, but will not be installed until after tenant sheetrock on the walls has been installed).
3. Cover all open junction boxes.
4. Remove bolts, straps and hangars embedded in the concrete slab (floor and ceiling).
5. Sack and patch beams and joists where re-bar is exposed.
6. Fill of any miscellaneous interior to exterior gaps.
7. Miscellaneous touch up painting.

Basement:
1. Close open-air louvres and make weather-tight @ alley side of plan.
2. FLS panel in basement doesn’t appear to be functional.
3. Clean up, level spilled concrete spatter.
4. If unneeded, remove temporary electrical cord running to street vault.
5. Provide a second shower per San Francisco requirements

1st Floor:
1. Removal of BoConcept window film
2. Add filler panels to roll up door @ 2nd street side where former loading dock steel ramp is. The new roll up doors only come down to ramp and there is an approximately 3"x4" air gap on either side of the metal ramp.
3. Fill gash in concrete slab near roll-up doors.
4. Exposed rebar in ceiling beam @ future location of room 112 (large conf room).
5. Patch drywall @ exterior wall column next to main entry on Townsend where it is cut open and unfinished.
6. Level floor at southwest corner.

2nd Floor:
1. Grind down metal rebar/post sticking up from slab @ drinking fountain and at area 203 (room number in ASD drawings).
2. Grind down and float unlevel floor in front of restrooms.
3. 2nd floor restrooms were not visible at time of punch walk.
4. Tighten nuts on steel support girders.
3 RD FLOOR:

1. Cut PVC pipes in concrete demising wall—Column line A between 4 and 5.
2. Empty electrical box on stairwell wall right next to Column C4. Patch and repair wall or terminate with intended device.
3. Replace one toilet partition panel in 3rd Floor Women’s Restroom (wrong color).
4. Tighten nuts on steel support girders.
5. 3rd floor restrooms were not visible at time of punch walk.

ROOFTOP/EXTERIOR

1. Add water spigot to roof deck for maintenance.
2. Metal awning was installed despite prior agreement to hold off for Tenant signage.

TENANT: CloudFlare, Inc., a Delaware corporation

By: /s/ Michelle Zatlyn
(Name): Michelle Zatlyn
Title: Director, CloudFlare

By (Name): 
Title: 

LANDLORD: Civitas Equity Fund I, LLC

By: /s/ Doug Dahlin 4/24/15
(Name): Doug Dahlin
Title: Manager
This Exhibit, entitled “Rules and Regulations,” is and shall constitute Exhibit D to the Lease Agreement, dated as of the Lease Date, by and between Landlord and Tenant for the Premises. The terms and conditions of this Exhibit D are hereby incorporated into and are made a part of the Lease. Capitalized terms used, but not otherwise defined, in this Exhibit D have the meanings ascribed to such terms in the Lease.

1. Tenant shall not use any method of heating or air conditioning other than that supplied by Landlord without the consent of Landlord.

2. All window coverings installed by Tenant and visible from the outside of the building require the prior written approval of Landlord.

3. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance or any flammable or combustible materials on or around the Premises, except to the extent that Tenant is permitted to use the same under the terms of Paragraph 33 of the Lease.

4. Tenant shall not alter any lock or install any new locks or bolts on any door at the Premises without the prior consent of Landlord.

5. Tenant shall not make any duplicate keys or key cards to the Premises or the Building without the prior consent of Landlord.

6. Tenant is responsible for the storage and removal of all trash and refuse. All such trash and refuse shall be contained in suitable receptacles stored behind screened enclosures at locations approved by Landlord.

7. Tenant shall not permit any animals, including, but not limited to, any household pets (but excluding service animals, which are permitted), to be brought or kept in or about the Premises, the Building, the Project, except as provided in the Lease.
EXHIBIT E

FORM OF STOPPEL CERTIFICATE

CLOUD FLARE, INC., a Delaware corporation (herein “Tenant”) hereby certifies to ________, a ________ and its successors and assigns and any lender to any such party that (A) Tenant leases from CIVITAS EQUITY FUND I, LLC, a California limited liability company (“Landlord”) approximately ______ square feet of space (the “Premises”) in ______ pursuant to that certain Lease Agreement dated ________, ________ by and between Landlord and Tenant, as amended by ____ (collectively, the “Lease”), a true and correct copy of which is attached hereto as Exhibit A, and (B) as of the date hereof:

1. The Lease is in full force and effect and has not been modified, supplemented or amended, except as set forth in the introductory Paragraph hereof.

2. Tenant is in actual occupancy of the Premises under the Lease and Tenant has accepted the same. Landlord has performed all obligations under the Lease to be performed by Landlord, including, without limitation, completion of all tenant work required under the Lease and the making of any required payments or contributions therefor. Tenant is not entitled to any further payment or credit for tenant work.

3. The initial term of the lease commenced ________, ________ and shall expire ________, ________. Tenant has the following rights to renew or extend the term of the Lease or to expand the Premises: ________.

4. Tenant has not paid any rentals or other payments more than one (1) month in advance except as follows: ________.

5. Base Rent payable under the Lease is ________ Dollars ($______). Base Rent and Additional Rent have been paid through ________, ________. There currently exists no claims, defenses, rights of set-off or abatement to or against the obligations of Tenant to pay Base Rent or Additional Rent or relating to any other term, covenant or condition under the Lease.

6. There are no concessions, bonuses, free months’ rent, rebates or other matters affecting the rentals except as follows: ________.

7. No security or other deposit has been paid with respect to the Lease except as follows: ________.

8. Landlord is not currently in default under the Lease and there are no events or conditions existing which, with or without notice or the lapse of time, or both, could constitute a default of the Landlord under the Lease or entitle Tenant to offsets or defenses against the prompt payment of rent except as follows: ________. Tenant is not in default under any of the terms and conditions of the lease nor is there now any fact or condition which, with notice or lapse of time or both, will become such a default.
9. Tenant has not assigned, transferred, mortgaged or otherwise encumbered its interest under the lease, nor subleased any of the Premises nor permitted any person or entity to use the Premises except as follows: ______.

10. Tenant has no rights of first refusal or options to purchase the property of which the Premises is a part.

11. The Lease represents the entire agreement between the parties with respect to Tenant’s right to use and occupy the Premises.

Tenant acknowledges that the parties to whom this certificate is addressed will be relying upon the accuracy of this certificate in connection with their acquisition and/or financing of the Premises.

IN WITNESS WHEREOF, Tenant has caused this certificate to be executed this _____day of ______, 20__.

TENANT CLOUD FLARE, INC.,
: a Delaware corporation

By:
Name: __________________________
Title: __________________________

By:
Name: __________________________
Title: __________________________

E-2
EXHIBIT F

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

RECORDING REQUESTED BY
AND
WHEN RECORDED MAIL TO:

Attention:

SUBORDINATION, ATTORNMENT
AND NON-DISTURBANCE AGREEMENT

Notice: This subordination agreement results in your leasehold interest in the property becoming subject to and of lower priority than the lien of some other or later security instrument.

THIS AGREEMENT, made this_______day of___________________, ________by _______________________ owner of the land hereinafter described and hereinafter referred to as “Owner”, and present owner and holder of a leasehold interest in the land by reason of the Lease hereinafter described and hereinafter referred to as “Lessee”;

WITNESSETH

THAT WHEREAS, Owner, as Landlord, did execute a Lease dated ________________ to Lessee, as Tenant, covering all that certain real property described in Exhibit “A” attached hereto and by this reference incorporated herein; and

WHEREAS, Owner has executed, or is about to execute, a deed of trust and note in the sum of_____________________dated of even date herewith in favor of ______________________ ________________, hereinafter referred to as “Lender”, payable with interest and upon the terms and conditions described therein which deed of trust is to be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to obtaining said loan that said deed of trust above mentioned shall unconditionally be and remain at all times a lien or charge upon the land hereinafter described, prior and superior to the Lease and leasehold interest of Lessee above mentioned; and

WHEREAS, Lender is willing to make said loan provided the deed of trust securing the same is a lien or charge upon the above-described property prior and superior to the Lease and leasehold interest of Lessee above mentioned and provided that Lessee will specifically and unconditionally subordinate the Lease and leasehold interest of Lessee above mentioned to the lien or charge of the deed of trust in favor of Lender; and

WHEREAS, it is to the mutual benefit of the parties hereto that Lender make such loan to Owner; and Lessee is willing that the deed of trust securing the same shall, when recorded, constitute a lien or charge upon said land which is unconditionally prior and superior to the Lease and leasehold interest of Lessee above mentioned.

F-1
NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the loan above referred to, it is hereby declared, understood and agreed as follows:

1. That said deed of trust securing said note in favor of Lender, and any renewals or extensions thereof shall unconditionally be and remain at all times a lien or charge on the property therein described, prior and superior to the Lease and leasehold interest of Lessee above mentioned.

2. That Lender would not make its loan above described without this Agreement.

3. That this Agreement shall be the whole and only agreement between the parties hereto with regard to the subordination of the Lease and leasehold interest of Lessee above mentioned to the lien or charge of the deed of trust in favor of Lender above referred to, and shall supersede and cancel any prior agreements as to such, or any subordination, including, but not limited to, those provisions contained in the lease above mentioned, which may or do provide for the subordination of the Lease and leasehold interest of Lessee to a deed or deeds of trust or a mortgage or mortgages to be thereafter executed.

4. Lessee declares, agrees and acknowledges that:

   (a) It consents to and approves
       (i) all provisions of the note and deed of trust in favor of a. Lender above referred to, and
       (ii) all agreements, including but not limited to any loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of Lender’s Loan;

   (b) Lender in making disbursements pursuant to any such agreement is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part; and

   (c) It intentionally and unconditionally waives, relinquishes and subordinates the lease and leasehold interest above mentioned in favor of the lien or charge upon said land of the deed of trust in favor of Lender above referred to and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.
5. Notwithstanding the foregoing, Lessee and owner hereby agree and the recordation of this Agreement by or on behalf of Lender shall constitute Lender's agreement as follows:

(a) In the event of foreclosure of said deed of trust, Lender will not join Lessee in any summary proceedings so long as Lessee is not in default under any of the terms, covenants or conditions of the Lease.

(b) It is the express intent of the parties hereto that a foreclosure of said deed of trust, the exercise of the power of sale or the exercise of any other remedies provided therein, or provided in any other instruments securing the indebtedness secured by said deed of trust, or the delivery of a deed to the subject premises in lieu of foreclosure, shall not, of itself, result in the termination of or otherwise affect the Lease, but Lender and any purchaser or other grantee upon foreclosure of said deed of trust or conveyance in lieu of foreclosure shall thereby automatically succeed to the position of Owner under the Lease.

(c) If, by dispossession, foreclosure, exercise of the power of sale, or otherwise, Lender, its successors or assigns, or any purchaser at a foreclosure sale, or otherwise shall come into possession of or become the owner of the premises demised by the Lease, such person shall succeed to the interest of Owner under the Lease, and, if no default then exists under the terms, conditions and provisions of the Lease, the Lease shall remain in effect as a lease of said demised premises, together with all of the rights and privileges therein contained, between such person and Lessee for the balance of the term of the Lease between Owner and Lessee; Lessee agrees to attorn to and accept such person as Lessor under the Lease, and to be bound by and to perform all of the obligations imposed by the Lease upon the Lessee therein, and Lender, its successors or assigns, or any purchaser at a foreclosure or trustee’s sale or otherwise shall not be:

(i) Liable for any act or omission of a prior lessor (including Owner); or

(ii) subject to any offsets or defenses which Lessee might have against any prior lessor (including Owner); or

(iii) bound by any rent or additional rent which Lessee might have paid in advance to any prior lessor (including Owner) for any period beyond the month in which the foreclosure, sale termination or conveyance occurs; or

(iv) bound by any agreement or modification of the Lease made without the consent of Lender.
Upon the written request of either Lessee or Lender given to the other at the time of a foreclosure of said deed of trust or sale under power of sale therein contained or conveyance in lieu of foreclosure, and if no default then exists under the terms, conditions and provisions of the Lease, Lessee and lender agree to execute a lease of the premises demised by the Lease upon the same terms and conditions as the Lease between Owner and Lessee, which lease shall cover any unexpired term of the Lease existing prior to such foreclosure, trustee’s sale or conveyance in lieu of foreclosure.

6. This Agreement shall be binding upon and inure to the benefit of Lender and the parties hereto and their respective successors and assigns upon recordation by or on behalf of Lender.

NOTICE: This subordination agreement contains a provision which allows the person obligated on the real property which you lease to obtain a loan a portion of which may be expended for other purposes than improvement of the land.

OWNER:

________________________________________

By:_______________________________________

Its:_______________________________________

LESSEE:

________________________________________

By:_______________________________________

Its:_______________________________________

BENEFICIARY:

WESTAMERICA BANK,

By:_______________________________________

Its:_______________________________________

(ALL SIGNATURES MUST BE ACKNOWLEDGED AND NOTARIZED)
1st FLOOR RESTROOM REVISION
This document shall serve as an ADDENDUM to the:

Lease Agreement
By and Between
Civitas Equity Fund I, LLC,
a California limited liability company
as Landlord
and
CloudFlare, Inc.
As Tenant
Dated April 18, 2014
(The Lease)

The Tenant has requested a change to the 1st Floor Restroom. The Scope of Work, Cost, and Schedule impacts are as indicated in this Addendum. The original restroom layout (Original) and the Tenant preferred layout (New) are attached as Exhibits 1 and 2. This change is for the 1st Floor Restrooms only.

1. **Stoppage of Existing Work**: The Original design is currently under construction and will continue until this Agreement has been signed. Once this Agreement is signed, the Owner will instruct the Contractor to stop work on the Original design. await revised architectural and engineering documents, rebid the work, Architect will resubmit to the Local Agencies for approval, review final Contractor bids with the Tenant, then proceed with new construction.

2. **Fixture Count**: The New layout adds one (1) sink to the Men’s Restroom and one (1) sink plus one (1) toilet to the Women’s Restroom. The sink fixture shown on the New layout is a triple sink. The current sink fixture is not available in a triple, therefore three (3) single fixtures will be provided instead.

3. **Interior Finishes and Fixtures**: Interior finishes, fixtures, toilet partitions, and bathroom accessories shall be the same model, style, and colors as the Original design.

4. **Sewer Connection**: The Owner has previously reviewed the height of the existing sewer and determined that it may not have adequate fall from the New layout location to the existing sewer line to 2nd Street. The Tenant has reviewed this and believes there is enough fall at 1/8” per foot. Based on this, the Owner will design the plumbing system to connect with the 2nd Street sewer. Any and all costs associated with this, including potential coring of structural elements, ejection assistance, approvals by the Local Agency, etc. that may be required to accomplish this shall be reimbursed by the Tenant.

5. **Cost Reimbursement**: All costs associated with the restroom change shall be borne by the Tenant and will be deducted from the Owner’s Tenant Improvement Allowance.
6. **Schedule**: The Original design is currently being constructed. It is unknown at this time what the specific impact to the shell construction schedule will be. Any schedule impact due to this design change, Agency approval and processing, or construction will be added to the Owner’s delivery date. The Lease commencement date will remain the same.

7. **Unforeseen Issues**: The Owner has not had the opportunity to thoroughly review and assess all actual and potential ramifications of this change. Any issue or condition related to the change that impacts the cost or schedule shall be borne by the Tenant in the form of extended delivery date and/or reduction of the Owner’s Tenant Improvement Allowance.

8. **Architectural Costs**: The Tenant shall bare all costs to re-engineer, re-draw, coordinate with consultants, contractors, and agencies, and other work as necessary to complete the change. The Architect estimates the cost to be between $17,000 and $22,000. Actual cost will be provided on an hourly basis plus engineering invoices.

9. **Construction Cost**: The Tenant shall bare all additional costs of construction for the change. These will include demolition of existing work, restocking charges, out of sequence work, new construction costs beyond the Original design, and any other related construction costs.

10. **Lease Square Footage**: This change affects the Owner’s long-term value with a loss of leasable space and limits future multi-tenant options. The New design is 133 sq. ft. larger than the Original design. The Owner calculates this lost value as $80,000. This amount will be deposited by Tenant into a holding account upon the termination of the lease and any costs incurred by Landlord to reconstruct 1st floor restrooms will be deducted from this account. Should Landlord not be able to lease the entirety of the first floor to a single tenant within three (3) months post CloudFlare’s lease expiration or earlier termination, Landlord shall be entitled to apply some or all of the $80,000 deposit toward rebuilding the restrooms to facilitate re-leasing. Should any of those monies not be utilized within twelve (12) months post CloudFlare’s vacancy Landlord shall return any unused portion to CloudFlare.
OFFICE LEASE AGREEMENT

BETWEEN

Ichi Juu Ichi, LLC,
a California limited liability company
(“Landlord”)

AND

Cloudflare, Inc.,
a Delaware corporation
(“Tenant”)

111 Townsend Street
San Francisco, California 94107
OFFICE LEASE AGREEMENT

THIS OFFICE LEASE AGREEMENT (the “Lease”) is made and entered into as of the first day of November 2017 (“Effective Date”), by and between Ichi Juu Ichi, LLC, a California limited liability company (“Landlord”), and Cloudflare, Inc., a Delaware corporation (“Tenant”). The following exhibits and attachments are incorporated into and made a part of the Lease: Exhibit A (Outline and Location of Premises), Exhibit B (Base Year Expenses and Taxes), Exhibit C (Commencement Letter), Exhibit D (Building Rules and Regulations), Exhibit E (Assignment Limitations), Exhibit F (Work Letter), Exhibit G (Tenant Signage), Exhibit H (Subordination, Non-Disturbance and Attornment Agreement), and Exhibit I (Disability Access Obligations Notice).

1. Basic Lease Information

1.01 “Building” shall mean the building located at 111 Townsend in San Francisco, California.

1.02 “Premises” shall mean the area as shown on Exhibit A to this Lease. The Premises is comprised of the entire interior of the Building. The Premises includes all corridors, lobbies and restroom facilities located on each floor. The “Rentable Square Footage of the Premises” is approximately 23,826 rentable square feet. The Premises shall be used by Tenant only for the Permitted Use.

1.03 “Base Rent”:

<table>
<thead>
<tr>
<th>Period or Months of Term</th>
<th>Monthly Base Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Months one through twelve</td>
<td>$156,854.50</td>
</tr>
<tr>
<td>Months thirteen through twenty-four</td>
<td>$161,560.14</td>
</tr>
<tr>
<td>Months twenty-five through thirty-six</td>
<td>$166,406.94</td>
</tr>
<tr>
<td>Months thirty-seven through forty-eight</td>
<td>$171,399.15</td>
</tr>
<tr>
<td>Months forty-nine through sixty</td>
<td>$176,541.12</td>
</tr>
</tbody>
</table>

1.04 “Tenant’s Pro Rata Share”: 100%

1.05 “Base Year” for Taxes (defined in Exhibit B): Calendar year 2018 “Base Year” for Expenses (defined in Exhibit B): Calendar year 2018.

1.06 “Term”: A period of sixty (60) months. The Term shall commence on the November 1, 2017 (the “Commencement Date”).

1.07 “Security Deposit”: Tenant shall pay a $1,100,000.00 security deposit upon Lease execution.(See Section 6.01.)

1.08 “Prepaid Base Rent”: The first month’s rent, shall be delivered to Landlord upon Lease execution as more fully described in Section 6.02.

1.09 “Broker(s)”: Jones Lang LaSalle for Tenant and Colliers International for Landlord. Tenant shall pay a $238,260 commission to its real estate broker on this lease transaction.

1.10 “Permitted Use”: General office and administration, together with any related uses, all as may be permitted by applicable law.

1.11 “Notice Address(es)”:

LANDLORD:
Ichi Juu Ichi, LLC

TENANT:
Cloudflare, Inc.
1.12 “Business Day(s)” are Monday through Friday of each week, exclusive of New Year’s Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day (“Holidays”), Landlord may designate additional Holidays that are commonly recognized by other office buildings in the area where the Building is located. “Building Service Hours” are 8 a.m. to 5 p.m. on Business Days.

1.13 “Landlord’s Work” means the work that the Landlord is obligated to perform pursuant to the “Work Letter” attached to this Lease as Exhibit F.

1.14 “Property” means the Building and the parcel(s) of land on which it is located and, at Landlord’s discretion, other improvements, if any, serving the Building and the parcel(s) of land on which the Building is located.

2. Lease Grant.

The Premises are hereby leased to Tenant from Landlord, together with the right to use any portions of the Property that are designated by Landlord for the common use of tenants and others (the “Common Areas”).

3. Possession and Delivery.

3.01 The Premises are accepted by Tenant on the Commencement Date in “as is” condition and configuration without any representations or warranties by Landlord, provided that Tenant’s acceptance of the Premises shall not be deemed a waiver of Tenant’s right to have defects in the Premises repaired at no cost to Tenant. By taking possession of the Premises, Tenant agrees that the Premises are in good order and satisfactory condition, subject to Landlord’s warranty with respect to the Landlord’s Work, the Building structure, and the mechanical, electrical, HVAC, life safety, sewer, plumbing, and other systems of the Building (collectively, the “Building Systems”) provided below. Landlord hereby represents and warrants that on the Commencement Date, the Building is structurally sound and all Building Systems and Landlord’s Work as configured on the Commencement Date are in good working order and in compliance with all laws, and Landlord has completed all of the items described as Landlord’s Work in the Work Letter attached to this lease as Exhibit F. In the event that the Building structure is not sound or any of the Building Systems or Landlord’s Work (as configured on the Commencement Date) are not in good working order, then Tenant shall give notice to Landlord whenever any such defect becomes reasonably apparent, and Landlord shall, at Landlord’s sole cost and expense which cost and expense shall not be included within the calculation of Expenses or Additional Rent hereunder, promptly restore the Building structure or the applicable Building System to good working order.

3.02 If the Commencement Date has not occurred on or before January 1, 2018 (the “Premises Delivery Deadline”) solely because of Landlord delay, then, in addition to Tenant’s other rights or remedies, Tenant may terminate the Lease by written notice to Landlord delivered not later than ten days after the Premises Delivery Date, whereupon any monies previously paid by Tenant to Landlord shall be reimbursed to Tenant. Tenant shall not have the right to terminate the Lease under this Section 3.02 where the Commencement Date has not occurred by the Premises Delivery Deadline because of Tenant Delay, and/or Force Majeure (as those terms are defined in the Work Letter).

4. Rent.

4.01 Tenant shall pay Landlord on the first day of each calendar month, without any setoff or deduction, unless expressly set forth in this Lease, all Base Rent and Additional Rent due for the Term (collectively referred to as “Rent”). “Additional Rent” means all sums (exclusive of Base Rent) that Tenant is required to pay Landlord under this Lease, Tenant shall pay and be liable for all rental, sales and use taxes (but excluding income taxes), if any, imposed upon or measured by Rent. If Tenant does not pay any Rent when due hereunder, Tenant shall pay Landlord a one-time administration fee in the amount of five percent (5%) of the delinquent rent. In addition, past due Rent shall accrue interest at eight percent (8%) per annum irrespective of whether an administrative fee is charged to Tenant pursuant to the previous sentence, and Tenant shall pay Landlord a fee in the amount of $20 in each instance for any check returned by Tenant’s bank for any reason. Notwithstanding anything to the contrary in the foregoing paragraph, before assessing a late charge of five percent (5%) the first time in any twelve (12) month period, Landlord shall provide Tenant written notice of the delinquency, and shall waive such late charge if Tenant pays such delinquency within five (5) days thereafter.

4.02 Tenant shall pay Tenant’s Pro Rata Share of Taxes and Expenses in accordance with Exhibit B of this Lease and Tenant shall pay Tenant’s Pro Rata Share of all electricity and janitorial services in accordance with Section 7.02 and 7.03.
5. Compliance with Laws; Use.

5.01 The Premises shall be used for the Permitted Use and for no other use whatsoever. Tenant shall not use or keep in the Premises any substance defined as a “hazardous material” (collectively, “Hazardous Materials”) by the United States of America, the State of California, the City or County of San Francisco, or any other political subdivision, agency or department having jurisdiction over the Building or the Property (each, a “Governmental Authority”); provided however, Tenant may use and keep in the Premises reasonable quantities of customary general office materials which may otherwise constitute Hazardous Materials (i.e. toner and household cleaning supplies) that do not require a permit to use and/or store, provided that such Hazardous Materials are maintained in compliance with all applicable Laws (as defined below). To the best of Landlord’s knowledge, the Building is compliant with all Laws regarding Hazardous Materials and there are no existing Hazardous Materials at the Property as of the Commencement Date. Tenant shall comply with all statutes, codes, ordinances, orders, rules and regulations of any municipal or governmental entity whether in effect now or later, including the Americans with Disabilities Act and any environmental laws or ordinances promulgated by any Governmental Authority (“Laws”), regarding the operation of Tenant’s business and the use, condition, configuration and occupancy of the Premises. In addition, Tenant shall, at its sole cost and expense, promptly comply with any Laws that relate to the Building but only to the extent such obligations are triggered pursuant to Laws first enacted after the Commencement Date and by Tenant’s particular use of the Premises, other than for general office use, or Alterations or improvements in the Premises performed or requested by Tenant. Tenant shall comply with the rules and regulations of the Building attached as Exhibit D and such other reasonable rules and regulations adopted by Landlord from time to time, including rules and regulations for the performance of Alterations (defined in Section 9.03), provided that Landlord shall provide reasonable prior written notice of any such additional rules and regulations adopted by Landlord after the Commencement Date. In the event of a conflict between the express terms of this Lease and any rules and regulations adopted by Landlord after the date of this Lease, the terms of this Lease shall control.

5.02 Tenant will not place or permit to be placed, in, upon or about the Premises or the Property any signs not approved by the city and other governing authority having jurisdiction, pursuant to a permit issued by the San Francisco Department of Building Inspection. Tenant will not place or permit to be placed upon the Townsend Street exterior of the Property any signs, advertisements or notices without the written consent of Landlord as to the type, size, design, lettering, coloring, location, height, area, and method of attachment, which consent shall not be unreasonably withheld, conditioned, or delayed. Tenant shall not place or permit to be placed any signage on the rear exterior of the Property. During construction, installation, maintenance, repair and/or removal of any signs, advertisements or notices (including, without limitation, any Tenant Signage (as defined below)), Tenant shall comply with all applicable Laws and Tenant shall be responsible for any damage or injury to the Premises and/or the Property caused thereby. Without limiting the foregoing, Landlord acknowledges that Tenant may wish to seek approval for placement of new Townsend Street exterior building signage at the Property which is exclusive to Tenant (the “Tenant Signage”) in accordance with applicable governmental approvals. The right to install such Tenant’s Signage is personal and granted to the original Tenant named in this Lease and any Permitted Transferee, but is not extended to nor exercisable by any third party should Tenant assign or sublet all or a portion of its rights under this Lease, unless Landlord consents to permit exercise of any Tenant’s Signage by any assignee or subtenant, in Landlord’s sole and absolute discretion. Landlord will reasonably cooperate, at Tenant’s sole cost and expense, with Tenant’s request for placement of Tenant Signage; provided, however, that (a) prior to erecting any such Tenant Signage, (i) Tenant shall notify Landlord in writing and provide Landlord with architectural plans and specifications showing the sign height, area and location on the Property, the sign materials, and the sign attachment hardware and adhesive if any, and Landlord shall submit requests for and reasonably cooperate with Tenant in obtaining any required approval(s); (ii) Tenant shall obtain all permits, approvals and consents of the City of San Francisco and other applicable governing authorities; and (iii) the size, area, location, and method of attachment of such Tenant Signage shall be subject to Landlord’s approval, which approval shall not be unreasonably withheld. Approval of the location of any penetrations of the façade or roof of the Building and the methods for sealing such penetrations may be granted or withheld. Approval of the location of any penetrations of the façade or roof of the Building and the methods for sealing such penetrations may be granted or withheld by the United States of America, the State of California, the City or County of San Francisco, or any other political subdivision, agency or department having jurisdiction over the Building or the Property (each, a “Governmental Authority”); provided however, Tenant may use and keep in the Premises reasonable quantities of customary general office materials which may otherwise constitute Hazardous Materials (i.e. toner and household cleaning supplies) that do not require a permit to use and/or store, provided that such Hazardous Materials are maintained in compliance with all applicable Laws (as defined below). To the best of Landlord’s knowledge, the Building is compliant with all Laws regarding Hazardous Materials and there are no existing Hazardous Materials at the Property as of the Commencement Date. Tenant shall comply with all statutes, codes, ordinances, orders, rules and regulations of any municipal or governmental entity whether in effect now or later, including the Americans with Disabilities Act and any environmental laws or ordinances promulgated by any Governmental Authority (“Laws”), regarding the operation of Tenant’s business and the use, condition, configuration and occupancy of the Premises. In addition, Tenant shall, at its sole cost and expense, promptly comply with any Laws that relate to the Building but only to the extent such obligations are triggered pursuant to Laws first enacted after the Commencement Date and by Tenant’s particular use of the Premises, other than for general office use, or Alterations or improvements in the Premises performed or requested by Tenant. Tenant shall comply with the rules and regulations of the Building attached as Exhibit D and such other reasonable rules and regulations adopted by Landlord from time to time, including rules and regulations for the performance of Alterations (defined in Section 9.03), provided that Landlord shall provide reasonable prior written notice of any such additional rules and regulations adopted by Landlord after the Commencement Date. In the event of a conflict between the express terms of this Lease and any rules and regulations adopted by Landlord after the date of this Lease, the terms of this Lease shall control.


6.01 Security Deposit. Tenant shall deposit with Landlord upon Tenant’s execution of this Lease a security deposit in the amount of One Million One Hundred Thousand and 00/100 Dollars ($1,100,000.00) (the “Security Deposit”) as security for Tenant’s faithful performance of Tenant’s obligations under this Sublease. If Tenant fails to pay Rent or otherwise defaults under this Sublease, Landlord may use the Security Deposit for the payment of any amount due Landlord or to reimburse or compensate Landlord for any liability, cost, expense, loss or damage (including attorneys’ fees) which Landlord may suffer or incur by reason thereof. Tenant shall on demand pay Landlord the amount so used or applied so as to restore the Security Deposit to the amount set forth in this Section. 6.01. Landlord shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Landlord shall, at the expiration or earlier termination of the Term and after Tenant has vacated the Premises, return to Tenant that portion of the Security Deposit
not used or applied by Landlord. No part of the Security Deposit shall be considered to be held in trust, to bear interest, or to be prepayment for any monies to be paid by Tenant under this Sublease. In the event of an assignment by Landlord of its interest under the Master Lease, Landlord shall have the right to transfer the Security Deposit to Landlord’s assignee, and Tenant agrees to look to such assignee solely for the return of the Security Deposit and it is agreed that the provisions hereof shall apply to every transfer or assignment made of the Security Deposit to a new landlord. Tenant further covenants that it shall not assign or encumber or attempt to assign or encumber the monies deposited herein as security and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

6.02 **Base Rent.** Upon the execution of this Lease by Tenant, Tenant shall deliver to Landlord the monthly installment of Base Rent with respect to the first month of the Term in the amount of One Hundred Fifty-Six Thousand Eight Hundred Fifty-Four Dollars and Fifty Cents ($156,854.50) which shall be held by Landlord without liability for interest (unless required by Law) and applied to the payment of Base Rent due and payable with respect to the first month of the Term.

7. **Building Services.**

7.01 Landlord shall furnish Tenant with the following services: (a) water for use in the lavatories and sprinkler systems; (b) customary heat and air conditioning; (c) elevator service; (d) electricity in accordance with the terms and conditions in Section 7.02; (e) access to the Building for Tenant and its employees 24 hours per day/7 days per week, subject to the terms of this Lease; and (f) such other services as Landlord reasonably determines are necessary or appropriate for the Property. If Landlord, at Tenant’s request, provides any services which are not Landlord’s express obligation under this Lease, including, without limitation, any repairs which are Tenant’s responsibility pursuant to Section 9 below, Tenant shall pay Landlord, or such other party designated by Landlord, the actual cost of providing such service plus a reasonable administrative charge not to exceed five percent (5%) of such cost.

7.02 Electricity and gas used by Tenant in the Premises, including electricity and gas for Landlord services in Section 7.01 above, shall be paid for by Tenant directly to the applicable utility company.

7.03 Water and sewer services used by Tenant in the Premises, including water for Landlord services in Section 7.01 above shall be paid for by Tenant directly to the applicable utility company.

7.04 Janitorial services used by Tenant in the Premises shall be paid for by Tenant directly to the applicable janitorial company.

7.05 Landlord shall not provide any protective services or security/monitoring systems for the Premises, as described in the **Work Letter** attached as Exhibit F to this Lease. Tenant is solely responsible for providing protective services to the Building, and may elect to install security/monitoring systems at the Building.

7.06 Except as set forth in this Section 7.06, Landlord’s failure to furnish, or any interruption, diminishment or termination of services due to the occurrence of an event of Force Majeure (defined in Section 25.03) (collectively a “**Service Failure**”) shall not render Landlord liable to Tenant, constitute a constructive eviction of Tenant, give rise to an abatement of Rent, or relieve Tenant from the obligation to fulfill any covenant or agreement, unless such interruption or termination of services is due to the active gross negligence or willful misconduct of Landlord, continues for more than one day and prevents Tenant from utilizing the Premises for business operations. Notwithstanding the foregoing sentence, Tenant shall be entitled to an equitable abatement of rent to the extent of any interference with Tenant’s use of the Premises, if the Premises should become not reasonably suitable for Tenant’s use for more than three (3) Business Days as a consequence of (a) any Service Failure, (b) any interference of access to the Premises, or (c) any legal restrictions or the presence of any Hazardous Material which does not result from Tenant’s release or emission of such Hazardous Material. If the interference persists for more than one hundred eighty (180) days, Tenant shall have the right to terminate the Lease.

8. **Leasehold Improvements.**

All improvements in and to the Premises, including those Tenant Improvements installed by Tenant and any Alterations (defined in Section 9.03) (collectively, “**Leasehold Improvements**”) shall remain upon the Premises at the end of the Term without compensation to Tenant, provided that Tenant, at its expense, shall remove any Cable (defined in Section 9.01 below) and any other Leasehold Improvements designated by Landlord. Notwithstanding the foregoing, Landlord shall be required to notify Tenant at the time of Landlord’s approval of the Final Space Plans or Final Working Drawings or any Alterations if Tenant shall be required to remove certain Leasehold Improvements, and restore the Premises to its condition immediately prior to the improvements described in the Final Space Plans or Final Working Drawings or Alterations plans, at the expiration of the Term or other termination of the Lease.
9. Repairs, Maintenance, and Alterations.

9.01 Repairs and Maintenance.

A. Landlord shall maintain the structural portions of the Building and the roof and roof membrane in good working order and repair. Landlord shall perform and construct (or shall cause to be performed or constructed), and Tenant shall have no responsibility to perform or construct, any repair, maintenance or improvements (a) to the structural portions of the Premises, (b) which could be treated as a “capital expenditure” under generally accepted accounting principles, and (c) the Building Systems serving the Premises (including components of such systems located in the Premises) and the Building. Notwithstanding the foregoing, Tenant shall pay for its share of the foregoing costs to the extent such costs are properly included in Expenses, provided that the cost of any capital repairs shall be amortized over the useful life of the capital item in question. In performing any maintenance, repairs or improvements, Landlord shall minimize interference with Tenant’s business operations. Landlord shall assign to Tenant any warranties affecting any portion of the Premises for which Tenant has any repair responsibilities.

B. If Tenant becomes aware of any conditions that are dangerous or in need of maintenance or repair, Tenant shall promptly provide Landlord with notice of any such conditions. Tenant, at its sole cost and expense, shall perform all maintenance and repairs to the Premises (other than with respect to any elements of the Building that are Landlord’s responsibility in Section 9.01(A) above), and keep the Premises in good condition and repair, reasonable wear and tear excepted. Tenant’s repair and maintenance obligations include, without limitation, repairs to: (a) floor covering; (b) interior partitions; (c) doors; (d) the interior side of demising walls; (e) Alterations (described in Section 9.03); (f) supplemental air conditioning units, kitchens, including hot water heaters, and similar facilities exclusively serving Tenant, whether such items are installed by Tenant or are currently existing in the Premises; and (g) electronic, fiber, phone and data cabling and related equipment that is installed by or for the exclusive benefit of Tenant (collectively, “Cable”). All repairs and other work performed by Tenant or its contractors shall be subject to the terms of Section 9.03 and 9.04 below. If Tenant fails to make any repairs to the Premises for more than fifteen (15) days after notice from Landlord (although notice shall not be required in an emergency), Landlord may make the repairs, and, within thirty (30) days after demand, Tenant shall pay the reasonable cost of the repairs, together with an administrative charge in an amount equal to five percent (5%) of the cost of the repairs.

9.02 Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932, and Sections 1941 and 1942 of the California Civil Code, or any similar or successor Laws now or hereafter in effect, and the terms of this Lease shall govern in such events typically governed by such Law.

9.03 Tenant shall not make alterations, repairs, additions or improvements or install any Cable (collectively referred to as “Alterations”) without first obtaining the written consent of Landlord in each instance, which consent shall not be unreasonably withheld, conditioned, or delayed; provided, however, that Tenant may construct non-structural alterations, additions and improvements (“Minor Alterations”) in the Premises without Landlord’s prior approval, if the cost of any such project does not exceed Fifty Thousand Dollars ($50,000). Alterations and Tenant’s trade fixtures, furniture, equipment and other personal property installed in the Premises (“Tenant’s Property”) shall at all times be and remain Tenant’s property. Except for Alterations which cannot be removed without structural injury to the Premises, at any time Tenant may remove Tenant’s Property from the Premises, provided that Tenant repairs all damage caused by such removal. Landlord shall have no lien or other interest in any item of Tenant’s Property. Landlord shall have no right to require Tenant to remove any Alterations unless it notifies Tenant at the time it consents to such Alteration that it shall require such alteration to be removed.

9.04 All contractors and subcontractors at any tier performing any construction, repair, refurbishment or restoration (“Work”) in the Building, including, without limitation, tenant improvements, build-out, Alterations, additions, improvements, renovations, repairs, remodeling, painting and installations of fixtures, mechanical, electrical, plumbing, data, security, telecommunication, low voltage or elevator equipment or systems or other equipment, or with respect to any other construction work in, on, or to the Building (including Work performed by any person providing any services to the Building such as DSL, cable, communications, telecommunications or similar services), except for Minor Alterations, are required to be approved in advance by Landlord, which approval will not be unreasonably withheld, conditioned, or delayed.

10. Entry by Landlord.

Landlord may enter the Premises to inspect, show or clean the Premises or to perform or facilitate the performance of repairs, alterations or additions to the Premises or any portion of the Building, or to show the Premises to prospective purchasers and lenders, as well as prospective tenants during the last nine months of the Term, or the Extension Period. Except in emergencies or to provide Building services, Landlord shall provide Tenant with at least one (1) Business Day’s prior notice of entry and shall use reasonable efforts to minimize interference with Tenant’s use of the Premises. Entry by Landlord shall not constitute a constructive eviction or entitle Tenant to any abatement of Rent, except as provided in Section 7.06.
11. Assignment and Subleasing.

11.01 Except as provided in Section 11.10 below with respect to a Permitted Transfer, Tenant may not sell, assign, sublease or otherwise transfer this Lease or any portion of the Premises (each herein a “Transfer”) without first obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. In no event may Tenant Transfer this Lease or Transfer any portion of the Premises if there is an Event of Default. No Transfer by Tenant shall relieve Tenant of any obligation under this Lease, and Tenant shall remain fully liable hereunder. Any attempted Transfer by Tenant in violation of the terms and covenants of this Section 11 shall be void. Any consent by Landlord to a particular Transfer shall not constitute Landlord’s consent to any other or subsequent Transfer, and any proposed Transfer by an assignee Tenant and/or a Tenant of either Tenant or any assignee Tenant shall be subject to the provisions of this Section 11 as if it were a proposed Transfer by Tenant.

11.02 [Reserved]

11.03 If Tenant desires at any time to make Transfer other than a Permitted Transfer (which shall be governed by the provisions of Section 11.10 below), Tenant shall give Landlord written notice of such desire at least thirty (30) days in advance of the date on which Tenant desires to make such Transfer and shall submit in writing to Landlord (i) the name of the proposed transferee, (ii) the nature of the proposed transferee’s business to be carried on at the Premises, (iii) a copy of the proposed Transfer agreement and any other agreements to be entered into concurrently with such Transfer, including full disclosure of the rent to be paid and all other financial terms, and (iv) such financial information as Landlord may reasonably request concerning the proposed transferee. Tenant shall pay to Landlord a reasonable fee for Landlord’s expenses, including reasonable attorneys’ fees, the sum of fee and expenses not to exceed One Thousand Five Hundred Dollars ($1,500) in any one instance, in reviewing such proposed Transfer or otherwise incurred with respect to any such proposed Transfer. Neither the furnishing of such information nor the payment of such fee shall limit any of Landlord’s rights or alternatives under this Section 11.

11.04 Upon any request for Landlord’s consent under this Section 11, Landlord shall have the option, which may be exercised in Landlord’s sole discretion by giving written notice to Tenant within fifteen days (15) days after receipt by Landlord of all of the information concerning such Transfer required by Section 11.03, (a) to terminate this Lease as to the portion of the Premises for which Tenant proposes a Transfer, effective as of the date Tenant proposes the Transfer to take place or if no such date was specified in Tenant’s notice to Landlord, effective as of the date specified by Landlord in Landlord’s response to Tenant, provided, however, if the proposed Transfer is a sublease of no more than full floor or less of the Premises for a period which is substantially less than the remaining Term of this Lease, then Landlord shall not have the right of recapture set forth in this item (a); (b) to terminate this Lease in its entirety, if Tenant proposes to Transfer all of its rights under this Lease, effective as of the date Tenant proposes the transfer to take place; (c) to permit Tenant to make such Transfer for the duration so specified by Tenant in its notice, or (d) to withhold its consent. If Landlord fails to notify Tenant in writing of Landlord’s election within said fifteen (15) day period, Landlord shall be deemed to have elected option (d). If Landlord notifies Tenant of its election of options (a) or (b) above, then, within the fifteen (15)-day period following receipt of Landlord’s election notification, Tenant will have the right to withdraw its request for Landlord’s consent, this Lease will not terminate with respect to the proposed Transfer space, and Landlord shall be deemed to have elected option (d). Upon termination of this Lease as to a portion of the Premises, (i) the Base Rent shall be reduced by the then-current Base Rent per square foot of rentable area, multiplied by the number of square feet of rentable area proposed to be Transferred by Tenant and subsequently recaptured by Landlord pursuant to item (a) above; (ii) Tenant’s Pro Rata Share shall be reduced in proportion to the reduction of the rentable area of the Premises; and (iii) such portion of the Premises shall, at Landlord’s expense, be made a discrete separate area in accordance with all applicable Laws and with a reasonable and appropriate entrance separate from the entrance for the remainder of the Premises. Upon termination of this Lease as to all or any portion of the Premises, any option to extend the Term of this Lease with respect to such portion of the Premises shall also terminate, whether or not such options have been exercised. Non-exercise by Landlord of its rights under this Section 11.04 shall not limit any of Landlord’s other rights and alternatives under Section 11.

11.05 Each transferee shall fully observe all covenants of this Lease, including without limitation, the provisions of Section 5.01 of this Lease, and no consent by Landlord to a Transfer shall be deemed in any manner to be a consent to a use not permitted under Section 5.01.

11.06 Whether or not Landlord has consented to the applicable Transfer, fifty percent (50%) of the amount by which the consideration received by Tenant pursuant to any Transfer exceeds, in any month, the Base Rent and Tenant’s Additional Rent then required to be paid with respect to such space, less reasonable and customary third party expenses directly incurred by Tenant attributable to the Transfer with respect to brokerage fees, legal fees, assignee/subtenant improvement costs, and reasonable marketing costs, shall be payable by Tenant directly to Landlord as additional rent hereunder on or before the first day of each such month.
11.07 Landlord shall have the right to transfer and assign, in whole or in part, all of its rights and obligations hereunder or in the Building or in all other property referred to herein, and upon any such transfer, the transferor shall have no further liability hereunder for anything occurring subsequent to such transfer or to any further extent assumed by the transferee.

11.08 Notwithstanding anything to the contrary in this Section 11, no Transfer by Tenant shall become effective until Tenant and any proposed assignee or subtenant has executed and delivered to Landlord a Consent to Assignment Agreement or Consent to Sublease Agreement, as appropriate, by and among Tenant, such proposed assignee or subtenant and Landlord in form reasonably acceptable to Landlord.

11.09 It is expressly agreed by Tenant that it shall be reasonable for Landlord and Landlord shall be entitled to withhold its consent to any proposed Transfer of this Lease or any proposed Transfer of all or a portion of the Premises if the proposed transferee is already occupying space in the Building or if any one of the following applies:

(a) the proposed transferee is an entity described on or engaged in a business described on Exhibit E attached hereto;

(b) in Landlord’s reasonable business judgment, the proposed transferee is of a character or reputation or engaged in a business which is not consistent with the quality and reputation of the Project; or

(c) in the case of an assignment of this Lease (as opposed to a sublease) only, the tangible net worth of the assignee as of the date the notice of the proposed Assignment is given pursuant to Section 11.03 or as of the consummation of the Assignment and any transactions related thereto, is or will be less than the tangible net worth of Tenant as of the date of this Lease.

11.10 Notwithstanding anything to the contrary set forth in this Lease, Tenant may assign all or a portion of its interest under this Lease, or sublease all or a portion of the Premises, upon notice to but without the requirement of consent of Landlord and without providing Landlord the right to recapture the Premises or participate in any excess consideration, to (i) an Affiliate, or (ii) any entity with whom Tenant merges or consolidates or engages in any reorganization, (iii) any entity succeeding to all or a substantial portion of the business and assets of Tenant or of any business unit of Tenant, or (iv) any entity or person by sale or other transfer of a percentage of capital stock, equity or ownership of Tenant (each such permitted Assignment, a “Permitted Transfer”), provided that (w) any successor entity who is the Tenant under this Lease has a tangible net worth equal to or greater than the tangible net worth of Tenant as of the date of this Lease, (x) the permitted transferee complies with the use provisions of this Lease (y) there is no Event of Default as of the date of the Permitted Transfer, and (z) Tenant shall give Landlord written notice at least twenty (20) days prior to the effective date of the proposed Permitted Transfer (unless prohibited by law).

11.11 Further, Landlord agrees that Tenant is entering into this Lease for itself and the benefit of certain of its Affiliates, and therefore the Premises may be used by any Affiliate without a separate assignment or sublease agreement and without a separate prior written consent of the Landlord, provided that Tenant delivers prior written notice to Landlord of the occupancy by the Affiliate and the identity of the Affiliate, and further provided that (a) Tenant does not separately demise the space used by the Affiliate and the Affiliate shall utilize with Tenant one common entryway to the Premises as well as certain shared central services, such as reception, photocopying and the like; (b) the Affiliates operate their business in the Premises for the use permitted under this Lease and for no other purpose; and (c) the business of any Affiliate is suitable for the Building considering the business of other tenants and the Building’s prestige. If any Affiliate occupies any portion of the Premises as described in this Section 11.11, it is agreed that (i) the Affiliate must comply with all provisions of this Lease, and a default by any Affiliate shall be deemed a default by Tenant under this Lease; all notices required of Landlord under the Lease shall be sent only to Tenant in accordance with the terms of the Lease, and in no event shall Landlord be required to send any notices to any Affiliate; (ii) in no event shall any such occupancy or use by an Affiliate release or relieve Tenant from any of its obligations under the Lease; (iv) any Affiliate and their employees, contractors and invitees visiting or occupying space in the Premises shall be deemed contractors of Tenant for purposes of Tenant’s indemnification obligations in Section 13; and (v) if any Affiliate pays Rent for the Premises directly to Landlord, Landlord, at its option, may accept the Rent and the Rent shall be considered to be for the account of Tenant and applied against the Rent owed by Tenant as deemed appropriate by Landlord. Neither the occupancy of any portion of the Premises by an Affiliate, nor the payment of any Rent directly by an Affiliate, shall be deemed to create a landlord and tenant relationship between Landlord and such Affiliate, and, in all instances, Tenant shall be considered the sole tenant under this Lease.
12. Liens.

Tenant shall not permit mechanics’ or other liens to be placed upon the Property, Premises or Tenant’s leasehold interest in connection with any work or service done or purportedly done by or for the benefit of Tenant or its transferees. Tenant, within ten (10) days after notice from Landlord, shall fully discharge any lien by settlement, by bonding or by insuring over the lien in the manner prescribed by the applicable lien Law and, if Tenant fails to do so, Tenant shall be deemed in default under this Lease and, in addition to any other remedies available to Landlord as a result of such default by Tenant, Landlord, at its option, may bond, insure over or otherwise discharge the lien. Tenant shall reimburse Landlord for any amount paid by Landlord, including, without limitation, reasonable attorneys’ fees.

13. Indemnity and Waiver of Claims.

13.01 Except to the extent caused by the negligence or willful misconduct of Landlord or any Landlord Related Parties (defined below), Tenant shall indemnify, defend and hold Landlord and Landlord Related Parties harmless against and from all liabilities, obligations, damages, penalties, claims, actions, costs, charges and expenses, any and all cost of environmental clean-up including, without limitation, reasonable attorneys’ fees and other professional fees (if and to the extent permitted by Law) (collectively referred to as “Losses”), which may be imposed upon, incurred by or asserted against Landlord or any of the Landlord Related Parties by any third party and arising out of or in connection with any damage or injury occurring in the Premises during the Term or any acts or omissions (including violations of Law) of Tenant, the Tenant Related Parties (defined below) or any of Tenant’s transferees, contractors or licensees in, on or about the Premises, Building or the Property during the Term. Without limiting the generality of the foregoing, except to the extent caused by the negligence or willful misconduct of Landlord or any Landlord Related Parties, Tenant specifically agrees to indemnify, defend and hold harmless Landlord and the Landlord Related Parties (as defined below) from Losses arising from or in any way related to the handling of Hazardous Materials introduced by Tenant or any Tenant Related Parties during the Term or violation of any of the provisions of this Agreement pertaining to Hazardous Materials (collectively, “Tenant Environmental Losses”), including, without limitation, consequential damages, damages for personal or bodily injury, property damage, encumbrances, liens, costs and expenses of investigations, monitoring, clean up, removal or remediation of Hazardous Materials, defense costs of any claims, good faith settlements, reasonable attorneys’ and consultants’ fees and costs, and losses attributable to the diminution of value, whether or not such Tenant Environmental Losses are contingent or otherwise, matured or unmatured, foreseeable or unforeseeable.

13.02 Except to the extent caused by the negligence or willful misconduct of Tenant or any Tenant Related Parties (defined below), Landlord shall indemnify, defend and hold Tenant, its trustees, members, principals, beneficiaries, partners, officers, directors, employees and agents (“Tenant Related Parties”) harmless against and from all Losses which may be imposed upon, incurred by or asserted against Tenant or any of the Tenant Related Parties by any third party and arising out of or in connection with the gross negligence or willful misconduct of Landlord or the Landlord Related Parties in, on or about the Property. Without limiting the generality of the foregoing, Landlord specifically agrees to indemnify, defend and hold harmless Tenant and the Tenant Related Parties from Losses arising from or in any way related to the existence of Hazardous Materials at the Property prior to the Commencement Date or the handling of Hazardous Materials by Landlord or any Landlord Related Parties during the Term or violation of any of the provisions of this Agreement pertaining to Hazardous Materials (collectively, “Landlord Environmental Losses”), including, without limitation, consequential damages, damages for personal or bodily injury, property damage, encumbrances, liens, costs and expenses of investigations, monitoring, clean up, removal or remediation of Hazardous Materials, defense costs of any claims, good faith settlements, reasonable attorneys’ and consultants’ fees and costs, and losses attributable to the diminution of value, whether or not such Landlord Environmental Losses are contingent or otherwise, matured or unmatured, foreseeable or unforeseeable. Tenant hereby waives all claims against and releases Landlord and its trustees, members, principals, beneficiaries, partners, officers, directors, employees, Lender, and agents (the “Landlord Related Parties”) from all claims for any injury to or death of persons, damage to property or business loss in any manner related to (a) Force Majeure, (b) acts of third parties, (c) the bursting or leaking of any tank, water closet, drain or other pipe, (d) the inadequacy or failure of any security or protective services, personnel or equipment, or (e) any matter not within the reasonable control of Landlord, unless and to the extent any such injury, damage or loss arose from the negligence of any of the Landlord Parties.


14.01 Tenant shall maintain the following insurance (“Tenant’s Insurance”):

(a) “All-Risk” Property Insurance, for damage or other loss caused by fire or other casualty or cause including, but not limited to, vandalism and malicious mischief, and theft, and covering all of Tenant’s Property, in an amount not less than one hundred percent (100%) of the replacement cost of such property;
(b) Commercial General Liability Insurance applying to the use and occupancy of the Premises and the business operated by Tenant. Such insurance shall have a minimum combined single limit of liability of at least Three Million Dollars ($3,000,000) per occurrence and a general aggregate limit (combined primary and excess) of at least Five Million Dollars ($5,000,000). All such policies shall be written to apply to bodily injury, property damage, personal injury losses and shall be endorsed to include Landlord and its agents (including, without limitation, any property manager), beneficiaries, partners, members, employees, and any Lender as additional insureds. Such liability insurance shall be written as primary policies, not excess or contributing with or secondary to any other insurance as may be available to the additional insureds;

(c) Worker’s Compensation Insurance in accordance with the laws of the State of California, and Employer’s Liability insurance in accordance with the greater of limits required by law or One Million Dollars ($1,000,000); Bodily Injury Each Accident One Million Dollars ($1,000,000); Bodily Injury By Disease – Each Person One Million Dollars ($1,000,000); and One Million Dollars ($1,000,000) Bodily Injury By Disease – Policy Limit; and

(d) Automobile Liability Insurance covering all owned vehicles, hired vehicles, and all other non-owned vehicles.

All insurance required to be maintained by Tenant shall be issued by insurance companies authorized to do business in the State of California and rated not less than A-VIII in Best’s Insurance Guide. A certificate of insurance evidencing the insurance required under this Section 14 shall be delivered to Landlord not less than on or prior to the Commencement Date. Such policies shall contain only deductibles in amounts which are customary and acceptable to Landlord. No such policy shall be subject to cancellation without thirty (30) days’ prior written notice to Landlord and to any Lender designated by Landlord to Tenant; provided, however, that if Tenant’s insurer does not issue such endorsements, than Tenant shall provide Landlord written notice of any such cancellation or reduction in coverage within five (5) Business Days of Tenant’s receipt of notice of the same. Tenant shall furnish to Landlord a replacement certificate with respect to any insurance not less than thirty (30) days prior to the expiration of the current policy. Tenant shall have the right to provide the insurance required by this Section 14 pursuant to blanket policies, but only if such blanket policies expressly provide coverage to the Premises and Landlord as required by this Lease.

14.02 Landlord’s Insurance. Landlord shall maintain insurance against loss or damage with respect to the Building and the Building Systems on an “all risk”/“special form” type insurance form, with customary exceptions, subject to such deductibles as Landlord may reasonably determine, in an amount equal to at least the replacement value of the Building. Landlord may also maintain such other insurance as may from time to time be required by a Lender. The coverage and amounts of insurance carried by Landlord in connection with the Building shall, at a minimum, be comparable to the coverage and amounts of insurance carried by reasonably prudent landlords of buildings comparable to and in the vicinity of the Building.

15. Waiver of Subrogation.

Notwithstanding anything to the contrary in this Lease, Landlord and Tenant hereby release each other and their respective agents, employees, successors, assignees and subtenants from all liability for damage to any property, including rights, claims, actions and causes of action based on negligence, which damage is caused by or results from a risk which is actually insured against, which is required to be insured against under the Lease, or which would normally be covered by a standard special causes of loss policy of property insurance. For the purposes of this waiver, any deductible with respect to a party’s insurance shall be deemed covered by and recoverable by such party under valid and collectable policies of insurance. All of Landlord’s and Tenant’s repair and indemnity obligations under the Lease shall be subject to the waiver contained in this paragraph.


16.01 If all or any portion of the Premises becomes untenantable or inaccessible by fire or other casualty to the Premises or the Common Areas (collectively a “Casualty”), Landlord shall cause a general contractor selected by Landlord to promptly provide Landlord with a written estimate of the amount of time required, using standard working methods, to substantially complete the repair and restoration of the Premises and any Common Areas necessary to provide access to the Premises (“Completion Estimate”). If the Completion Estimate indicates that the Premises or any Common Areas necessary to provide access to the Premises cannot be made tenantable within one hundred eighty (180) days from the date of the Casualty, then either party shall have the right to terminate this Lease upon written notice to the other within ten (10) days after Tenant’s receipt of the Completion Estimate. In addition, either party, by notice to the other party delivered within ninety (90) days after the date of the Casualty, shall have the right to terminate this Lease if the Premises have been materially damaged and there is less than 1 year of the Term remaining on the date of the Casualty and the Completion Estimate exceeds sixty (60) days from the date of the Casualty. Landlord shall not have the right to terminate the Lease if the damage to the Building is (a) due to a risk required to be insured against under Section 14.02 of the Lease or (b) repair or restoration would cost less than ten percent (10%) of the replacement cost of the Building.
16.02 If this Lease is not terminated pursuant to Section 16.01, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord’s reasonable control, restore the Premises and Common Areas. Such restoration shall be to substantially the same condition that existed prior to the Casualty, except for modifications required by Law. Upon notice from Landlord, Tenant shall assign or endorse over to Landlord all property insurance proceeds payable to Tenant under Tenant’s Insurance with respect to any Leasehold Improvements to be performed by Landlord for the benefit of Tenant. In no event shall Landlord be required to spend more for the restoration of the Premises and Common Areas than the insurance proceeds received by Landlord. Landlord shall not be liable for any inconvenience to Tenant, or injury to Tenant’s business resulting in any way from the Casualty or the repair thereof; provided, however, that during any period when Tenant’s use of the Premises is materially impaired by damage or destruction, Rent shall equitably abate in proportion to the degree to which Tenant’s use of the Premises is impaired.

16.03 The provisions of this Lease, including this Section 16, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises or the Property, and any Laws, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any similar or successor Laws now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises or the Property.

17. Condemnation.

Landlord or Tenant may terminate this Lease if any material part of the Premises is taken or condemned for any public or quasi-public use under Law, by eminent domain or private purchase in lieu thereof (a “Taking”). Landlord shall also have the right to terminate this Lease if there is a Taking of any portion of the Building or Property that would have a material adverse effect on Landlord’s ability to profitably operate the remainder of the Building. Landlord shall provide written notice of the Taking to Tenant within five (5) days after Landlord first receives notice of the Taking. Either party shall provide written notice of termination to the other party within ninety (90) days after Tenant first receives notice of the Taking. The termination shall be effective as of the effective date of any order granting possession to, or vesting legal title in, the condemning authority. If this Lease is not terminated, Base Rent and Tenant’s Pro Rata Share shall be appropriately adjusted to account for any reduction in the square footage of the Building or Premises. All compensation awarded for a Taking shall be the property of Landlord; provided, however, that Landlord will receive only those portions of the condemnation award not attributable to Tenant’s personal property, moving costs, or goodwill. If only a part of the Premises is subject to a Taking and this Lease is not terminated, Landlord, with reasonable diligence, will restore the remaining portion of the Premises as nearly as practicable to the condition immediately prior to the Taking and during any period when Tenant’s use of the Premises is materially impaired by such restoration, Rent shall equitably abate in proportion to the degree to which Tenant’s use of the Premises is impaired. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of the California Code of Civil Procedure, or any similar or successor Laws.

18. Events of Default.

In addition to any other Event of Default specifically described in this Lease, each of the following occurrences shall be an “Event of Default”: (a) Tenant’s failure to pay any portion of Rent when due, if the failure continues for three (3) Business Days after written notice to Tenant (“Monetary Default”); (b) Tenant’s failure (other than a Monetary Default) to comply with any term, provision, condition or covenant of this Lease, if the failure is not cured within fifteen (15) days after written notice to Tenant provided, however, if Tenant’s failure to comply cannot reasonably be cured within fifteen (15) days, Tenant shall be allowed additional time (not to exceed thirty (30) days) as is reasonably necessary to cure the failure so long as Tenant begins the cure within fifteen (15) days and diligently pursues the cure to completion; (c) Tenant permits a Transfer without Landlord’s required approval or otherwise in violation of Section 11 of this Lease; (d) Tenant becomes insolvent, makes a transfer in fraud of creditors, makes an assignment for the benefit of creditors, admits in writing its inability to pay its debts when due or forfeits or loses its right to conduct business; or (e) Tenant does not take possession of the Premises. All notices sent under this Section shall be in satisfaction of, and not in addition to, notice required by Law.


19.01 Upon the occurrence of any Event of Default, whether enumerated in Section 18 or not, Landlord shall have the option to pursue any one or more of the following remedies:

(a) Terminate this Lease and Tenant’s right to possession of the Premises and recover from Tenant an award of damages equal to the sum of the following:

(i) The Worth at the Time of Award of the unpaid Rent which had been earned at the time of termination;
(ii) The Worth at the Time of Award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such Rent loss that Tenant affirmatively proves could have been reasonably avoided;

(iii) The Worth at the Time of Award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that Tenant affirmatively proves could be reasonably avoided;

(iv) Any other amount necessary to compensate Landlord for all the detriment either proximately caused by Tenant’s failure to perform Tenant’s obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and

(v) All such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time under applicable law.

The “Worth at the Time of Award” of the amounts referred to in parts (i) and (ii) above, shall be computed by allowing interest at the lesser of a per annum rate equal to: (A) the greatest per annum rate of interest permitted from time to time under applicable law, or (B) the Prime Rate plus five percent (5%) as determined by Landlord.

(b) Employ the remedy described in California Civil Code § 1951.4 (Landlord may continue this Lease in effect after Tenant’s breach and abandonment and recover Rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations); or

(c) Notwithstanding Landlord’s exercise of the remedy described in California Civil Code § 1951.4 in respect of an Event or Events of Default, at such time thereafter as Landlord may elect in writing, to terminate this Lease and Tenant’s right to possession of the Premises and recover an award of damages as provided above in Section 19.01(a).

19.02 The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord’s knowledge of such preceding breach at the time of acceptance of such Rent. No waiver by Landlord of any breach hereof shall be effective unless such waiver is in writing and signed by Landlord.

19.03 TENANT HEREBY WAIVES ANY AND ALL RIGHTS CONFERRED BY SECTION 3275 OF THE CIVIL CODE OF CALIFORNIA AND BY SECTIONS 1174 (c) AND 1179 OF THE CODE OF CIVIL PROCEDURE OF CALIFORNIA AND ANY AND ALL OTHER LAWS AND RULES OF LAW FROM TIME TO TIME IN EFFECT DURING THE LEASE TERM OR THEREAFTER PROVIDING THAT TENANT SHALL HAVE ANY RIGHT TO REDEEM, REINSTATE OR RESTORE THIS LEASE FOLLOWING ITS TERMINATION BY REASON OF TENANT’S BREACH.

19.04 No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing by agreement, applicable Law or in equity. In addition to other remedies provided in this Lease, Landlord shall be entitled, to the extent permitted by applicable Law, to injunctive relief, or to a decree compelling performance of any of the covenants, agreements, conditions or provisions of this Lease, or to any other remedy allowed to Landlord at law or in equity. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such Event of Default.

19.05 If there is an Event of Default of any of Tenant’s non-monetary obligations under the Lease, Landlord shall have the right to perform such obligations. Tenant shall reimburse Landlord for the reasonable cost of such performance upon demand together with an administrative charge equal to five percent (5%) of the cost of the work performed by Landlord.

19.06 This Section 19 shall be enforceable to the maximum extent such enforcement is not prohibited by applicable Law, and the unenforceability of any portion thereof shall not thereby render unenforceable any other portion.

20. Limitation of Liability.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, THE LIABILITY OF LANDLORD (AND OF ANY SUCCESSOR LANDLORD) TO TENANT SHALL BE LIMITED TO THE INTEREST OF LANDLORD IN THE PROPERTY (INCLUDING RENTS, PROFITS, INSURANCE PROCEEDS, AND SALE PROCEEDS).
TENANT SHALL LOOK SOLELY TO LANDLORD’S INTEREST IN THE PROPERTY FOR THE RECOVERY OF ANY JUDGMENT. NEITHER LANDLORD NOR ANY LANDLORD RELATED PARTY SHALL BE PERSONALLY LIABLE FOR ANY JUDGMENT OR DEFICIENCY, AND IN NO EVENT SHALL LANDLORD OR ANY LANDLORD RELATED PARTY BE LIABLE TO TENANT FOR ANY LOST PROFIT, DAMAGE TO OR LOSS OF BUSINESS OR ANY FORM OF SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGE. BEFORE FILING SUIT FOR AN ALLEGED DEFAULT BY LANDLORD, TENANT SHALL GIVE LANDLORD AND THE LENDER(S) WHOM TENANT HAS BEEN NOTIFIED HOLD SUPERIOR INTERESTS (DEFINED IN SECTION 22 BELOW), NOTICE AND REASONABLE TIME TO CURE THE ALLEGED DEFAULT.

21. Holding Over.

If Tenant fails to surrender all or any part of the Premises at the termination of this Lease, occupancy of the Premises after termination shall be that of a tenancy at sufferance, Tenant’s occupancy shall be subject to all the terms and provisions of this Lease and Tenant shall pay an amount (on a per month basis without reduction for partial months during the holdover) equal to one hundred fifty percent (150%) of the sum of the Base Rent and Additional Rent due for the period immediately preceding the holdover. Tenant shall be liable for all out-of-pocket damages that Landlord suffers from the holdover.

22. Subordination to Superior Interests; Estoppel Certificate.

22.01 This Lease shall be subject and subordinate to any first mortgage or deed of trust and to any junior mortgage or deed of trust that has been approved by the first mortgagee or deed of trust beneficiary that may now or hereafter be placed upon the Building and to any and all advances to be made under such mortgages and to the interest thereon, and all renewals, extensions and consolidations thereof (collectively, “Superior Interests”), provided that the mortgagee or deed of trust beneficiary ("Lender") agrees in writing in form reasonably acceptable to Tenant to the provisions of Section 22.02. Any Lender may elect to give this Lease priority to its Superior Interest. In the event of such election and upon notification by such Lender, this Lease shall be deemed prior in lien to the said Superior Interest. This Section 22 shall be self-operative, but in confirmation thereof, within twenty (20) Business Days after demand, Tenant shall execute and deliver whatever commercially reasonable instruments may be required by the first Lender or junior Lender to acknowledge such subordination or priority in a recordable form, and if Tenant fails to do so within such twenty (20) Business Days, Tenant will be in default of this Lease. Any standard processing fee of a Lender and any Landlord’s reasonable attorneys’ fees associated with the execution of any subordination and non-disturbance agreement shall be payable as additional rent. Without limiting the foregoing, Landlord shall submit a request to such Lender, on behalf of Tenant, that the subject Lender enter into a commercially reasonable non-disturbance agreement with Tenant which shall provide that such Lender recognizes the Lease and Tenant’s rights thereunder and that Tenant’s possession of the Premises shall not be disturbed in the event of a foreclosure so long as there is not an Event of Default. Tenant shall execute and deliver a Subordination, Non-Disturbance and Attornment Agreement in the form attached as Exhibit 1 to this Lease to Landlord when Tenant executes and delivers this Lease to Landlord.

22.02 Notwithstanding the foregoing Section 22.01, in the event of a foreclosure of any such Superior Interest or of any other action or proceeding for the enforcement thereof, or of any sale thereunder, this Lease shall not be terminated or extinguished, nor shall the rights and possession of Tenant hereunder be disturbed, if no Event of Default then exists under this Lease, and Tenant shall attorn to the person who acquires Landlord’s interest through any such Superior Interest.

22.03 Within Twenty (20) Business Days after Landlord’s request from time to time Tenant shall furnish to Landlord (or as Landlord may direct) Tenant’s written and duly signed certification that this Lease is in full force and effect without amendment (or with such changes as may then be effective, which shall be stated in the certificate), that Tenant has no defense, offset, or counterclaim against its rent payment or other obligations hereunder (or specifying such defenses, offsets, or counterclaims if they are claimed), the dates to which rent and other charges have been paid, that neither Landlord nor Tenant is in default under this Lease (or specifying any default of either party in detail in the certificate) and any other factual certifications reasonably requested by Landlord. Any prospective purchaser or Lender may rely on such certifications.

23. Notice.

All notices shall be in writing and delivered by hand or sent by registered, express, or certified mail, with return receipt requested or with delivery confirmation requested from the U.S. postal service, or sent by overnight or same day courier service at the party’s respective Notice Address(es) set forth in Section 1. Each notice shall be deemed to have been received on the earlier to occur of actual delivery or the date on which delivery is refused, or, if Tenant has vacated the Premises or any other Notice Address of Tenant without providing a new Notice Address, three (3) Business Days after notice is deposited in the U.S. mail or with a courier service in the manner described above. Either party may, at any time, change its Notice Address (other than to a post office box address) by giving the other party written notice of the new address.

At the termination of this Lease or Tenant’s right of possession, Tenant shall remove Tenant’s Property from the Premises, and quit and surrender the Premises to Landlord, broom clean, and in good order, condition and repair, ordinary wear and tear, casualty, condemnation, and damage which Landlord is obligated to repair hereunder excepted. If Tenant fails to remove any of Tenant’s Property, or to restore the Premises to the required condition, within five (5) Business Days after termination of this Lease or Tenant’s right to possession, Landlord, at Tenant’s sole cost and expense, shall be entitled (but not obligated) to remove and store Tenant’s Property and/or perform such restoration of the Premises. Landlord shall not be responsible for the value, preservation or safekeeping of Tenant’s Property. Tenant shall pay Landlord, upon demand, the reasonable out-of-pocket expenses and storage charges incurred. If Tenant fails to remove Tenant’s Property from the Premises or storage, within thirty (30) days after notice, Landlord may deem all or any part of Tenant’s Property to be abandoned and, at Landlord’s option, title to Tenant’s Property shall vest in Landlord or Landlord may dispose of Tenant’s Property in any manner Landlord deems appropriate.

25. Miscellaneous.

25.01 This Lease shall be interpreted and enforced in accordance with the Laws of the State of California and Landlord and Tenant hereby irrevocably consent to the jurisdiction and proper venue of such state. If any term or provision of this Lease shall to any extent be void or unenforceable, the remainder of this Lease shall not be affected. If there is more than one Tenant or if Tenant is comprised of more than one party or entity, the obligations imposed upon Tenant shall be joint and several obligations of all the parties and entities, and requests or demands from any one person or entity comprising Tenant shall be deemed to have been made by all such persons or entities.

25.02 In any action or proceeding between Landlord and Tenant, including any appellate or alternative dispute resolution proceeding, the prevailing party shall be entitled to recover from the non-prevailing party all of its actual costs and expenses in connection therewith, including, but not limited to, reasonable attorneys’ fees actually incurred. No failure by either party to declare a default immediately upon its occurrence, nor any delay by either party in taking action for a default, nor Landlord’s acceptance of Rent with knowledge of a default by Tenant, shall constitute a waiver of the default, nor shall it constitute an estoppel.

25.03 Whenever a period of time is prescribed for the taking of an action by Landlord or Tenant (other than the payment of the Security Deposit or Rent), the period of time for the performance of such action shall be extended by the number of days that the performance is actually delayed due to strikes, acts of God, shortages of labor or materials, war, terrorist acts, pandemics, civil disturbances and other causes beyond the reasonable control of the performing party ("Force Majeure").

25.04 Landlord shall have the right to transfer and assign, in whole or in part, all of its rights and obligations under this Lease and in the Building and Property. Upon transfer, Landlord shall be released from any further obligations hereunder and Tenant agrees to look solely to the successor in interest of Landlord for the performance of such obligations, provided that any successor pursuant to a voluntary, third party transfer (but not as part of an involuntary transfer resulting from a foreclosure or deed in lieu thereof) shall have assumed Landlord’s obligations under this Lease and Landlord shall have transferred the Letter of Credit and any proceeds therefrom to the successor.

25.05 Time is of the essence with respect to Tenant’s exercise of any expansion, renewal or extension rights granted to Tenant. The expiration of the Term, whether by lapse of time, termination or otherwise, shall not relieve either party of any obligations which accrued prior to or which may continue to accrue after the expiration or termination of this Lease.

25.06 Tenant may peacefully have, hold and enjoy the Premises, subject to the terms of this Lease, provided Tenant pays the Rent and fully performs all of its covenants and agreements. This covenant shall be binding upon Landlord and its successors only during its or their respective periods of ownership of the Building.

25.07 This Lease does not grant any rights to light or air over or about the Building. Landlord accepts and reserves exclusively to itself any and all rights not specifically granted to Tenant under this Lease. Landlord reserves the right to make changes to the Property, Building and Common Areas as Landlord deems appropriate. This Lease constitutes the entire agreement between the parties and supersedes all prior agreements and understandings related to the Premises, including all lease proposals, letters of intent and other documents. Neither party is relying upon any warranty, statement or representation not contained in this Lease. This Lease may be modified only by a written agreement signed by an authorized representative of Landlord and Tenant.

Tenant shall furnish to Landlord within thirty (30) days of Landlord’s written request, but no more often than once in the Term, an accurate, up-to-date, audited (or unaudited and certified by Tenant’s chief financial officer) statement showing the financial condition of Tenant for the preceding fiscal year. Unless public by other means, Landlord will maintain confidential such statements, except as required by applicable law or court order; however Landlord may provide such statements to Landlord’s prospective and actual lenders and purchasers, and its and their accountants, attorneys and partners; provided that Landlord shall inform such parties as to the confidentiality of such materials and information and shall use commercially reasonable efforts to cause such parties to abide by the confidentiality provisions of this Section 26.

27. Bicycles.

Subject to any requirements of applicable Law, Tenant shall be permitted to store bicycles within the Premises; provided, however, Tenant shall be strictly liable for any damage to the Premises and/or the Property or injury to persons which may be caused by or result from the storage of any bicycle in the Premises and Tenant shall indemnify and hold harmless Landlord against any and all Losses arising from the presence of each such bicycle in, on or about the Property, including, without limitation, any costs of cleaning). Without limiting the foregoing, (a) bicycles shall be walked through the Premises only, no bicycle shall be ridden within the Premises at any time under any circumstances; and (b) Tenant will take all necessary precautions to prevent injury to persons or damage to property resulting from bringing bicycles into the Premises, including, without limitation, providing for methods to remove water, oil, grease or other substances tracked into the Premises with any bicycles, and ensuring that bicycles are not left in areas which would impede exit from the Premises during an emergency or entrance to the Premises by any emergency personnel.

28. Pets.

Upon Landlord’s written consent (not to be unreasonably withheld, conditioned or delayed) and the execution by Landlord and Tenant of a pet agreement relating to such pet, Tenant shall be permitted to bring two dogs, but no more than two dogs, into the Premises; provided, however, that: (i) such consent is revocable by Landlord at any time, and any consent granted with respect to a particular pet shall not affect Landlord’s right to exclude any and all other pets from the Property; (ii) Tenant shall not allow any pet permitted to occupy the Premises to damage the Premises, disturb the exterior of the Premises, the Building or the Project, including landscaping or other ground cover, to disturb other tenants, occupants or users of the Property or to deposit waste on the Property; (iii) such pet shall occupy the Premises as an invitee of Tenant, Tenant shall be strictly liable for any damage to the Premises and/or the Property or injury to persons which may be caused by any such pet and Tenant shall indemnify and hold harmless Landlord against any and all Losses arising from the presence of each such pet in, on or about the Property (including, without limitation, any costs of cleaning), and (iv) Tenant’s commercial liability insurance shall include an endorsement or rider, in a form reasonably acceptable to Landlord, covering injury to persons and/or damage to property caused by each such pet. Without limiting the foregoing, (a) each pet shall be housebroken, (b) no pet shall be fed or given water on any unprotected carpeted area inside the Premises, or allowed to urinate or defecate on any unprotected carpeted area inside the Premises, (c) Tenant shall immediately remove and properly dispose of any pet waste in, on or around the Premises, (d) Tenant may not leave any pet within the Premises overnight, abandon a pet or otherwise leave a pet unattended for any extended period, and (e) Tenant shall, at Tenant’s sole cost and expense, comply with all applicable Laws related to the ownership and care of each pet, including, without limitation, any laws applicable to bringing a pet into a place of work. Prior to bringing any pet into the Premises, Tenant shall apply to Landlord for approval of each such pet which Tenant wishes to bring into the Premises, which application shall identify the pet with reasonable specificity for later identification of such pet and shall include a photograph of the pet and, upon Landlord’s approval of such pet, shall enter into a separate pet agreement relating to Tenant’s right to bring such pet into the Premises.

29. Option to Extend (Subject to Landlord Recapture Right).

29.01 So long as Tenant occupies the entire Premises, Tenant shall have one (1) option (an “Extension Option”) to extend the Term with respect to the entirety of the Premises for a period of five (5) years (the “Extension Period”), subject to the following conditions:

(a) Tenant’s option to extend shall be exercised, if at all, by notice of exercise given to Landlord by Tenant not more than fifteen (15) months nor less than twelve (12) months prior to the expiration date of the Lease (the “Expiration Date”). If the Tenant’s option to extend is not so exercised, the Extension Option shall be of no further force and effect and Landlord shall be entitled to lease the Premises after the Expiration Date to any party on any terms.

(b) Tenant shall accept the entire Premises on an “AS-IS” basis.
(c) Anything herein to the contrary notwithstanding, if there is an Event of Default, either at the time Tenant exercises the Extension Option or at any time thereafter prior to or upon the commencement date of the Extension Period, Landlord shall have, in addition to all of Landlord’s other rights and remedies provided in the Lease, the right to terminate the Extension Option upon notice to Tenant.

(d) In the event the Extension Option is exercised in a timely fashion and the requirements set forth above are satisfied, the Lease shall be extended for the term of the Extension Period subject to all of the terms and conditions of the Lease, provided that the Base Rent for the Extension Period shall be the fair market rent which tenants are paying in rent for lease renewals for similar premises which have a certificate of occupancy for office use, in the “South of Market” area of San Francisco, under similar terms and conditions as contained in this Lease. The “South of Market” area shall be the area with the boundaries of The Embarcadero, Fifth Street, Townsend Street, and Market Street. The MAI appraisers referred to in Section 29.01(f) shall consider any 1) rent abatements, 2) tenant improvements paid by the tenant and/or tenant improvements paid by the landlord; 3) monetary concessions by either the landlord or the tenant for such renewals; 4) building Improvements, (5) quality of the base building construction and improvements, and (6) the quality of locations, among other things, in determining the rent for similar premises in comparable buildings in comparable locations in the “South of Market” area of San Francisco.

(e) In the event the Extension Option is exercised in a timely fashion and the requirements set forth above are satisfied, not later than six (6) months prior to the Expiration Date of the Term, Landlord shall notify Tenant in writing of the Landlord’s determination, in Landlord’s reasonable discretion, of the fair market rent, based on the provisions set forth above. Within thirty (30) days after receipt of such notice from Landlord, Tenant shall have the right to accept Landlord’s statement of fair market rent as the Base Rent for the Extension Period or reject Landlord’s statement of the fair market rent. If Tenant rejects Landlord’s determination, Tenant shall provide Landlord its reasonable determination of the fair market rent. If Tenant does not accept or reject Landlord’s determination of fair market rent and execute an extension within thirty (30) days of Landlord’s Notice of fair market rent, Tenant shall be deemed to have rejected Landlord’s determination.

(f) If Tenant rejects or is deemed to have rejected Landlord’s determination of the fair market rent, Landlord and Tenant shall negotiate, in good faith, the fair market rent. If the parties cannot agree on the fair market rent within thirty (30) days of Tenant’s rejection or deemed rejection, then either party may elect to determine the fair market rent value through the following arbitration procedure: Upon either party’s election to arbitrate the fair market rent value, each party shall specify in writing to the other the name and address of a person to act as the appraiser on its behalf. Each such person shall be an MAI appraiser with at least ten (10) years of experience determining the prevailing market rents for comparable office buildings in the “South of Market” area of San Francisco. If either party fails to timely appoint an appraiser within fifteen (15) days of either party’s election to determine the fair market rent through arbitration, the determination of the timely appointed appraiser shall be final and binding. The two appraisers shall have twenty-one (21) days from the day of their respective appointments (the “Determination Period”) to make their respective determinations and agree on the fair market rent. If the two appraisers selected by the Landlord and Tenant cannot reach agreement on the fair market rent, then within five (5) Business Days following the Determination Date, such appraisers shall render written reports of their respective determinations of fair market rent and shall jointly appoint an impartial third appraiser with qualifications similar to those of the first two appraisers, and the fair market rent shall be established by the three appraisers in accordance with the following procedures: The appraiser selected by each party shall, within ten (10) Business Days following his or her appointment make a separate determination of the fair market rent. The Base Rent, escalation factor and Additional Rent during the first lease year of the Extension Period shall equal the median of the three determinations and shall be final and conclusive on Landlord and Tenant. Each party shall pay the cost of its own appraiser and shall share equally the cost of the third appraiser. If the two appraisers cannot agree on the selection of the third appraiser, then either party may apply to Law and Motion Judge of the San Francisco Superior Court for the selection for the third appraiser.

29.02 Tenant’s extension rights are personal to Tenant and shall not apply to any Transferee of Tenant (other than a Transferee under a Permitted Transfer). If at any time during the Term, Tenant has Transferred more than fifty percent (50%) of the Premises in the aggregate (not including Permitted Transfers), then Tenant’s rights to extend shall be null and void and of no further force or effect.

30. Americans with Disability Act.

30.01 Landlord, at its cost, shall deliver the Premises to Tenant in full compliance with the Americans with Disabilities Act (“ADA”) as of the Commencement Date, except that any alterations, additions or improvements required to modify the Premises in conjunction with the ADA because of Tenant’s proposed alterations or improvements to the Premises shall be undertaken by Tenant at Tenant’s sole cost, and shall be approved by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed), and paid by Tenant. After the Commencement Date, Tenant shall maintain and repair the Premises in compliance with ADA at its sole cost, except for any violations of ADA existing at the Commencement Date, which Landlord shall correct at Landlord’s sole cost. Notwithstanding anything to the contrary in
this Section 30.01, Tenant will not be required to make any structural changes to the Premises unless required due to alterations made by Tenant, due to Tenant’s particular use of the Premises, or due to Tenant’s acts or omissions. Within ten (10) days after receipt, Tenant shall advise Landlord in writing of any notices alleging violation of ADA relating to the Premises.

30.02 The Premises have not undergone an inspection by a Certified Access Specialist (CASp). Tenant shall execute and return to Landlord the Disability Access Obligations Notice attached hereto as Exhibit J at the time of execution of this Lease.


A. Landlord shall provide the Disclosure Summary Sheet, Statement of Energy Performance, Data Checklist and Facility Summary (as described in Regulation Section 1684(a), and hereafter described as the “Disclosure Data”) regarding the prior 12 months of office energy use to Tenant within thirty days of the commencement of the Term.

B. Tenant shall reasonably cooperate with Landlord, and provide annual “Energy Use Data” required to be disclosed by Regulation Section 1681(g) for the Premises, and/or request that utilities serving the Premises provide the last 12 months of such Energy Use Data for the Premises pursuant to Portfolio Manager, the U.S. Environmental Protection Agency’s ENERGY STAR program online tool for managing Energy Use Data. Landlord shall use such Energy Use Data for the sole purpose of providing the Disclosure Data to prospective buyers, lessees or lenders as required under Regulation Section 1684, and to satisfy the annual energy benchmarking, and the five year energy efficiency audits, required under the San Francisco “Existing Commercial Buildings Energy Performance Ordinance”, San Francisco Environmental Code, Chapter 20, Sections 2000-2009.

32. Lease Conditioned Upon Termination of Existing Lease to Ticketfly, LLC, That Was Acquired by Eventbrite, Inc. Landlord and Tenant acknowledge that the Premises is currently leased to Ticketfly, LLC, successor to Ticketfly, Inc., a Delaware corporation, that was acquired by Eventbrite, a Delaware corporation. This Lease is conditioned upon the successful termination of the lease to Ticketfly, LLC prior to commencement of the Term.

[SIGNATURE PAGE FOLLOWS]
IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

LANDLORD:
Ichi Juu Ichi, LLC,
a California limited liability company

By: /s/ Ronaldo J Cianciarulo
Name: Ronaldo J Cianciarulo
Title: Managing Member

TENANT:
Cloudflare, Inc.,
a Delaware corporation

By: /s/ Michelle Zatlyn
Name: Michelle Zatlyn
Title: Director
EXHIBIT A

OUTLINE AND LOCATION OF PREMISES

This Exhibit is attached to and made a part of the Office Lease Agreement (the “Lease”) by and between Ichi Juu Ichi, LLC, a California limited liability company (“Landlord”), and Cloudflare, Inc., a Delaware corporation (“Tenant”) for space in the Building located at 111 Townsend Street, San Francisco, California. Capitalized terms used but not defined herein shall have the meanings given in the Lease.
EXHIBIT B

EXPENSES AND TAXES

This Exhibit is attached to and made a part of the Office Lease Agreement (the “Lease”) by and between Ichi Juu Ichi, LLC, a California limited liability company (“Landlord”), and Cloudflare, Inc., a Delaware corporation (“Tenant”), for space in the Building located at 111 Townsend Street, San Francisco, California. Capitalized terms used but not defined herein shall have the meanings given in the Lease.

1. Payments.

1.01 Tenant shall pay Tenant’s Pro Rata Share of the amount, if any, by which Expenses (defined below) for each calendar year during the Term exceed Expenses for the Base Year (the “Expense Excess”) and also the amount, if any, by which Taxes (defined below) for each calendar year during the Term exceed Taxes for the Base Year (the “Tax Excess”). On or before the first day of each month, Tenant shall pay to Landlord a monthly installment equal to one-twelfth of Tenant’s Pro Rata Share of Landlord’s estimate of both the Expense Excess and Tax Excess. If Landlord does not provide Tenant with an estimate of the Expense Excess or the Tax Excess by January 1 of a calendar year, Tenant shall continue to pay monthly installments based on the previous year’s estimate(s) until Landlord provides Tenant with the new estimate.

1.02 As soon as is practical following the end of each calendar year, Landlord shall furnish Tenant with a statement of the actual Expenses and Expense Excess and the actual Taxes and Tax Excess for the prior calendar year. If the estimated Expense Excess or estimated Tax Excess for the prior calendar year is more than the actual Expense Excess or actual Tax Excess, as the case may be, for the prior calendar year, Landlord shall either provide Tenant with a refund or apply any overpayment by Tenant against Additional Rent due or next becoming due, provided if the Term expires before the determination of the overpayment, Landlord shall refund any overpayment to Tenant after first deducting the amount of Rent due. If the estimated Expense Excess or estimated Tax Excess for the prior calendar year is less than the actual Expense Excess or actual Tax Excess, as the case may be, for such prior year, Tenant shall pay Landlord, within thirty (30) days after its receipt of the statement of Expenses or Taxes, any underpayment for the prior calendar year.

2. Expenses.

2.01 “Expenses” means all costs and expenses incurred in each calendar year in connection with operating, maintaining, repairing, and managing the Building and the Property. Expenses include, without limitation: (a) all labor and labor related costs, including wages, salaries, bonuses, taxes, insurance, uniforms, training, retirement plans, pension plans and other employee benefits; (b) management fees not to exceed three percent (3%) of the gross income derived from the Building; (c) the cost of equipping, staffing and operating an on-site and/or off-site management office for the Building, provided if the management office services one or more other buildings or properties, the shared costs and expenses of equipping, staffing and operating such management office(s) shall be equitably prorated and apportioned between the Building and the other buildings or properties; (d) accounting costs; (e) the cost of services, except janitorial services; (f) rental and purchase cost of parts, supplies, tools and equipment; (g) insurance premiums; and (h) the amortized cost of capital improvements (as distinguished from replacement parts or components installed in the ordinary course of business) made subsequent to the Base Year which are: (1) performed primarily to reduce current or future operating expense costs, upgrade Building security or otherwise improve the operating efficiency of the Property; or (2) required to comply with any Laws that are enacted, or first interpreted to apply to the Property, after the date of the Lease. The cost of capital improvements shall be amortized by Landlord over the useful life of the capital improvement as reasonably determined in accordance with generally accepted accounting principles. Landlord, by itself or through an affiliate, shall have the right to directly perform, provide and be compensated for any services under the Lease. If Landlord incurs Expenses for the Building or Property together with one or more other buildings or properties, whether pursuant to a reciprocal easement agreement, common area agreement or otherwise, the shared costs and expenses shall be equitably prorated and apportioned between the Building and Property and the other buildings or properties.

2.02 Expenses shall not include: the cost of capital improvements (except as set forth above); expense reserves; depreciation; principal payments of Superior Interests and other non-operating debts of Landlord; the cost of repairs or other work to the extent Landlord is reimbursed by insurance or condemnation proceeds; costs in connection with leasing space in the Building, including brokerage commissions; lease concessions, rental abatements and construction allowances granted to specific tenants; costs incurred in connection with the sale, financing or refinancing of the Building; fines, interest and penalties incurred due to the late payment of Taxes or Expenses; organizational expenses associated with the creation and operation of the entity which constitutes Landlord, including, without limitation, Landlord’s general office(s) shall be prorated and apportioned between the Building and the other buildings or properties.

Exhibit B, Page 1
overhead expenses (as opposed to management expenses related to operation of the Building); or any penalties or damages that Landlord pays to Tenant under this Lease or to other tenants in the Building under their respective leases; rent paid to any ground lessor; salaries of executives or service personnel to the extent that such executives or service personnel perform services not in connection with the management, operation, repair, or maintenance of the Building; costs for insurance coverage not customarily paid by tenants of similar projects in the vicinity of the Premises, earthquake insurance premiums, increases in insurance costs caused by the activities of another occupant of the Project, insurance deductibles, and co-insurance payments exceeding $25,000 per occurrence; costs incurred in connection with the presence of any Hazardous Material, except to the extent caused by the release or emission of the Hazardous Material in question by Tenant. Notwithstanding anything to the contrary herein, Tenant acknowledges that electricity and janitorial services are not to be included within the computation of Expenses hereunder nor subject to any Base Year calculation, rather the entire amount of annual costs and expenses of electricity and janitorial service are to be paid by Tenant separate and apart from Expenses, as provided in Section 7 of the Lease. Further, protective services and/or any monitoring system are not provided by Landlord nor included within the computation of Expenses hereunder nor subject to any Base Year calculation.

3. Taxes.

“Taxes” shall mean: (a) all taxes, assessments (whether general or special), excises, transit charges, housing fund assessments or other housing charges, assessments for special improvement districts and building improvement districts, assessments for police, fire, traffic mitigation or other government service of purported benefit to the Building and/or Property, levies or fees, ordinary or extraordinary, unforeseen as well as foreseen, of any kind, which are assessed, levied, charged, confirmed or imposed on the Building and/or Property, on the Landlord with respect to the Building and/or Property, on the act of entering into this Lease or any other lease of space in the Building and/or Property, on the use or occupancy of the Building and/or Property or any part thereof, with respect to services or utilities consumed in the use, occupancy or operation of the Building and/or Property, or on or measured by the rent payable under this Lease or in connection with the business of renting space in the Building and/or Property, including, without limitation, any gross income or receipts tax or excise tax levied with respect to the receipt of such rent, by the United States of America, the State of California, the City and County of San Francisco, any political subdivision, public corporation, district or other political or public entity or public authority, and shall also include any other tax, fee or other excise, however described, which may be levied or assessed in lieu of, as a substitute (in whole or in part) for, or as an addition to, any other Taxes. The Property’s share of any taxes and assessments under any reciprocal easement agreement, common area agreement or similar agreement as to the Property, all personal property taxes for property that is owned by Landlord and used in connection with the operation, maintenance and repair of the Building and/or Property. Taxes shall include reasonable attorney’s fees, costs, and disbursements incurred in connection with proceedings to contest, determine or reduce Taxes. If it shall not be lawful for Tenant to reimburse Landlord for any increase in Taxes as defined herein, the Base Rent payable to Landlord prior to the imposition of such increases in Taxes shall be increased to net Landlord the same net Base Rent after imposition of such increases in Taxes as would have been received by Landlord prior to the imposition of such increases in Taxes. Notwithstanding the foregoing, the following shall be excluded from Taxes: (a) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal, state and local income taxes, and other taxes applied or measured by Landlord’s general or net income (as opposed to rents, receipts, or income attributable to operations at the Building); (b) any items included as Expenses; (c) resulting from the improvement of any portion of the Building for the sole use of Landlord or other occupants; (d) a penalty fee imposed as a result of Landlord’s failure to pay Taxes when due, except where such failure is due to Tenant’s failure to pay Rent hereunder; and (e) in excess of the amount which would be payable if such Real Property Taxes were paid in installments over the longest permitted term; provided, however, that nothing set forth herein shall restrict Landlord’s right to recover as a part of “Taxes” any tax, fees, levies or impositions charged on or in connection with the use or occupancy of the Building and/or Property or any part thereof, or charged with respect to services or utilities consumed in the use, occupancy or operation of the Building and/or Property, or charged upon or measured by the rent payable under this Lease or in connection with the business of renting space in the Building and/or Property, including, without limitation, any gross income or receipts tax or excise tax levied with respect to the receipt of such rent. If Landlord receives a reduction in Taxes attributable to the Base Year as a result of a commonly called Proposition 8 application (whether for the Base Year or prior tax years), the Taxes for the Base Year and each subsequent lease year shall be calculated as if no Proposition 8 reduction in Taxes was applied for and/or received. Upon good faith request by Tenant, Landlord shall contest taxes.

4. Audit Rights

Within ninety (90) days after receiving Landlord’s statement of Expenses (or, with respect to the Base Year Expenses, within ninety (90) days after receiving Landlord’s initial statement of Expenses for the Base Year) (each such period is referred to as the “Review Notice Period”), Tenant may give Landlord written notice (“Review Notice”) that Tenant intends to review Landlord’s records of the Expenses for the calendar year (or Base Year, as applicable) to which the statement.

Exhibit B, Page 2
If Tenant retains an agent to review Landlord’s records, the agent must be a CPA licensed to do business in California or other professional specializing in review of Expenses for commercial buildings, and shall not have a contingent fee arrangement with Tenant. Tenant shall be solely responsible for all costs, expenses and fees incurred for the audit, and the fees charged cannot be based in whole or in part on a contingency basis; provided however, if the results of such review, as agreed to by Landlord, show that Landlord has overcharged Tenant for Expenses by more than five percent (5%) for any individual year, then the reasonable out-of-pocket third party costs actually incurred by Tenant for such review shall be paid by Landlord. The records and related information obtained by Tenant shall be treated as confidential. If the results of such review as approved by Landlord show that Tenant has overpaid Expenses for such calendar year, Landlord shall either provide Tenant with a refund or apply any overpayment by Tenant against Additional Rent due or next becoming due, provided if the Term expires before the determination of the overpayment, Landlord shall refund any overpayment to Tenant after first deducting the amount of Rent due. If the results of such review as approved by Landlord show that Tenant has underpaid Expenses and/or Taxes for such calendar year, Tenant shall pay Landlord, within thirty (30) days after such review, any underpayment for the applicable calendar year.
EXHIBIT C

COMMENCEMENT LETTER

Date November 1, 2017
Tenant Cloudflare, Inc., a Delaware corporation
Address 111 Townsend Street
San Francisco, California 94107

Re: Commencement Letter with respect to that certain Office Lease Agreement (the “Lease”), dated as of November 1, 2017, by and between Ichi Juu Ichi, LLC, a California limited liability company (“Landlord”), and Cloudflare, Inc., a Delaware corporation (“Tenant”), for space in the Building located at 111 Townsend Street, San Francisco, California. Capitalized terms used but not defined herein shall have the meanings given in the Lease.

Dear ____________________:

In accordance with the terms and conditions of the above referenced Lease, Tenant accepts possession of the Premises and acknowledges:

1. The Commencement Date of the Lease is November 1, 2017;
2. The Expiration Date of the Lease is October 31, 2022.

Please acknowledge the foregoing and your acceptance of possession by signing all 3 counterparts of this Commencement Letter in the space provided and returning 2 fully executed counterparts to my attention. Tenant’s failure to execute and return this letter, or to provide written objection to the statements contained in this letter, within thirty (30) days after the date of this letter shall be deemed an approval by Tenant of the statements contained herein.

Sincerely,

Ronaldo Cianciarulo,
Managing Member,
Ichi Juu Ichi, LLC

Acknowledged and Accepted:

TENANT:
Cloudflare, Inc.,
a Delaware corporation

By: __________________________
Name: Michelle Zatlyn
Title: Director
Date: _____________________
This Exhibit is attached to and made a part of the Office Lease Agreement (the “Lease”) by and between Ichl Juu Ichi, LLC, a California limited liability company (“Landlord”), and Cloudflare, Inc., a Delaware corporation (“Tenant”), for space in the Building located at 111 Townsend Street, San Francisco, California. Capitalized terms used but not defined herein shall have the meanings given in the Lease.

The following rules and regulations shall apply, where applicable, to the Premises, the Building, the Property and the appurtenances. In the event of a conflict between the following rules and regulations and the remainder of the terms of the Lease, the remainder of the terms of the Lease shall control.

1. Sidewalks, doorways, vestibules, halls, stairways and other similar areas shall not be obstructed by Tenant or used by Tenant for any purpose other than ingress and egress to and from the Premises. No rubbish, litter, trash, or material shall be placed, emptied, or thrown in those areas. At no time shall Tenant permit Tenant’s employees to loiter in Common Areas or elsewhere about the Building or Property.

2. Plumbing fixtures and appliances shall be used only for the purposes for which designed and no sweepings, rubbish, rags or other unsuitable material shall be thrown or placed in the fixtures or appliances.

3. No signs, advertisements or notices shall be painted or affixed to windows, doors or other parts of the Building, except those of such color, size, style and in such places as are first approved in writing by Landlord. All initial tenant identification and suite numbers at the entrance to the Premises shall be installed by Landlord, at Landlord’s cost and expense, using the standard graphics for the Building. Except in connection with the hanging of lightweight pictures and wall decorations, no nails, hooks or screws shall be inserted into any part of the Premises or Building except by the Building maintenance personnel without Landlord’s prior approval, which approval shall not be unreasonably withheld.

4. [Intentionally omitted.]

5. Tenant shall not place any lock(s) on any door in the Premises or Building without Landlord’s prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed, and Landlord shall have the right at all times to retain and use keys or other access codes or devices to all locks within and into the Premises. A reasonable number of keys to the locks on the entry doors in the Premises shall be furnished by Landlord to Tenant at Tenant’s cost and Tenant shall not make any duplicate keys. All keys shall be returned to Landlord at the expiration or early termination of the Lease.

6. All contractors, contractor’s representatives and installation technicians performing work in the Building shall be subject to Landlord’s prior approval, and shall be required to comply with Landlord’s standard rules, regulations, policies and procedures, including Section 9.04 of the Lease, which may be revised from time to time.

7. [Intentionally Omitted.]

8. Landlord shall have the right to approve the weight, size, or location of heavy equipment or articles in and about the Premises, which approval shall not be unreasonably withheld; provided that approval by Landlord shall not relieve Tenant from liability for any damage in connection with such heavy equipment or articles.

9. Corridor doors, when not in use, shall be kept closed.

10. Tenant shall not conduct or permit other activities in the Building that might, in Landlord’s sole opinion, constitute a nuisance.
11. No animals, except those assisting handicapped persons and pets expressly permitted pursuant to Section 28 of the Lease, shall be brought into the Building or kept in or about the Premises.

12. No inflammable, explosive or dangerous fluids or substances shall be used or kept by Tenant in the Premises, Building or about the Property, except for those substances as are typically found in similar premises used for general office purposes and are being used by Tenant in a safe manner and in accordance with all applicable Laws. Tenant shall not, without Landlord’s prior written consent, use, store, install, spill, remove, release or dispose of, within or about the Premises or any other portion of the Property, any asbestos-containing materials or any solid, liquid or gaseous material now or subsequently considered toxic or hazardous under the provisions of 42 U.S.C. Section 9601 et seq. or any other applicable environmental Law which may now or later be in effect. Tenant shall comply with all Laws pertaining to and governing the use of these materials by Tenant and shall remain solely liable for the costs of abatement and removal.

13. Tenant shall not use or occupy the Premises in any manner or for any purpose that might injure the reputation or impair the present or future value of the Premises or the Building. Tenant shall not use, or permit any part of the Premises to be used for lodging, sleeping or for any illegal purpose.

14. Tenant shall not take any action which would violate Landlord’s labor contracts or which would cause a work stoppage, picketing, labor disruption or dispute or interfere with Landlord’s or any other tenant’s or occupant’s business or with the rights and privileges of any person lawfully in the Building (“Labor Disruption”). Tenant shall take the actions necessary to resolve the Labor Disruption, and shall have pickets removed and, at the request of Landlord, immediately terminate any work in the Premises that gave rise to the Labor Disruption, until Landlord gives its written consent for the work to resume. Tenant shall have no claim for damages against Landlord or any of the Landlord Related Parties nor shall the Commencement Date of the Term be extended as a result of the above actions.

15. Tenant shall not install, operate or maintain in the Premises or in any other area of the Building, electrical equipment that would overload the electrical system beyond its capacity for proper, efficient and safe operation as determined solely by Landlord. Tenant shall not furnish cooling or heating to the Premises, including, without limitation, the use of electric or gas heating devices, without Landlord’s prior written consent. Tenant shall not use more than its proportionate share of telephone lines and other telecommunication facilities available to service the Building.

16. Tenant shall not operate or permit to be operated a coin or token operated vending machine or similar device (including, without limitation, telephones, lockers, toilets, scales, amusement devices and machines for sale of beverages, foods, candy, cigarettes and other goods), except for machines for the exclusive use of Tenant’s employees and invitees.

17. Bicycles and other vehicles are not permitted inside the Building or on the walkways outside the Building, except in areas designated by Landlord or as otherwise expressly permitted by Section 27 of the Lease.

18. [Intentionally Deleted.]

19. Landlord shall have the right to prohibit the use of the name of the Building or any other publicity by Tenant that in Landlord’s sole opinion may impair the reputation of the Building or its desirability. Upon written notice from Landlord, Tenant shall refrain from and discontinue such publicity immediately.

20. Neither Tenant nor its agents, employees, contractors, guests or invitees shall smoke or permit smoking in the Building or the Premises, unless a portion of the Building or the Premises has been declared a designated smoking area by Landlord. Landlord shall have the right to designate the Building (including the Premises) as a non-smoking building.

21. Landlord shall have the right to designate and approve standard window coverings for the Premises and to establish rules to assure that the Building presents a uniform exterior appearance. Tenant shall ensure, to the extent reasonably practicable, that window coverings are closed on windows in the Premises while they are exposed to the direct rays of the sun.

22. Deliveries to and from the Premises shall be made only at the times in the areas and through the entrances and exits reasonably designated by Landlord. Tenant shall not make deliveries to or from the Premises in a manner that might interfere with any pedestrian use, or any use which is inconsistent with good business practice.
23. The work of cleaning personnel shall not be hindered by Tenant after 5:30 p.m., and cleaning work may be done at any time when the offices are vacant. Windows, doors and fixtures may be cleaned at any time. Tenant shall provide adequate waste and rubbish receptacles to prevent unreasonable hardship to the cleaning service.

Exhibit D
EXHIBIT E

ASSIGNMENT LIMITATIONS

1. Governmental or quasi-governmental entity;
2. Child care facility;
3. Health care or dental office;
4. Entity primarily engaged in political or lobbying activities;
2. Entity engaged in commerce in “X rated” media;
3. Retail sale or rental of products or materials;
4. Beauty services;
5. Schools or other training or educational operations (except for ancillary training facilities which are included as a Permitted Use); and
6. Operation primarily engaged in clerical support, data processing or messenger services.
Landlord shall deliver the Premises in its “as is”, broom clean condition with any carpets professionally steam cleaned, patch interior paint provided where necessary, and in first class condition. Landlord warrants that all building systems including plumbing, electrical, and HVAC are in good working condition for the initial ninety (90) days of the Term. Landlord shall correct any infrastructure deficiencies in the building systems at Landlord’s sole cost and expense if Tenant timely provides written notice of such deficiencies during the initial ninety (90) days of the Term.
Exhibit 21.1

SUBSIDIARIES OF CLOUDFLARE, INC.

None (1)

(1) The registrant has omitted the names of its subsidiaries that, when considered in the aggregate as a single subsidiary, do not constitute a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X.
Consent of Independent Registered Public Accounting Firm

The Board of Directors
Cloudflare, Inc.:

We consent to the use of our report included herein and to the reference to our firm under the heading “Experts” in the prospectus.

/s/ KPMG LLP

Santa Clara, California
August 15, 2019