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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 30, 2018

OR

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

For the transition period from _____ to _____

Commission File Number: 001-37883

NUTANIX, INC.
(Exact name of registrant as specified in its charter)

Delaware	**27-0989767**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1740 Technology Drive, Suite 150
San Jose, CA 95110
(Address of principal executive offices, including zip code)
(408) 216-8360
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o
Emerging growth company	x	If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.	o

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

As of May 31, 2018, the registrant had 132,472,453 shares of Class A common stock, $0.000025 par value per share, and 38,206,910 shares of Class B common stock, $0.000025 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), which statements involve substantial risks and uncertainties. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "potentially," "estimate," "continue," "anticipate," "plan," "intend," "could," "would," "expect," and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. Forward-looking statements included in this Quarterly Report on Form 10-Q include, but are not limited to, statements regarding:

- our future revenue, cost of revenue and operating expenses, as well as changes in the cost of product revenue, component costs, product gross margins and support, entitlements and other services revenue, and changes in research and development, sales and marketing and general and administrative expenses;
- our business plan and our ability to effectively manage our growth;
- anticipated trends, growth rates and challenges in our business and in the markets in which we operate, including the productivity of our sales team;
- our ability to develop new solutions, product features and technology, such as Nutanix Xi Cloud Services, and bring them to market in a timely manner;
- market acceptance of new technology and recently introduced solutions;
- the interoperability and availability of our solutions with and on third-party hardware platforms;
- our plans and objectives for future operations, including plans to continue to invest in our global engineering, research and development, and sales and marketing teams, and the impact of such investments on our operations;
- our ability to increase sales of our solutions;
- our ability to attract new end customers, and retain and grow sales from our existing end customers;
- our ability to maintain and strengthen our relationships with our channel and OEM partners;
- the effects of seasonal trends on our results of operations;
- our expectations concerning relationships with third parties, including our ability to compress and stabilize sales cycles;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to continue to expand internationally;
- the effects of increased competition in our market and our ability to compete effectively;
- anticipated capital expenditures;
- future acquisitions or investments in complementary companies, products, services or technologies and the ability to successfully integrate completed acquisitions;
- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- economic and industry trends, projected growth or trend analysis;
- the attraction and retention of qualified employees and key personnel;
- our expectations concerning future shifts in the mix of whether our solutions are sold as an appliance or as software-only, and in the mix of the types of appliances we sell; and
- sufficiency of cash to meet cash needs for at least the next 12 months.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. The forward-looking statements in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update, revise or publicly release the results of any revision to these forward-looking statements 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 on our forward-looking statements and you should not place undue reliance on our forward-looking statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

NUTANIX, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	As of	
	July 31, 2017 *As Adjusted	April 30, 2018
	(in thousands, except share and per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 138,359	$ 376,789
Short-term investments	210,694	546,675
Accounts receivable, net	178,876	194,323
Deferred commissions—current	23,843	30,274
Prepaid expenses and other current assets	28,362	36,615
Total current assets	580,134	1,184,676
Property and equipment, net	58,072	76,322
Deferred commissions—non-current	49,684	72,454
Intangible assets, net	26,001	47,790
Goodwill	16,672	88,324
Other assets—non-current	7,649	5,832
Total assets	$ 738,212	$ 1,475,398
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 73,725	$ 71,405
Accrued compensation and benefits	57,521	61,221
Accrued expenses and other current liabilities	9,707	11,645
Deferred revenue—current	170,123	243,770
Total current liabilities	311,076	388,041
Deferred revenue—non-current	198,933	296,119
Convertible senior notes, net	—	422,567
Other liabilities—non-current	11,140	14,090
Total liabilities	521,149	1,120,817
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, par value of $0.000025 per share— 200,000,000 shares authorized as of July 31, 2017 and April 30, 2018; no shares issued and outstanding as of July 31, 2017 and April 30, 2018	—	—
Common stock, par value of $0.000025 per share—1,200,000,000 (1,000,000,000 Class A, 200,000,000 Class B) shares authorized as of July 31, 2017 and April 30, 2018; 154,636,520 (93,570,171 Class A and 61,066,349 Class B) and 170,282,321 (132,152,095 Class A and 38,130,226 Class B) shares issued and outstanding as of July 31, 2017 and April 30, 2018	4	4
Additional paid-in capital	948,134	1,296,575
Accumulated other comprehensive loss	(106)	(1,237)
Accumulated deficit	(730,969)	(940,761)
Total stockholders' equity	217,063	354,581
Total liabilities and stockholders' equity	$ 738,212	$ 1,475,398

** See Note 3 for a summary of adjustments related to the adoption of the new revenue recognition standard.*

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2017 *As Adjusted	2018	2017 *As Adjusted	2018
	(in thousands, except share and per share data)			
Revenue:				
Product	$ 160,076	$ 221,117	$ 471,825	$ 663,339
Support, entitlements and other services	45,594	68,296	121,620	188,370
Total revenue	205,670	289,413	593,445	851,709
Cost of revenue:				
Product	62,593	66,680	173,206	235,059
Support, entitlements and other services	20,613	28,935	56,608	77,706
Total cost of revenue	83,206	95,615	229,814	312,765
Gross profit	122,464	193,798	363,631	538,944
Operating expenses:				
Sales and marketing	126,746	169,860	366,745	466,466
Research and development	74,607	81,291	220,802	216,727
General and administrative	15,610	24,929	60,463	56,929
Total operating expenses	216,963	276,080	648,010	740,122
Loss from operations	(94,499)	(82,282)	(284,379)	(201,178)
Other income (expense), net	303	(4,235)	(25,830)	(5,285)
Loss before provision for income taxes	(94,196)	(86,517)	(310,209)	(206,463)
Provision for (benefit from) income taxes	2,639	(843)	3,297	3,329
Net loss	$ (96,835)	$ (85,674)	$ (313,506)	$ (209,792)
Net loss per share attributable to Class A and Class B common stockholders—basic and diluted	$ (0.67)	$ (0.51)	$ (2.62)	$ (1.30)
Weighted average shares used in computing net loss per share attributable to Class A and Class B common stockholders—basic and diluted	144,054,432	166,845,544	119,851,586	161,709,365

** See Note 3 for a summary of adjustments related to the adoption of the new revenue recognition standard.*

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2017 *As Adjusted	2018	2017 *As Adjusted	2018
	(in thousands)			
Net loss	$ (96,835)	$ (85,674)	$ (313,506)	$ (209,792)
Other comprehensive loss, net of tax:				
Change in unrealized gain (loss) on available-for-sale securities, net of tax	74	(517)	(84)	(1,131)
Comprehensive loss	$ (96,761)	$ (86,191)	$ (313,590)	$ (210,923)

** See Note 3 for a summary of adjustments related to the adoption of the new revenue recognition standard.*

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended April 30,	
	2017 *As Adjusted	2018
	(in thousands)	
Cash flows from operating activities:		
Net loss	$ (313,506)	$ (209,792)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	27,934	36,013
Stock-based compensation	193,686	122,472
Loss on debt extinguishment	3,320	—
Change in fair value of convertible preferred stock warrant liability	21,133	—
Change in fair value of contingent consideration	176	(3,371)
Amortization of debt discount and issuance cost	—	7,654
Other	601	(186)
Changes in operating assets and liabilities:		
Accounts receivable, net	(58,841)	(15,307)
Deferred commissions	(14,688)	(29,201)
Prepaid expenses and other assets	(29,628)	(5,327)
Accounts payable	32,468	(6,407)
Accrued compensation and benefits	32,000	3,700
Accrued expenses and other liabilities	5,399	(1,147)
Deferred revenue	107,849	170,709
Net cash provided by operating activities	7,903	69,810
Cash flows from investing activities:		
Purchases of property and equipment	(37,797)	(46,089)
Purchases of investments	(156,420)	(485,777)
Maturities of investments	59,542	147,868
Sales of investments	32,640	—
Payments for business combinations, net of cash acquired	(184)	(22,792)
Net cash used in investing activities	(102,219)	(406,790)
Cash flows from financing activities:		
Proceeds from issuance of convertible senior notes, net	—	563,937
Proceeds from issuance of warrants	—	87,975
Payments for convertible note hedges	—	(143,175)
Proceeds from sales of shares through employee equity incentive plans, net of repurchases	26,662	68,186
Proceeds from initial public offering, net of underwriting discounts and commissions	254,455	—
Payments of offering costs	(1,609)	(85)
Repayment of senior notes	(75,000)	—
Debt extinguishment costs	(1,580)	—
Payment of debt in conjunction with business combinations	(7,124)	(1,428)
Other	77	—
Net cash provided by financing activities	195,881	575,410
Net increase in cash and cash equivalents	101,565	238,430
Cash and cash equivalents—beginning of period	99,209	138,359
Cash and cash equivalents—end of period	$ 200,774	$ 376,789
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 3,559	$ 8,038
Cash paid for interest	$ 1,271	$ —
Supplemental disclosures of non-cash investing and financing information:		
Issuance of common stock for business combinations	$ 27,063	$ 63,780
Purchases of property and equipment included in accounts payable and accrued liabilities	$ 4,496	$ 9,285
Vesting of early exercised stock options	$ 1,293	$ 570
Convertible senior notes offering costs included in accounts payable and accrued liabilities	$ —	$ 425
Conversion of convertible preferred stock to common stock, net of issuance costs	$ 310,379	$ —
Reclassification of convertible preferred stock warrant liability to additional paid-in capital	$ 30,812	$ —
Offering costs included in accounts payable	$ 51	$ —

** See Note 3 for a summary of adjustments related to the adoption of the new revenue recognition standard.*

See the accompanying notes to condensed consolidated financial statements.

Note 1. OVERVIEW AND BASIS OF PRESENTATION

Organization and Description of Business

Nutanix, Inc. was incorporated in the state of Delaware in September 2009. Nutanix, Inc. is headquartered in San Jose, California, and together with its wholly-owned subsidiaries (collectively, "we," "us" or "our") has operations throughout North America, Europe, Asia-Pacific, the Middle East, Latin America, and Africa.

Our enterprise cloud operating system converges the traditional silos of server, virtualization, storage, and networking into one integrated solution and unifies private and public cloud into a single software fabric. We primarily sell our products and services to end customers through distributors, resellers and original equipment manufacturers ("OEMs") (collectively, "Partners").

Principles of Consolidation and Significant Accounting Policies

The accompanying condensed consolidated financial statements, which include the accounts of Nutanix, Inc. and our wholly-owned subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"), and, except for the impact of the adoption of the new accounting guidance related to revenue recognition, are consistent in all material respects with those included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2017, filed with the Securities and Exchange Commission ("SEC"), on September 18, 2017. All intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements are unaudited, but include all adjustments of a normal recurring nature necessary for a fair presentation of our quarterly results. Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no impact on our previously reported net loss or accumulated deficit.

Effective August 1, 2017, we adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("ASC 606"), as discussed in detail in Note 3. All amounts and disclosures set forth in this Quarterly Report on Form 10-Q have been updated to comply with ASC 606, as indicated by the "as adjusted" footnote. Certain prior period amounts have been adjusted as a result of our early adoption of ASC 606. Refer to "Summary of Significant Accounting Policies" and "Recent Accounting Pronouncements" below for more information.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in our Annual Report on Form 10-K for the fiscal year ended July 31, 2017.

Use of Estimates

The preparation of interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such management estimates include, but are not limited to, the estimate of standalone selling prices for products and related support; determination of fair value of stock-based awards; accounting for income taxes, including the valuation reserve on deferred tax assets and uncertain tax positions; warranty liability; commissions expense; fair value of assets and liabilities acquired in business combinations; fair value of debt and equity components related to our convertible senior notes; and contingencies and litigation. Management evaluates these estimates and assumptions on an ongoing basis using historical experience and other factors and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could materially differ from those estimates and assumptions.

Concentration of Risk

Concentration of revenue and accounts receivable—We sell our products primarily through Partners and occasionally directly to end customers. For the three and nine months ended April 30, 2017 and 2018, no end customer accounted for 10% or more of total revenue.

For each significant Partner, revenue as a percentage of total revenue and accounts receivable as a percentage of total accounts receivable, net are as follows:

	Revenue				Accounts Receivable as of	
	Three Months Ended April 30,		Nine Months Ended April 30,			
Partners	2017 As Adjusted (2)	2018	2017 As Adjusted (2)	2018	July 31, 2017	April 30, 2018
Partner A	(1)	(1)	10%	10%	(1)	(1)
Partner B	18%	15%	18%	20%	12%	(1)
Partner C	18%	18%	16%	17%	14%	18%
Partner D	(1)	(1)	(1)	10%	20%	15%
Partner E	(1)	(1)	(1)	(1)	(1)	(1)
Partner F	17%	13%	14%	13%	18%	15%

(1) Less than 10%
(2) Adjusted to include the impact of ASC 606. Refer to Note 3 for more details on the impact of the adoption of this standard.

Summary of Significant Accounting Policies

Except for the accounting policies for revenue recognition, deferred revenue and deferred commissions that were updated as a result of adopting ASC 606 and those related to our 0% Convertible Senior Notes due in 2023 (the "Notes"), there have been no changes to our significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended July 31, 2017, filed with the SEC on September 18, 2017, that have had a material impact on our condensed consolidated financial statements and related notes. See Note 3 for a summary of our new accounting policies under ASC 606.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB"), issued ASC 606. The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner which depicts the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The FASB has issued several amendments to the standard, including clarifications on the disclosure of prior period performance obligations and remaining performance obligations.

The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The new standard would have been effective for us beginning August 1, 2018, but early adoption as of the original effective date of August 1, 2017 was also permitted. We elected to early adopt the standard effective August 1, 2017 using the full retrospective method, which required us to recast our historical financial information to conform with the new standard. Refer to Note 3 for details of the impact to previously reported results.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The guidance is effective for annual periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. We adopted this ASU effective August 1, 2017 and our adoption did not have a material impact on our condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805), to clarify the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We adopted this ASU effective August 1, 2017 and our adoption did not have a material impact on our condensed consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This new standard will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We adopted this ASU effective November 1, 2017 and our adoption did not have any impact on our condensed consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, with further clarifications made recently with the issuance of ASU 2018-03 and 2018-04. These new standards require equity securities to be measured at fair value with changes in fair value recognized through net income, which results in greater variability in our net income. We adopted the standard on January 1, 2018 and our adoption did not have any impact on our condensed consolidated financial statements since other than our investments in money market funds, which are reported as part of cash and cash equivalents, we do not have any other investments that are classified as equity securities. There are no unrealized gains or losses related to our investments in money market funds, as the fair value is equal to the face value.

Recently Issued and Not Yet Adopted Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This new standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period amounts shown on the statement of cash flows. ASU 2016-18 is effective for us beginning August 1, 2018, with early adoption permitted. We do not believe that adoption of this ASU will have a material impact on our condensed consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. This new standard will require us to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 is effective for us beginning August 1, 2018, with early adoption permitted. We are currently evaluating the effect the adoption of this guidance will have on our condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which requires recognition of right-to-use lease assets and lease liabilities for all leases, except for short-term leases, on the balance sheet of lessees. ASU 2016-02 is effective for us beginning August 1, 2019, with early adoption permitted. This new standard requires a modified retrospective transition approach and provides certain optional transition relief. We currently anticipate that the adoption of this standard will have a material impact on our condensed consolidated balance sheets, given that we had operating lease commitments in excess of $100 million as of April 30, 2018. We expect that most of our operating lease commitments will be subject to the new standard and recognized as lease liabilities and right-of-use assets upon adoption, which will increase the total assets and total liabilities we report. However, we do not anticipate that the adoption of this standard will have a material impact on our condensed consolidated statements of operations, as the expense recognition under this new standard will be similar to current practice.

Note 2. BUSINESS COMBINATIONS

During the three and nine months ended April 30, 2018, we completed two acquisitions. The purchase price allocation for these acquisitions, discussed in detail below, reflects various preliminary fair value estimates and analyses, including certain tangible assets acquired and liabilities assumed, the valuation of intangible assets acquired, income taxes, and goodwill, which are subject to change within the measurement period as preliminary valuations are finalized. Measurement period adjustments are recorded in the reporting period in which the estimates are finalized and adjustment amounts are determined. We determined the fair values of the intangible assets with the assistance of a valuation firm. The estimation of the fair value of the intangible assets required the use of valuation techniques and entailed consideration of all the relevant factors that might affect the fair value, such as present value factors and estimates of future revenues and costs.

Our condensed consolidated financial statements for the three and nine months ended April 30, 2018 include the operations of the acquired companies from the dates the deals closed. Pro forma results of operations for these acquisitions have not been presented because they are not material to our consolidated financial statements, either individually or in the aggregate. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The goodwill recognized in these acquisitions is primarily attributable to the synergies expected from the expanded market opportunities with our offerings and the knowledgeable and experienced workforce that joined us as part of the acquisitions. Goodwill will not be amortized, but will instead be tested for impairment annually or more frequently if certain indicators of impairment are present. Goodwill is not expected to be deductible for income tax purposes.

Minjar, Inc.

On March 16, 2018, we completed the acquisition of Minjar, Inc. ("Minjar"), a privately held Delaware corporation with its offices in Bangalore, India. Minjar is a cloud technology solutions company, and the acquisition will complement and enhance our products, allowing us to offer customers new capabilities to better manage their multi-cloud deployments. At the close of the acquisition, all outstanding shares of Minjar capital stock and all in-the-money options and warrants to purchase Minjar capital stock were purchased or canceled in exchange for an aggregate purchase price of approximately $19.9 million, consisting of $19.4 million in cash and approximately $0.5 million of holdback liability. The holdback liability represents deferred payments to Minjar's founders to be released in installments during the two years following the date of acquisition. As the release of these deferred payments is not contingent upon the future and continued service of the founders, the $0.5 million holdback liability, which approximates fair value, was considered as part of the purchase price.

Certain portions of the consideration for the acquisition have been placed in escrow to secure the indemnification obligations of certain Minjar security holders. In addition to the $19.9 million purchase price, we also entered into employee holdback or deferred payment arrangements with former employees of Minjar who joined us after the acquisition, totaling approximately $3.9 million. As payment of these deferred payments is contingent upon the continuous service of the employees, they are being accounted for as compensation over the required service period of two years.

The preliminary purchase price allocation primarily includes approximately $18.6 million of goodwill, $7.0 million of intangible assets, which primarily consists of approximately $5.6 million related to developed technology and $1.4 million related to customer relationships, both of which will be amortized over an estimated economic life of five years, and $5.7 million of deferred income tax and other tax liabilities.

We recognized approximately $0.6 million of acquisition-related costs, which were expensed as incurred, as general and administrative expenses on our condensed consolidated statement of operations during the nine months ended April 30, 2018.

Netsil Inc.

On March 22, 2018, we completed the acquisition of Netsil Inc. ("Netsil"), a privately held Delaware corporation headquartered in San Francisco, California. This acquisition represents an opportunity for us to accelerate our ability to deliver native multi-cloud operations with the addition of application discovery and operations management. The aggregate purchase price of approximately $67.5 million consisted of approximately $3.7 million in cash and 1,206,364 unregistered shares of our Class A common stock with an aggregate fair value of approximately $63.8 million. The fair value of the shares of common stock issued was determined to be $52.87 per share, the closing price of our stock on March 22, 2018. Certain portions of the consideration for the acquisition, both cash and shares of our Class A common stock, have been placed in escrow to secure the indemnification obligations of certain Netsil security holders.

We also entered into employee holdback or deferred payment arrangements with the founders of Netsil who joined us after the acquisition, whereby we issued 104,426 unregistered shares of our Class A common stock to the founders subject to their continuous employment with us for two years. The fair value of the Class A common stock issued pursuant to the holdback arrangements was approximately $5.5 million, or $52.87 per share, the closing price of our Class A common stock on March 22, 2018. This holdback is being accounted for as stock-based compensation over the required two-year service period.

The preliminary purchase price allocation primarily includes approximately $53.1 million of goodwill, $19.0 million of intangible assets, primarily related to developed technology, which will be amortized over an estimated economic life of seven years, $2.6 million of deferred income tax liabilities, and $1.4 million of assumed debt.

We recognized approximately $0.4 million of acquisition-related costs, which were expensed as incurred, as general and administrative expenses on our condensed consolidated statement of operations during the nine months ended April 30, 2018.

The following table presents the preliminary aggregate purchase price allocation related to our acquisitions of Minjar and Netsil as of April 30, 2018:

	Estimated Fair Value
	(in thousands)
Goodwill	$ 71,652
Amortizable intangible assets	25,920
Tangible assets acquired	842
Liabilities assumed	(11,041)
Total consideration	$ 87,373

Note 3. REVENUE, DEFERRED REVENUE AND DEFERRED COMMISSIONS

Revenue Recognition

Effective August 1, 2017, we adopted ASC 606 using the full retrospective method, which required us to recast our historical financial information to conform with the standard. The most significant impact of ASC 606 on our historical financial information relates to the timing of revenue recognition for certain software licenses sold with post-contract customer support ("PCS"), for which we did not have vendor specific objective evidence, ("VSOE"), of fair value under the previous revenue recognition guidance. Under ASC 606, the requirement to have VSOE for undelivered elements is eliminated and we now recognize revenue for such software licenses upon transfer of control to our customers. In addition, the adoption of ASC 606 also resulted in differences in the timing of recognition of contract costs, such as sales commissions, as well as the corresponding impact to our provision for income taxes. The adoption of the standard had no significant impact on our provision for income taxes and had no impact on the net cash from or used in operating, investing or financing activities on our condensed consolidated statements of cash flows. See "ASC 606 Adoption Impact to Previously Reported Results" below for the impact of the adoption of the standard on our consolidated balance sheet and condensed consolidated statements of operations.

ASC 606 Adoption Impact to Previously Reported Results

We adjusted our condensed consolidated financial statements from amounts previously reported due to the adoption of ASC 606. Selected consolidated balance sheet line items, adjusted for the adoption of ASC 606, are as follows:

	As of July 31, 2017		
	As Previously Reported	Impact of Adoption	As Adjusted
	(in thousands)		
Assets			
Deferred commissions—current	$ 27,679	$ (3,836) (1)	$ 23,843
Deferred commissions—non-current	33,709	15,975 (1)	49,684
Total deferred commissions	$ 61,388	$ 12,139	$ 73,527
Liabilities			
Deferred revenue—current	$ 233,498	$ (63,375) (2)	$ 170,123
Deferred revenue—non-current	292,573	(93,640) (2)	198,933
Total deferred revenue	$ 526,071	$ (157,015)	$ 369,056
Accrued expenses and other current liabilities	$ 9,414	$ 293 (3)	$ 9,707
Stockholders' Equity	$ 48,202	$ 168,861	$ 217,063

(1) Impact of cumulative change in commissions expense
(2) Impact of cumulative change in revenue
(3) Impact of cumulative change in provision for income taxes

Selected unaudited condensed consolidated statement of operations line items, adjusted for the adoption of ASC 606, are as follows:

	Three Months Ended April 30, 2017		
	As Previously Reported	Impact of Adoption	As Adjusted
	(in thousands, except per share data)		
Revenue			
Product	$ 143,142	$ 16,934	$ 160,076
Support, entitlements and other services	48,621	(3,027)	45,594
Total revenue	$ 191,763	$ 13,907	$ 205,670
Gross profit	$ 108,557	$ 13,907	$ 122,464
Operating expenses			
Sales and marketing expenses	$ 128,007	$ (1,261)	$ 126,746
Loss from operations	$ (109,667)	$ 15,168	$ (94,499)
Net loss	$ (111,977)	$ 15,142	$ (96,835)
Basic and diluted net loss per share	$ (0.78)	$ 0.11	$ (0.67)

	Nine Months Ended April 30, 2017		
	As Previously Reported	Impact of Adoption	As Adjusted
	(in thousands, except per share data)		
Revenue			
Product	$ 411,307	$ 60,518	$ 471,825
Support, entitlements and other services	129,460	(7,840)	121,620
Total revenue	$ 540,767	$ 52,678	$ 593,445
Gross profit	$ 310,953	$ 52,678	$ 363,631
Operating expenses			
Sales and marketing expenses	$ 368,026	$ (1,281)	$ 366,745
Loss from operations	$ (338,338)	$ 53,959	$ (284,379)
Net loss	$ (367,358)	$ 53,852	$ (313,506)
Basic and diluted net loss per share	$ (3.07)	$ 0.45	$ (2.62)

Unaudited revenue by geographic location, based on bill-to location, adjusted for the adoption of ASC 606, is as follows:

	Three Months Ended April 30, 2017		
	As Previously Reported	Impact of Adoption	As Adjusted
	(in thousands)		
U.S.	$ 112,218	$ 2,105	$ 114,323
Europe, the Middle East and Africa	38,023	1,248	39,271
Asia-Pacific	35,508	9,935	45,443
Other Americas	6,014	619	6,633
Total revenue	$ 191,763	$ 13,907	$ 205,670

	Nine Months Ended April 30, 2017		
	As Previously Reported	Impact of Adoption	As Adjusted
	(in thousands)		
U.S.	$ 317,262	$ 8,271	$ 325,533
Europe, the Middle East and Africa	95,543	3,746	99,289
Asia-Pacific	101,798	39,435	141,233
Other Americas	26,164	1,226	27,390
Total revenue	$ 540,767	$ 52,678	$ 593,445

Selected unaudited condensed consolidated statement of cash flows line items, adjusted for the adoption of ASC 606, are as follows:

	Nine Months Ended April 30, 2017		
	As Previously Reported	Impact of Adoption	As Adjusted
	(in thousands)		
Cash flows from operating activities:			
Net loss	$ (367,358)	$ 53,852	$ (313,506)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Deferred commissions	$ (13,406)	$ (1,282)	$ (14,688)
Accrued expenses and other liabilities	$ 5,291	$ 108	$ 5,399
Deferred revenue	$ 160,527	$ (52,678)	$ 107,849

The core principle of ASC 606 is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. This principle is achieved by applying the following five-step approach:

- *Identification of the contract, or contracts, with a customer* — A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and (iii) we determine that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. We apply judgment in determining the customer's ability and intention to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

- *Identification of the performance obligations in the contract* — Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or services either on their own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, we apply judgment to determine whether promised goods or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation.

- *Determination of the transaction price* — The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer.

- *Allocation of the transaction price to the performance obligations in the contract* — If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price ("SSP"). We determine SSP based on the price at which the performance obligation is sold separately. If the SSP is not observable through past transactions, we estimate the SSP, taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

- *Recognition of revenue when, or as, we satisfy a performance obligation* — We satisfy performance obligations either over time or at a point in time, as discussed in further detail below. Revenue is recognized at the time the related performance obligation is satisfied with the transfer of a promised good or service to a customer.

Disaggregation of Revenue

We generate revenue from the sale of our software solution, which can be delivered on a hardware appliance or on a standalone basis, PCS and professional services. A substantial portion of our revenue is generated through channel partners, including distributors and resellers. We also sell our software solution through our OEM partners, such as Dell Technologies and Lenovo Group Ltd. These OEM partners embed our software in their own hardware, and we provide limited PCS on these transactions. The following table depicts the disaggregation of revenue by revenue type, consistent with how we evaluate our financial performance:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2017	2018	2017	2018
	(in thousands)			
Software revenue	$ 100,810	$ 158,500	$ 308,400	$ 441,885
Hardware revenue	59,266	62,617	163,425	221,454
Support, entitlements and other services revenue	45,594	68,296	121,620	188,370
Total revenue	$ 205,670	$ 289,413	$ 593,445	$ 851,709

Software revenue — A majority of our product revenue is generated from the sale of our software, which is either delivered on a hardware appliance that is configured to order, or delivered as standalone software, which can be installed on our customers' hardware appliances that are typically purchased separately from an OEM partner or other manufacturers of compatible hardware, including our contract manufacturers. Software revenue includes our base operating system, which can be delivered through different platforms, and licenses to other additional features, which are sold by us. Revenue from our software products is generally recognized upon transfer of control to the customer.

Hardware revenue — In transactions where we deliver the hardware appliance, we consider ourselves to be the principal in the transaction and we record revenue and costs of goods sold on a gross basis. We consider the amount allocated to hardware revenue to be equivalent to the cost of the hardware procured. Hardware revenue is generally recognized upon transfer of control to the customer.

Support, entitlements and other services revenue — We generate our support, entitlements and other services revenue primarily from PCS contracts, and, to a lesser extent, from professional services. The majority of our product sales are sold in conjunction with PCS contracts, with terms ranging from one to five years. We recognize revenue from PCS contracts ratably over the contractual service period. The service period typically commences upon transfer of control of the corresponding products to the customer. We recognize revenue related to professional services as they are performed.

Contracts with multiple performance obligations — Some of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative SSP basis. For deliverables that we routinely sell separately, such as support and maintenance on our core offerings, we determine SSP by evaluating the standalone sales over the trailing 12 months. For those that are not sold routinely, we determine SSP based on our overall pricing trends and objectives, taking into consideration market conditions and other factors, including the value of our contracts, the products sold and geographic locations.

Contract balances — The timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts. A receivable is recognized in the period we deliver goods or provide services, or when our right to consideration is unconditional.

Payment terms on invoiced amounts are typically 30 days. The balance of accounts receivable, net of allowance for doubtful accounts, as of July 31, 2017 and April 30, 2018 is presented in the accompanying condensed consolidated balance sheets.

Costs to obtain and fulfill a contract — We capitalize commissions paid to sales personnel and the related payroll taxes when customer contracts are signed. These costs are recorded as deferred commission expense in the condensed consolidated balance sheets, current and non-current. We determine whether costs should be deferred based on our sales compensation plans, if the commissions are incremental and would not have been incurred absent the execution of the customer contract. Sales commissions for renewals of customer contracts are not commensurate with the commissions paid for the acquisition of the initial contract given the substantive difference in commission rates in proportion to thei

r respective contract values. Commissions paid upon the initial acquisition of a contract are amortized over the estimated period of benefit, which may exceed the term of the initial contract. Accordingly, the amortization of deferred costs is recognized on a systematic basis that is consistent with the pattern of revenue recognition allocated to each performance obligation and included in sales and marketing expense in the condensed consolidated statements of operations. We determine the estimated period of benefit by evaluating the expected renewals of our customer contracts, the duration of our relationships with our customers, customer retention data, our technology development lifecycle, and other factors. Deferred costs are periodically reviewed for impairment.

Deferred revenue — We record deferred revenue when cash payments are received in advance of our performance. The current portion of deferred revenue represents the amounts that are expected to be recognized as revenue within one year of the consolidated balance sheet date.

Significant changes in the balance of deferred revenue (contract liability) and total deferred commissions (contract asset) for the periods presented are as follows:

	Three Months Ended April 30, 2018	
	Deferred Revenue	Deferred Commissions
	(in thousands)	
Balance as of January 31, 2018	$ 478,000	$ 99,628
Additions	130,061	30,755
Revenue/commissions recognized	(68,296)	(27,655)
Assumed in a business combination	124	—
Balance as of April 30, 2018	$ 539,889	$ 102,728

	Nine Months Ended April 30, 2018	
	Deferred Revenue	Deferred Commissions
	(in thousands)	
Balance as of July 31, 2017(1)	$ 369,056	$ 73,527
Additions	359,079	110,344
Revenue/commissions recognized	(188,370)	(81,143)
Assumed in a business combination	124	—
Balance as of April 30, 2018	$ 539,889	$ 102,728

(1) See details above for the summary of adjustments to deferred commissions and deferred revenue as a result of the adoption of ASC 606.

Of the $102.7 million deferred commissions balance as of April 30, 2018, we expect to recognize approximately 30% as commission expense over the next 12 months, and the remainder thereafter.

During the three and nine months ended April 30, 2017, we recognized revenue of approximately $38.8 million and $77.9 million pertaining to amounts deferred as of January 31, 2017 and July 31, 2016, respectively. During the three and nine months ended April 30, 2018, we recognized revenue of approximately $49.4 million and $136.8 million pertaining to amounts deferred as of January 31, 2018 and July 31, 2017, respectively.

The majority of our contracted but not invoiced performance obligations are subject to cancellation terms. Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized ("contracted not recognized"), which includes deferred revenue and non-cancelable amounts that will be invoiced and recognized as revenue in future periods and excludes performance obligations that are subject to cancellation terms. Contracted not recognized revenue was approximately $567.1 million as of April 30, 2018, of which we expect to recognize approximately 46% over the next 12 months, and the remainder thereafter.

Note 4. FAIR VALUE MEASUREMENTS

The fair value of our financial assets and liabilities measured on a recurring basis is as follows:

	As of July 31, 2017			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets:				
Cash equivalents:				
Money market funds	$ 34,784	$ —	$ —	$ 34,784
Commercial paper	—	23,041	—	23,041
Short-term investments:				
Corporate bonds	—	160,634	—	160,634
Commercial paper	—	36,084	—	36,084
U.S. government securities	—	13,976	—	13,976
Total measured at fair value	$ 34,784	$ 233,735	$ —	$ 268,519
Cash				80,534
Total cash, cash equivalents and short-term investments				$ 349,053
Financial Liabilities:				
Contingent consideration	$ —	$ —	$ 4,295	$ 4,295

	As of April 30, 2018			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets:				
Cash equivalents:				
Money market funds	$ 95,258	$ —	$ —	$ 95,258
Commercial paper	—	108,253	—	108,253
Corporate bonds	—	4,000	—	4,000
Short-term investments:				
Corporate bonds	—	395,107	—	395,107
Commercial paper	—	118,939	—	118,939
U.S. government securities	—	32,629	—	32,629
Total measured at fair value	$ 95,258	$ 658,928	$ —	$ 754,186
Cash				169,278
Total cash, cash equivalents and short-term investments				$ 923,464
Financial Liabilities:				
Contingent consideration	$ —	$ —	$ 924	$ 924

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

We report our financial instruments at fair value, with the exception of the Notes. Financial instruments that are not recorded at fair value are measured at fair value on a quarterly basis for disclosure purposes. The carrying values and estimated fair values of financial instruments not recorded at fair value are as follows:

	As of July 31, 2017		As of April 30, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)			
Convertible senior notes, net	$ —	$ —	$ 422,567	$ 714,535

The carrying value of the Notes as of April 30, 2018 was net of the unamortized debt discount of $144.4 million and unamortized debt issuance costs of $8.1 million.

The total estimated fair value of the Notes was determined based on the closing trading price per $100 of the Notes as of the last day of trading for the period. We consider the fair value of the Notes to be a Level 2 measurement due to the limited trading activity of the Notes.

A summary of the changes in the fair value of our contingent consideration, categorized as Level 3 in the fair value hierarchy, is as follows:

	Nine Months Ended April 30,	
	2017	2018
	(in thousands)	
Contingent consideration—beginning balance	$ —	$ 4,295
Assumed in a business combination	2,371	—
Change in fair value(1)	176	(3,371)
Contingent consideration—ending balance	$ 2,547	$ 924

(1) Recorded in the condensed consolidated statements of operations within general and administrative expenses.

We remeasure the fair value of our Level 3 contingent consideration liability using the Monte Carlo simulation on projected future payments. The fair value is determined by calculating the net present value of the expected payments using significant inputs that are not observable in the market, including the probability of achieving the milestone, estimated bookings and discount rates. The fair value of the contingent consideration will increase or decrease according to the movement of the inputs.

Note 5. BALANCE SHEET COMPONENTS

Short-Term Investments

The amortized cost of our short-term investments approximates their fair value. As of July 31, 2017 and April 30, 2018, unrealized gains or losses from our short-term investments were immaterial. Unrealized losses related to our short-term investments are due to interest rate fluctuations, as opposed to credit quality. In addition, unless we need cash to support our current operations, we do not intend to sell and it is not likely that we would be required to sell these investments before recovery of their amortized cost basis, which may be at maturity. As a result, there were no other-than-temporary impairments for these investments at July 31, 2017 or April 30, 2018.

The following table summarizes the estimated fair value of our investments in marketable debt securities by their contractual maturity dates:

	As of April 30, 2018
	(in thousands)
Due within one year	$ 405,385
Due in one year through three years	141,290
Total	$ 546,675

Property and Equipment, Net

Property and equipment, net consists of the following:

	Estimated Useful Life	As of	
		July 31, 2017	April 30, 2018
	(in months)	(in thousands)	
Computer, production, engineering, and other equipment	36	$ 85,280	$ 117,403
Demonstration units	12	46,387	52,508
Leasehold improvements(1)	N/A	10,562	17,549
Furniture and fixtures	60	4,744	6,535
Total property and equipment, gross		146,973	193,995
Less: Accumulated depreciation and amortization		(88,901)	(117,673)
Total property and equipment, net		$ 58,072	$ 76,322

(1) Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the remaining lease term.

Depreciation expense related to our property and equipment was $9.2 million and $11.3 million for the three months ended April 30, 2017 and 2018, respectively, and was $26.3 million and $31.9 million for the nine months ended April 30, 2017 and 2018, respectively.

Goodwill and Intangible Assets, Net

The changes in the carrying value of goodwill during the nine months ended April 30, 2018 are as follows:

	Carrying Amount
	(in thousands)
Balance as of July 31, 2017	$ 16,672
Acquired in Netsil acquisition	53,085
Acquired in Minjar acquisition	18,567
Balance as of April 30, 2018	$ 88,324

Intangible assets, net consists of the following:

	As of	
	July 31, 2017	April 30, 2018
	(in thousands)	
Indefinite-lived intangible asset:		
In-process R&D[1]	$ 16,100	$ —
Finite-lived intangible assets:		
Developed technology[1]	7,300	47,500
Customer relationships	4,830	6,650
Total finite-lived intangible assets, gross	12,130	54,150
Total intangible assets, gross	28,230	54,150
Less:		
Accumulated amortization of developed technology	(1,314)	(4,821)
Accumulated amortization of customer relationships	(915)	(1,539)
Total accumulated amortization	(2,229)	(6,360)
Intangible assets, net	$ 26,001	$ 47,790

(1) We started amortizing in-process R&D during the first quarter of fiscal 2018, as the related technology was completed and released in the first quarter of fiscal 2018. We are amortizing developed technology using the straight-line method over a useful life of 5 years. Based on the foregoing, the balance of in-process R&D is now presented as part of developed technology as of April 30, 2018.

The amortization expense related to our finite-lived intangible assets is being recognized in the condensed consolidated statements of operations within product cost of revenue for developed technology and sales and marketing expense for customer relationships.

The estimated future amortization expense of our finite-lived intangible assets is as follows:

Year Ending July 31:	Amount
	(in thousands)
2018 (remaining three months)	$ 2,237
2019	8,989
2020	8,949
2021	8,949
2022	7,751
Thereafter	10,915
Total	$ 47,790

Accrued Compensation and Benefits

Accrued compensation and benefits consists of the following:

	As of	
	July 31, 2017	April 30, 2018
	(in thousands)	
Accrued commissions	$ 20,388	$ 16,767
Accrued vacation	6,286	10,100
Contributions to ESPP withheld	14,371	7,581
Accrued bonus	7,342	9,187
Payroll taxes payable	3,434	8,627
Other	5,700	8,959
Total accrued compensation and benefits	$ 57,521	$ 61,221

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consists of the following:

	As of	
	July 31, 2017	April 30, 2018
	(in thousands)	
Accrued professional services	$ 4,167	$ 4,614
Income taxes payable(1)	3,873	2,903
Other	1,667	4,128
Total accrued expenses and other current liabilities	$ 9,707	$ 11,645

(1) Balance as of July 31, 2017 was adjusted to reflect the impact of the adoption of ASC 606 on income taxes. See Note 3 for a summary of adjustments.

Note 6. CONVERTIBLE SENIOR NOTES

In January 2018, we issued $575.0 million in aggregate principal amount of 0% Convertible Senior Notes, due in 2023, in a private placement to qualified institutional buyers pursuant to Rule144A under the Securities Act of 1933, as amended. This included $75.0 million in aggregate principal amount of the Notes that we issued resulting from initial purchasers fully exercising their option to purchase additional notes. There are no required principal payments prior to the maturity of the Notes. The total net proceeds from the Notes are as follows:

	Amount
	(in thousands)
Principal amount	$ 575,000
Less: initial purchasers' discount	(10,781)
Less: cost of the bond hedges	(143,175)
Add: proceeds from the sale of warrants	87,975
Less: other issuance costs	(707)
Net proceeds	$ 508,312

Other issuance costs of $0.4 million remained unpaid as of April 30, 2018. The Notes do not bear any interest and will mature on January 15, 2023, unless earlier converted or repurchased in accordance with their terms. The Notes are unsecured and do not contain any financial covenants or any restrictions on the payment of dividends, or the issuance or repurchase of securities by us.

Each $1,000 of principal of the Notes will initially be convertible into 20.4705 shares of our Class A common stock, which is equivalent to an initial conversion price of approximately $48.85 per share, subject to adjustment upon the occurrence of specified events. Holders of these Notes may convert their Notes at their option at any time prior to the close of the business day immediately preceding October 15, 2022, only under the following circumstances:

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

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

3) upon the occurrence of certain specified corporate events.

Based on the closing price of our Class A common stock of $50.59 on April 30, 2018, the if-converted value of the Notes was greater than the principal amount. However, since the price of our Class A common stock was not greater than or equal to 130% of the conversion price for 20 or more trading days during the 30 consecutive trading days ending on the last trading day of the quarter ended April 30, 2018, the Notes are not convertible during the fiscal quarter commencing after April 30, 2018.

On or after October 15, 2022, holders may convert all or any portion of their Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, regardless of the foregoing conditions.

Upon conversion of the Notes, we will pay or deliver, as the case may be, cash, shares of our Class A common stock or a combination of cash and shares of our Class A common stock, at our election. We intend to settle the principal of the Notes in cash.

The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued or unpaid interest. A holder who converts their Notes in connection with certain corporate events that constitute a "make-whole fundamental change" per the indenture governing the Notes are, under certain circumstances, entitled to an increase in the conversion rate. In addition, if we undergo a fundamental change prior to the maturity date, holders may require us to repurchase for cash all or a portion of their Notes at a repurchase price equal to 100% of the principal amount of the repurchased Notes, plus accrued and unpaid interest.

We may not redeem the Notes prior to the maturity date, and no sinking fund is provided for the Notes.

In accounting for the issuance of the Notes, we separated the Notes into liability and equity components. The carrying amount of the liability component of approximately $423.4 million was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component of approximately $151.6 million, representing the conversion option, was determined by deducting the fair value of the liability component from the par value of the Notes. The difference between the principal amount of the Notes and the liability component (the "debt discount") is amortized to interest expense using the effective interest method over the term of the Notes. The equity component of the Notes is included in additional paid-in capital in the condensed consolidated balance sheets and is not remeasured as long as it continues to meet the conditions for equity classification.

We incurred transaction costs related to the issuance of the Notes of approximately $11.5 million, consisting of an initial purchasers' discount of $10.8 million and other issuance costs of approximately $0.7 million. In accounting for the transaction costs, we allocated the total amount incurred to the liability and equity components using the same proportions as the proceeds from the Notes. Transaction costs attributable to the liability component were approximately $8.5 million, recorded as debt issuance costs (presented as contra debt in the condensed consolidated balance sheets), and are being amortized to interest expense over the term of the Notes. The transaction costs attributable to the equity component were approximately $3.0 million and were net with the equity component within stockholders’ equity.

The Notes consisted of the following:

	As of April 30, 2018
	(in thousands)
Principal amounts:	
Principal	$ 575,000
Unamortized debt discount(1)	(144,378)
Unamortized debt issuance costs(1)	(8,055)
Net carrying amount	$ 422,567
Carrying amount of the equity component(2)	$ 148,598

(1) Included in the condensed consolidated balance sheets within "Convertible senior notes, net" and amortized over the remaining life of the Notes using the effective interest rate method. The effective interest rate is 6.62%.
(2) Included in the condensed consolidated balance sheets within additional paid-in capital, net of $3.0 million in equity issuance costs.

As of April 30, 2018, the remaining life of the Notes was approximately 56 months.

The following table sets forth the total interest expense recognized related to the Notes:

	Three Months Ended April 30, 2018	Nine Months Ended April 30, 2018
	(in thousands)	
Interest expense related to amortization of debt discount	$ 6,550	$ 7,250
Interest expense related to amortization of debt issuance costs	366	404
Total interest expense	$ 6,916	$ 7,654

Note Hedges and Warrants

Concurrently with the offering of the Notes in January 2018, we entered into convertible note hedge transactions with certain bank counterparties, whereby we have the initial option to purchase a total of approximately 11.8 million shares of our Class A common stock at a conversion price of approximately $48.85 per share, subject to adjustment for certain specified events. The total cost of the convertible note hedge transactions was approximately $143.2 million. In addition, we sold warrants to certain bank counterparties, whereby the holders of the warrants have the initial option to purchase a total of approximately 11.8 million shares of our Class A common stock at a price of $73.46 per share, subject to adjustment for certain specified events. We received approximately $88.0 million in cash proceeds from the sale of these warrants.

Taken together, the purchase of the convertible note hedges and the sale of warrants are intended to offset any actual dilution from the conversion of the Notes and to effectively increase the overall conversion price from $48.85 to $73.46 per share. As these transactions meet certain accounting criteria, the convertible note hedges and warrants are recorded within stockholders' equity and are not accounted for as derivatives. The net cost incurred in connection with the convertible note hedge and warrant transactions of approximately $55.2 million is recorded as a reduction to additional paid-in capital in the condensed consolidated balance sheet as of April 30, 2018. The fair value of the note hedges and warrants are not remeasured each reporting period. The amounts paid for the note hedges are tax deductible expenses, while the proceeds received from the warrants are not taxable.

Impact to Earnings per Share

The Notes will have no impact to diluted earnings per share ("EPS") until they meet the criteria for conversion, as discussed above, as we intend to settle the principal amount of the Notes in cash upon conversion. Under the treasury stock method, in periods we report net income, we are required to include the effect of additional shares that may be issued under the Notes when the price of our Class A common stock exceeds the conversion price. Under this method, the cumulative dilutive effect of the Notes would be approximately 3.9 million shares if the average price of our Class A common stock was $73.46. However, upon conversion, there will be no economic dilution from the Notes, as exercise of

the note hedges eliminate any dilution that would have otherwise occurred. The note hedges are required to be excluded from the calculation of diluted earnings per share, as they would be anti-dilutive under the treasury stock method.

The warrants will have a dilutive effect when the average share price exceeds the warrant strike price of $73.46 per share. As the price of our Class A common stock continues to increase above the warrant strike price, additional dilution would occur at a declining rate so that a $10 increase from the warrant strike price would yield a cumulative dilution of approximately 4.9 million diluted shares for EPS purposes. However, upon conversion, the note hedges would neutralize the dilution from the Notes so that there would only be dilution from the warrants, which would result in an actual dilution of approximately 1.4 million shares at a common stock price of $83.46.

Note 7. COMMITMENTS AND CONTINGENCIES

Operating Leases

We have commitments for future payments related to our office facility leases and other contractual obligations. We lease our office facilities under non-cancelable operating lease agreements expiring through fiscal 2024. Certain of these lease agreements have free or annual rent increases. We recognize rent expense under such agreements on a straight-line basis over the lease term, with any free or annual rent increases amortized as a reduction from or addition to rent expense over the lease term.

Future minimum payments due under operating leases as of April 30, 2018 are as follows:

Fiscal Year Ending July 31:	Amount (in thousands)
2018 (remaining three months)	$ 5,784
2019	22,259
2020	19,007
2021	17,571
2022	15,856
Thereafter	25,111
Total	$ 105,588

Purchase Commitments

During the normal course of business, we make commitments with our third-party hardware contract manufacturers to manufacture our inventory and non-standard components based on our forecasts. These commitments consist of obligations for on-hand inventory and non-cancelable purchase orders for non-standard components. We record a charge for firm, non-cancelable and unconditional purchase commitments with our third-party hardware contract manufacturers for non-standard components when and if quantities exceed our future demand forecasts through a charge to cost of product sales. As of April 30, 2018, we had approximately $25.4 million of non-cancelable purchase commitments pertaining to our normal operations, and approximately $54.7 million in the form of guarantees to our contract manufacturers related to certain components.

Note 8. STOCKHOLDERS' EQUITY

Preferred Stock

Upon the closing of our initial public offering ("IPO") in October 2016, we filed an Amended and Restated Certificate of Incorporation, which authorized the issuance of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our Board of Directors (the "Board"). As of April 30, 2018, we had 200,000,000 shares of preferred stock authorized, with a par value of $0.000025, and no shares of preferred stock issued or outstanding.

Common Stock

We have two classes of authorized common stock, Class A common stock and Class B common stock. As of April 30, 2018, we had 1,000,000,000 shares of Class A common stock authorized, with a par value of $0.000025 per share, and 200,000,000 shares of Class B common stock authorized, with a par value of $0.000025 per share. As of April 30, 2018, we had 132,152,095 shares of Class A common stock issued and outstanding and 38,130,226 shares of Class B common stock issued and outstanding.

Holders of Class A common stock are entitled to one vote for each share of Class A common stock held on all matters submitted to a vote of stockholders. Holders of Class B common stock are entitled to 10 votes for each share of Class B common stock held on all matters submitted to a vote of stockholders. Except with respect to voting, the rights of the holders of Class A and Class B common stock are identical. Shares of Class B common stock are voluntarily convertible into shares of Class A common stock at the option of the holder and generally automatically convert into shares of our Class A common stock upon a transfer. Shares issued in connection with exercises of stock options, vesting of restricted stock units, or shares purchased under the employee stock purchase plan are generally automatically converted into shares of our Class A common stock. Shares issued in connection with an exercise of common stock warrants are converted into shares of our Class B common stock.

Note 9. EQUITY AWARD PLANS

Stock Plans

In June 2010, we adopted the 2010 Stock Plan ("2010 Plan"), in December 2011, we adopted the 2011 Stock Plan ("2011 Plan"), and in December 2015, the Board adopted the 2016 Equity Incentive Plan ("2016 Plan"), which was amended in September 2016 (collectively, the "Stock Plans"). Our stockholders approved the 2016 Plan in March 2016 and it became effective in connection with our IPO in October 2016. As a result, at the time of the IPO, we ceased granting additional stock awards under the 2010 Plan and 2011 Plan and both plans were terminated. Any outstanding stock awards under the 2010 Plan and 2011 Plan will remain outstanding, subject to the terms of the applicable plan and award agreements, until such shares are issued under those stock awards, by exercise of stock options or settlement of restricted stock units ("RSUs"), or until those stock awards become vested or expired by their terms.

Under the 2016 Plan, we may grant incentive stock options, non-statutory stock options, restricted stock, RSUs, and stock appreciation rights, to employees, directors and consultants. We have initially reserved 22,400,000 shares of our Class A common stock for issuance under the 2016 Plan. The number of shares of Class A common stock available for issuance under the 2016 Plan also includes an annual increase on the first day of each fiscal year, beginning in fiscal 2018, equal to the lesser of: 18,000,000 shares, 5% of the outstanding shares of classes of common stock as of the last day of our immediately preceding fiscal year, or such other amount as may be determined by the Board. Accordingly, on August 1, 2017, the number of shares of Class A common stock available for issuance under our 2016 Plan increased by 7,731,826 shares pursuant to these provisions. As of April 30, 2018, we had reserved a total of 48,709,055 shares available for the issuance of equity awards under the Stock Plans, of which 13,468,557 shares were still available for grant.

Restricted Stock Units

Performance RSUs — We granted RSUs that contain both service and performance conditions to our executives and employees ("Performance RSUs"). Vesting of Performance RSUs is subject to continuous service and the satisfaction of certain of our liquidity events, including the expiration of a lock-up period established in connection with the IPO, or both certain liquidity events and specified performance targets. While we recognize cumulative stock-based compensation expense for the portion of the awards for which both the service condition has been satisfied and it is probable that the performance conditions will be met, the actual vesting and settlement of Performance RSUs are subject to the performance conditions actually being met. During the three months ended October 31, 2016, we began to recognize Performance RSUs with liquidity event performance conditions, as the satisfaction of the performance conditions for vesting became probable.

Below is a summary of RSU activity under the Stock Plans:

	Number of Shares	Grant Date Fair Value per Share
Outstanding at July 31, 2017	17,376,090	$ 18.85
Granted	11,374,865	$ 34.35
Vested	(4,288,257)	$ 19.13
Canceled/forfeited	(1,748,803)	$ 22.54
Outstanding at April 30, 2018	22,713,895	$ 26.27

Subsequent to April 30, 2018, we granted 1,902,592 RSUs to our employees with a weighted average grant date fair value of $56.61 per share.

Stock Options

We did not grant any stock options during the nine months ended April 30, 2018. A total of 7,632,405 stock options were exercised during the nine months ended April 30, 2018 for an average exercise price of $3.83. As of April 30, 2018, 12,492,423 stock options with a weighted average exercise price $4.99 per share, weighted average remaining contractual life of 5.9 years, and aggregate intrinsic value of $569.7 million remained outstanding.

Employee Stock Purchase Plan

In December 2015, the Board adopted the 2016 Employee Stock Purchase Plan ("2016 ESPP"), which was subsequently amended in January 2016 and September 2016 and was approved by our stockholders in March 2016. The 2016 ESPP became effective in connection with our IPO. A total of 3,800,000 shares of Class A common stock were initially reserved for issuance under the 2016 ESPP. The number of shares of Class A common stock available for sale under the 2016 ESPP also includes an annual increase on the first day of each fiscal year, beginning in fiscal 2018, equal to the lesser of: 3,800,000 shares, 1% of the outstanding shares of classes of common stock as of the last day of our immediately preceding fiscal year, or such other amount as may be determined by the Board. Accordingly, on August 1, 2017, the number of shares of Class A common stock available for issuance under 2016 ESPP increased by 1,546,365 shares pursuant to these provisions.

The 2016 ESPP allows eligible employees to purchase shares of our Class A common stock at a discount through payroll deductions of up to 15% of eligible compensation, subject to caps of $25,000 in any calendar year and 1,000 shares on any purchase date. The 2016 ESPP provides for 12-month offering periods, generally beginning in March and September of each year, and each offering period consists of two six-month purchase periods.

On each purchase date, participating employees will purchase Class A common stock at a price per share equal to 85% of the lesser of the fair market value of our Class A common stock on (i) the first trading day of the applicable offering period or (2) the last trading day of each purchase period in the applicable offering period. If the stock price of our Class A common stock on any purchase date in an offering period is lower than the stock price on the enrollment date of that offering period, the offering period will immediately reset after the purchase of shares on such purchase date and automatically roll into a new offering period.

During the nine months ended April 30, 2018, 2,417,850 shares of common stock were purchased for an aggregate amount of $39.0 million. As of April 30, 2018, 1,682,461 shares were available for future issuance under the 2016 ESPP.

We use the Black-Scholes option pricing model to determine the fair value of shares purchased under the 2016 ESPP with the following weighted average assumptions on the date of grant:

	Nine Months Ended April 30,	
	2017	2018
Expected term (in years)	0.75	0.75
Risk-free interest rate	0.6%	1.4%
Volatility	51.0%	49.8%
Dividend yield	—%	—%

Stock-Based Compensation

Total stock-based compensation expense recognized in the condensed consolidated statements of operations is as follows:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2017	2018	2017	2018
	(in thousands)			
Cost of revenue:				
Product	$ 610	$ 634	$ 2,424	$ 1,888
Support, entitlements and other services	2,471	1,951	8,210	6,156
Sales and marketing	15,726	18,051	65,145	47,759
Research and development	27,041	16,474	89,826	49,039
General and administrative	4,503	7,836	28,081	17,630
Total stock-based compensation expense	$ 50,351	$ 44,946	$ 193,686	$ 122,472

Stock-based compensation expense for the nine months ended April 30, 2017 included cumulative stock-compensation expense related to stock awards with performance conditions, for which vesting was deemed probable in the first quarter of fiscal 2017 upon the successful completion of our IPO. Prior to fiscal 2017, no expense was recognized related to these stock awards with performance conditions, as vesting was not deemed probable. The cumulative stock-based compensation expense recorded in the first quarter of fiscal 2017 was for the portion of the awards for which the relevant service condition had been satisfied and we have continued to recognize the remaining expense over the remaining service period. Stock-based compensation expense related to stock awards without performance conditions is recognized on a straight-line basis over the requisite service period.

As of April 30, 2018, unrecognized stock-based compensation expense related to the outstanding stock awards was approximately $531.8 million and is expected to be recognized over a weighted average period of approximately 2.6 years.

Note 10. INCOME TAXES

The income tax provisions of $2.6 million and $3.3 million for the three and nine months ended April 30, 2017, respectively, primarily consisted of foreign taxes on our international operations and U.S. state income taxes, partially offset by a $1.5 million U.S. valuation allowance release in connection with an acquisition completed during the nine months ended April 30, 2017, and tax benefit related to the early adoption of ASU 2016-09. The net deferred tax liability recorded in connection with the acquisition completed during the nine months ended April 30, 2017 provided an additional source of taxable income to support the realizability of the pre-existing deferred tax assets and as a result, we released a portion of the U.S. valuation allowance.

The income tax benefit of $0.8 million and provision of $3.3 million for the three and nine months ended April 30, 2018, respectively, primarily consisted of foreign taxes on our international operations, partially offset by a $3.9 million U.S. valuation allowance release in the third quarter of fiscal 2018 related to the Minjar and Netsil acquisitions. The net deferred tax liability recorded in connection with these acquisitions provided an additional source of taxable income to support the realizability of the pre-existing deferred tax assets and as a result, we released a portion of the U.S. valuation allowance. We continue to maintain a valuation allowance for our U.S. Federal and state deferred tax assets.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was signed into federal law, which among other changes, reduces the federal corporate tax rate to 21%. We do not expect the TCJA to have a material impact on our consolidated financial statements due to our valuation allowance in the U.S. Based on our analysis, U.S. deferred tax assets have been revalued from 34% to 21%, with a corresponding offset to the valuation allowance. This resulted in a significant reduction to our net U.S. deferred tax assets and valuation allowance and an immaterial impact to the income tax provision due to the valuation allowance on net U.S. deferred tax assets. Pursuant to SEC Staff Accounting Bulletin 118, which provides guidance on accounting for the tax effects of the TJCA, we will continue to evaluate the impact of various domestic and international provisions of the TCJA, as well as the impact of additional guidance that may be provided, in order to assess the full effect on our consolidated financial results, including disclosures for our fiscal year ending July 31, 2018.

We have not yet made a policy election with respect to our treatment of potential global intangible low-taxed income ("GILTI"). Companies can either account for taxes on GILTI as incurred or recognize deferred taxes when basis differences exist that are expected to affect the amount of the GILTI inclusion upon reversal. We are still in the process of analyzing the provisions of the act associated with GILTI and the expected impact of GILTI will have on us in the future.

In connection with the transition from a global to a territorial U.S. tax system, companies are required to pay a one-time transition tax on deemed repatriated earnings of non-U.S. subsidiaries. The tax is to be computed using our total foreign post-1986 earnings and profits that were previously deferred from U.S. income taxes. We did not have any deemed repatriation tax liability due to our consolidated foreign deficit. The provisional amount calculated may change during the one-year measurement period, during which we will finalize the calculation of our post-1986 foreign earnings and profits and the amount of foreign earnings held in cash or other specified assets.

Note 11. NET LOSS PER SHARE

We compute basic net income (loss) per share using the weighted average number of common shares outstanding during the period. We compute diluted net income (loss) per share using the weighted average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares include shares issuable upon the exercise of stock options, the exercise of common stock warrants, the vesting of RSUs, and each purchase under our 2016 ESPP, under the treasury stock method.

In loss periods, basic net loss per share and diluted net loss per share are the same, as the effect of potential common shares is anti-dilutive and therefore excluded.

The rights, including the liquidation and dividend rights, of the holders of our Class A and Class B common stock are identical, except with respect to voting. As the liquidation and dividend rights are identical, our undistributed earnings or losses are allocated on a proportionate basis among the holders of both Class A and Class B common stock. As a result, the net income (loss) per share attributed to common stockholders will, therefore, be the same for both Class A and Class B common stock on an individual or combined basis.

The computation of basic and diluted net loss per share attributable to Class A and Class B common stockholders is as follows:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2017 As Adjusted (1)	2018	2017 As Adjusted (1)	2018
	(in thousands, except share and per share data)			
Numerator:				
Net loss	$ (96,835)	$ (85,674)	$ (313,506)	$ (209,792)
Denominator:				
Weighted average shares—basic and diluted	144,054,432	166,845,544	119,851,586	161,709,365
Net loss per share attributable to common stockholders—basic and diluted	$ (0.67)	$ (0.51)	$ (2.62)	$ (1.30)

(1) Adjusted to include the impact of ASC 606. Refer to Note 3 for more details on the impact of the adoption of this standard.

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 anti-dilutive are as follows:

	Three and Nine Months Ended April 30,	
	2017	2018
Outstanding stock options and RSUs	41,204,043	35,206,318
Employee stock purchase plan	1,474,965	1,341,470
Contingently issuable shares pursuant to a business combination	—	276,625
Common stock subject to repurchase	383,736	73,360
Common stock warrants	34,180	34,180
Total	43,096,924	36,931,953

Note 12. SEGMENT INFORMATION

Our chief operating decision maker is a group which is comprised of our Chief Executive Officer and Chief Financial Officer. This group reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, we have a single reportable segment.

The following table sets forth revenue by geographic location based on bill-to location:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2017 As Adjusted(1)	2018	2017 As Adjusted(1)	2018
	(in thousands)			
U.S.	$ 114,323	$ 135,276	$ 325,533	$ 488,416
Europe, the Middle East and Africa	39,271	74,916	99,289	164,089
Asia-Pacific	45,443	68,622	141,233	172,774
Other Americas	6,633	10,599	27,390	26,430
Total revenue	$ 205,670	$ 289,413	$ 593,445	$ 851,709

(1) Adjusted to include the impact of ASC 606. Refer to Note 3 for more details on the impact of the adoption of this standard.

Pursuant to our arrangement with one of our OEMs, prior to the fourth quarter of fiscal 2017, billings to this OEM were entirely attributed to Asia-Pacific. Beginning in the fourth quarter of fiscal 2017, billings to this OEM were allocated to various geographic locations.

As of July 31, 2017 and April 30, 2018, $63.3 million and $118.6 million, respectively, of our net long-lived assets were located in the U.S.

Note 13. RELATED PARTY TRANSACTIONS

We enter into various transactions with related parties in the normal course of business. During the three and nine months ended April 30, 2017 and 2018, we did not have any material related party transactions.

One member of our Board is affiliated with Lightspeed Venture Partners. As of April 30, 2018, entities affiliated with Lightspeed Venture Partners owned approximately 6.8% of our total outstanding Class A and Class B common stock.

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

The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with (1) the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (2) the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended July 31, 2017 included in our Annual Report on Form 10-K filed on September 18, 2017. The last day of our fiscal year is July 31. Our fiscal quarters end on October 31, January 31, April 30, and July 31. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" in Part II, Item 1A of this Form 10-Q. See also "Special Note Regarding Forward-Looking Statements" above.

Overview

We provide a leading next-generation enterprise cloud operating system that converges the traditional silos of server, virtualization, storage, and networking into one integrated solution and unifies private and public cloud into a single software fabric. Our software delivers the agility, scalability and pay-as-you-grow economics of the public cloud, while addressing enterprise requirements of application mobility, security, data integrity, and control. We provide our customers with the flexibility to selectively utilize the public cloud for suitable workloads and specific use cases by enabling increasing levels of application mobility across private and public clouds. We have combined advanced web-scale technologies with elegant consumer-grade design to deliver a powerful enterprise cloud operating system that elevates IT organizations by enabling them to focus on the applications and services that power their businesses. Our invisible infrastructure provides constant availability and low-touch management, enables application mobility across computing environments and reduces inefficiencies in IT planning.

Our solution can be delivered either as an appliance that is configured to order or as software-only. When end customers purchase our operating system, they typically also purchase one or more years of support and maintenance in order to receive software upgrades, bug fixes and, where applicable, parts replacement. Product revenue is generated primarily from the sales of our solution and is generally recognized upon transfer of control to the customers. Support, entitlements and other services revenue is primarily derived from the related support and maintenance contracts and is recognized ratably over the term of those support contracts. Delivery of our solution through appliance sales has comprised the bulk of our historical product revenue; however, starting in the first quarter of fiscal 2018, we began the process of transitioning our business to focus primarily on software-only sales, which we expect to complete in approximately one and a half years.

We had a broad and diverse base of over 9,600 end customers as of April 30, 2018, including over 670 Global 2000 enterprises. We define the number of end customers as the number of end customers for which we have received an order by the last day of the period, excluding partners to which we have sold products for their own demonstration purposes. A single organization or customer may represent multiple end customers for separate divisions, segments or subsidiaries. Since shipping our first product in fiscal 2012, our end customer base has grown rapidly. The number of end customers grew from over 6,100 as of April 30, 2017 to over 9,600 as of April 30, 2018. Our operating system is primarily sold through channel partners, including distributors and resellers, and original equipment manufacturers ("OEMs"), and delivered directly to our end customers. A major part of our sales and marketing investment is to educate our end customers about the benefits of our solution, particularly as we continue to pursue large enterprises and mission critical workloads. Our solutions serve a broad range of workloads, including enterprise applications, databases, virtual desktop infrastructure ("VDI"), unified communications, and big data analytics and we have recently announced the capability to support both virtualized and non-virtualized applications. We have end customers across a broad range of industries, such as automotive, consumer goods, education, energy, financial services, healthcare, manufacturing, media, public sector, retail, technology, and telecommunications. We also sell to service providers, who utilize our operating system to provide a variety of cloud-based services to their customers.

We continue to invest heavily in the growth of our business, including the development of our solutions and build-out of our global sales force. The number of our full-time employees increased from 2,672 as of April 30, 2017 to 3,709 as of April 30, 2018. We have recruited an engineering team focused on distributed systems and IT infrastructure technologies at our San Jose, California headquarters and at our research and development centers in Bangalore, India, Durham, North Carolina and Seattle, Washington. We have also expanded our international sales and marketing presence by continuing to build out our global teams. We intend to continue to invest in our global engineering team to enhance the functionality of our operating system, introduce new products and features and build upon our technology leadership, as well as continue to expand our global sales and marketing teams.

Our total revenue was $593.4 million and $851.7 million for the nine months ended April 30, 2017 and 2018, respectively, an increase of 43.5%. Our net losses were $313.5 million and $209.8 million for the nine months ended April 30, 2017 and 2018, respectively. Net cash provided by operating activities was $7.9 million and $69.8 million for the nine months ended April 30, 2017 and 2018, respectively. Free cash flow was an outflow of $29.9 million for the nine months ended April 30, 2017 and an inflow of $23.7 million for the nine months ended April 30, 2018. As of April 30, 2018, we had an accumulated deficit of $940.8 million.

In January 2018, we issued $575.0 million in aggregate principal amount of 0% Convertible Senior Notes, due in 2023 (the "Notes"). The total net proceeds from this offering, after deducting the initial purchasers' discount of approximately $10.8 million, were approximately $564.2 million. Approximately $55.2 million of the proceeds were used for the cost of the convertible note hedge transactions, partially offset by the proceeds from the warrant transactions. We incurred approximately $0.7 million of other issuance costs, $0.4 million of which remained unpaid as of April 30, 2018. The remaining net proceeds from the Notes will be used for general corporate purposes, including working capital, capital expenditures and potential acquisitions.

New Accounting Standard

We adopted the new accounting standard related to revenue recognition effective August 1, 2017. Prior period information presented has been adjusted to reflect the adoption of this new standard. See Note 3 of Part I, Item 1 of this Quarterly Report on Form 10-Q for a summary of adjustments.

Key Financial and Performance Metrics

We monitor the following key financial and performance metrics:

	As of and for the			
	Three Months Ended April 30,		Nine Months Ended April 30,	
	2017	2018	2017	2018
	(in thousands, except percentages)			
Total revenue	$ 205,670	$ 289,413	$ 593,445	$ 851,709
Billings	$ 234,147	$ 351,178	$ 701,294	$ 1,022,418
Gross profit	$ 122,464	$ 193,798	$ 363,631	$ 538,944
Adjusted gross profit	$ 125,903	$ 197,830	$ 375,221	$ 550,494
Gross margin	59.5%	67.0%	61.3%	63.3%
Adjusted gross margin	61.2%	68.4%	63.2%	64.6%
Total deferred revenue	$ 332,339	$ 539,889	$ 332,339	$ 539,889
Net cash (used in) provided by operating activities	$ (16,009)	$ 13,308	$ 7,903	$ 69,810
Free cash flow	$ (29,190)	$ (788)	$ (29,894)	$ 23,721
Non-GAAP operating expenses	$ 169,739	$ 232,398	$ 463,445	$ 627,397
Total end customers	6,172	9,689	6,172	9,689

Non-GAAP Financial Measures and Key Performance Measures

We regularly monitor billings, adjusted gross profit, adjusted gross margin, free cash flow, and non-GAAP operating expenses, which are non-GAAP financial measures and key performance measures, to help us evaluate our growth and operational efficiencies, measure our performance, identify trends in our sales activity, and establish our budgets. We evaluate these measures because they:

- are used by management and the Board of Directors to understand and evaluate our performance and trends, as well as to provide a useful measure for period-to-period comparisons of our core business;

- are widely used by investors and other parties in understanding and evaluating companies in our industry as a measure of financial performance; and

- are used by management to prepare and approve our annual budget and to develop short-term and long-term operational and compensation plans, as well as to assess our actual performance against our goals.

Billings is a performance measure which management believes provides useful information to investors, as it represents the dollar value under binding purchase orders received and billed during a given period. Free cash flow is a performance measure that provides useful information to management and investors about the amount of cash used in or generated by the business after necessary capital expenditures. Adjusted gross profit, adjusted gross margin and non-GAAP operating expenses are performance measures which management believes provides useful information to investors, as they provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures, such as stock-based compensation expense, that may not be indicative of our ongoing core business operating results. We use these non-GAAP financial and key performance measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Billings, adjusted gross profit, adjusted gross margin, free cash flow, and non-GAAP operating expenses have limitations as analytical tools, and they should not be considered in isolation or as substitutes for analysis of our results as reported under GAAP. Billings, adjusted gross profit, adjusted gross margin, free cash flow, and non-GAAP operating expenses are not substitutes for total revenue, gross profit, gross margin, cash (used in) provided by operating activities, or GAAP operating expenses, respectively. In addition, other companies, including companies in our industry, may calculate non-GAAP financial measures and key performance measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures and key performance measures as tools for comparison. We urge you to review the reconciliation of our non-GAAP financial measures and key performance measures to the most directly comparable GAAP financial measures included below, and not to rely on any single financial measure to evaluate our business.

We calculate our non-GAAP measures as follows:

Billings — We calculate billings by adding the change in deferred revenue, net of acquisitions, between the start and end of the period to total revenue recognized in the same period.

Adjusted gross profit and adjusted gross margin — We calculate adjusted gross margin as adjusted gross profit divided by total revenue. We define adjusted gross profit as our gross profit adjusted to exclude stock-based compensation expense and the amortization of acquired intangible assets. Our presentation of adjusted gross profit should not be construed as implying that our future results will not be affected by any recurring expenses or any unusual or non-recurring items that we exclude from our calculation of this non-GAAP financial measure.

Free cash flow — We calculate free cash flow as net cash (used in) provided by operating activities less purchases of property and equipment, which measures our ability to generate cash from our business operations after our capital expenditures.

Non-GAAP operating expenses — We define non-GAAP operating expenses as total operating expenses adjusted to exclude stock-based compensation expense and costs associated with business combinations (such as amortization of acquired intangible assets, revaluation of contingent consideration and other acquisition-related costs). Our presentation of non-GAAP operating expenses should not be construed as implying that our future results will not be affected by any recurring expenses or any unusual or non-recurring items that we exclude from our calculation of this non-GAAP financial measure.

The following table presents a reconciliation of billings, adjusted gross profit, adjusted gross margin, free cash flow, and non-GAAP operating expenses to the most directly comparable GAAP financial measures, for each of the periods indicated:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2017	2018	2017	2018
	(in thousands, except percentages)			
Total revenue	$ 205,670	$ 289,413	$ 593,445	$ 851,709
Change in deferred revenue, net of acquisitions	28,477	61,765	107,849	170,709
Billings (non-GAAP)	$ 234,147	$ 351,178	$ 701,294	$ 1,022,418
Gross profit	$ 122,464	$ 193,798	$ 363,631	$ 538,944
Stock-based compensation	3,081	2,585	10,634	8,044
Amortization of intangible assets	358	1,447	956	3,506
Adjusted gross profit (non-GAAP)	$ 125,903	$ 197,830	$ 375,221	$ 550,494
Gross margin	59.5%	67.0%	61.3%	63.3%
Stock-based compensation	1.5%	0.9%	1.8%	0.9%
Amortization of intangible assets	0.2%	0.5%	0.1%	0.4%
Adjusted gross margin (non-GAAP)	61.2%	68.4%	63.2%	64.6%
Net cash (used in) provided by operating activities	$ (16,009)	$ 13,308	$ 7,903	$ 69,810
Purchases of property and equipment	(13,181)	(14,096)	(37,797)	(46,089)
Free cash flow (non-GAAP)	$ (29,190)	$ (788)	$ (29,894)	$ 23,721
Operating expenses	$ 216,963	$ 276,080	$ 648,010	$ 740,122
Stock-based compensation	(47,270)	(42,361)	(183,052)	(114,428)
Change in fair value of contingent consideration	296	(584)	(176)	3,371
Amortization of intangible assets	(250)	(222)	(665)	(625)
Business combination-related costs	—	(515)	(672)	(1,043)
Operating expenses (non-GAAP)	$ 169,739	$ 232,398	$ 463,445	$ 627,397

Factors Affecting Our Performance

We believe that our future success will depend on many factors, including those described below. While these areas present significant opportunity, they also present risks that we must manage to achieve successful results. See the section titled "Risk Factors." If we are unable to address these challenges, our business and operating results could be adversely affected.

Investment in Growth

We plan to continue to invest in sales and marketing so that we can capitalize on our market opportunity, and as part of this, we intend to specifically expand our focus on opportunities with major accounts and large deals, which we define as transactions over $500,000 in committed value. We have significantly increased our sales and marketing personnel, which grew by approximately 40% from April 30, 2017 to April 30, 2018. We estimate, based on past experience, that sales team members typically become fully ramped up around the start of their fourth quarter of employment with us, and as our newer employees ramp up, we expect their increased productivity to contribute to our revenue growth. As of April 30, 2018, we considered approximately 57% of our global sales team members to be fully ramped, while the remaining approximately 43% of our global sales team members are in the process of ramping up. As we shift the focus of some of our new and existing sales team members to major accounts and large deals, it may take longer for these sales team members to become fully productive, and there may also be an impact to the overall productivity of our sales team. We are focused on actively managing this realignment and expect continuing improvement over the coming quarters. We intend to continue to grow our global sales and marketing team to acquire new end customers and to increase sales to existing end customers.

We also intend to continue to grow our global research and development and engineering teams to enhance our solutions, improve integration with new and existing ecosystem partners and broaden the range of IT infrastructure technologies that we converge into our operating system. We believe that these investments will contribute to our long-term growth, although they may adversely affect our profitability in the near term.

Market Adoption of Our Products

The public cloud has changed IT buyer expectations about the simplicity, agility, scalability, and pay-as-you-grow economics of IT resources, which represent a major architectural shift and business model evolution. A key focus of our sales and marketing efforts is creating market awareness about the benefits of our operating system, both as compared to traditional datacenter architectures, as well as the public cloud, particularly as we continue to pursue large enterprises and mission critical workloads. The broad nature of the technology shift that our operating system represents and the relationships our end customers have with existing IT vendors sometimes lead to unpredictable sales cycles, which we hope to compress and stabilize as market adoption increases, as we gain leverage with our channel partners and as our sales and marketing efforts expand. Our business and operating results will be significantly affected by the degree to and speed with which organizations adopt our operating system.

Leveraging Channel and OEM Partners

We plan to continue to strengthen and expand our network of channel and OEM partners to increase sales to both new and existing end customers. We believe that increasing channel leverage by investing aggressively in sales enablement and co-marketing with our partners will extend and improve our engagement with a broad set of end customers. Our business and results of operations will be significantly affected by our success in leveraging and expanding our network of channel and OEM partners.

Continued Purchases and Upgrades within Existing Customer Base

Our end customers typically deploy our technology for a specific workload initially. After a new end customer's initial order, which includes the product and associated maintenance, support and services, we focus on expanding our footprint by serving more workloads. We also generate recurring revenue from our support and maintenance renewals. We view continued purchases and upgrades as critical drivers of our success, as the sales cycles are typically shorter compared to new end customer deployments, and selling efforts are typically less. As of April 30, 2018, approximately 70% of our end customers who have been with us for 18 months or longer have made a repeat purchase, which is defined as any purchase activity, including support and maintenance renewals, after the initial purchase. Additionally, end customers who have been with us for 18 months or longer have total lifetime orders (which includes the initial order) to date in an amount that is more than 4.0x greater, on average, than their initial order. This number increases to approximately 9.6x, on average, for Global 2000 end customers who have been with us for 18 months or longer, and to more than 16.6x, on average, for our top 25 end customers as of April 30, 2018. The multiples exclude the effect of one end customer who had a very large and irregular purchase pattern that we believe is not representative of the purchase patterns of all of our other end customers. Our business and operating results will depend on our ability to sell additional products to our existing and future base of end customers.

Changes in Product Mix and Associated Accounting Impact

Shifts in the mix of whether our solutions are sold as an appliance or as software-only could result in fluctuations in our revenue and gross margin. Software-only sales typically reflect higher gross margins and lower revenue in a given period, since the sale does not include the revenue or cost of the hardware components in an appliance. Historically, most of our solutions have been delivered on an appliance, thus and our revenue included the revenue associated with the hardware from such appliances. However, starting in the first quarter of fiscal 2018, we began the process of transitioning our business to focus primarily on software-only sales, and therefore selling less hardware. As a result, we expect there to be an overall product mix shift towards sales of our solutions as software-only licenses, which we expect will be reflected in corresponding changes to our revenue and gross margin.

Revenue for our solutions, whether sold on an appliance or as standalone software, are generally recognized upon transfer of control to the customer. For additional information on revenue recognition, see Note 3 of Part I, Item 1 of this Quarterly Report on Form 10-Q.

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB"), issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606"). The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner which depicts the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The FASB issued several amendments to the standard, including clarifications on the disclosure of prior period performance obligations and remaining performance obligations.

The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The new standard would have been effective for us beginning August 1, 2018, but early adoption as of the original effective date of August 1, 2017 was also permitted. We elected to early adopt the standard effective August 1, 2017 using the full retrospective method, which required us to recast our historical financial information to conform with the new standard. The most significant impact of the standard related to the timing of revenue recognition for certain software licenses sold with post-contract support ("PCS"), for which we did not have vendor specific objective evidence ("VSOE") under the previous revenue recognition guidance. Under the new standard, the requirement to have VSOE for undelivered elements is eliminated and we will recognize revenue for such software licenses upon transfer of control to the customer. In addition, the adoption of ASC 606 also resulted in differences in the timing of recognition of contract costs, such as sales commissions, as well as the corresponding impact to our provision for income taxes. For additional information on the impact to previously reported results, see Note 3 of Part I, Item 1 of this Quarterly Report on Form 10-Q.

Components of Our Results of Operations

Our results of operations for the three and nine months ended April 30, 2017 included (i) significant cumulative stock-based compensation expense related to stock awards with performance conditions, referred to as performance stock awards, due to our initial public offering ("IPO"), and (ii) the impact of business combinations which closed during the nine months ended April 30, 2017. Beginning in the fiscal year ended July 31, 2014, we began granting performance stock awards with vesting subject to (i) continuous service with us and (ii) the satisfaction of one or more performance conditions (a liquidity event or both a liquidity event and certain performance targets). As a result of our IPO, we began to recognize stock-based compensation expense related to these performance stock awards during the three months ended October 31, 2016, as the performance condition, a liquidity event or IPO, was deemed probable of achievement. The cumulative stock-based compensation expense recognized in the first quarter of fiscal 2017 was approximately $83.0 million and represented the portion of the awards for which the relevant service condition had been satisfied. We continue to amortize the remaining expense over the remaining service period. Amortization during the three and nine months ended April 30, 2018 related to these performance stock awards was approximately $4.4 million and $16.7 million, respectively.

Revenue

We generate revenue from the sale of our software solution, which can be delivered on a hardware appliance or on a standalone basis, PCS and professional services. A substantial portion of sales are made through channel partners. We also generate a significant portion of our revenue through OEM relationships, such as with Dell Technologies and Lenovo Group Ltd. These OEM partners embed our software in their own hardware, and we provide limited PCS on these transactions.

Product revenue — A majority of our product revenue is generated from the sale of our software operating system, which can be delivered on a hardware appliance that is configured to order, or sold as standalone software, for which our customers separately procure their own hardware appliance. Revenue from our software products is generally recognized upon transfer of control to the customer, which is typically upon shipment for sales including a hardware appliance. In our standard distributor or reseller agreements, title and risk of loss pass to the customer upon shipment.

Support, entitlements and other services revenue — We generate our support, entitlements and other services revenue primarily from support and maintenance contracts, and, to a lesser extent, from professional services. The majority of our product sales are sold in conjunction with support and maintenance contracts, with terms ranging from one to five years. We recognize revenue from support and maintenance contracts ratably over the contractual service period. The service period typically commences upon transfer of control of the corresponding products to the customer. We recognize revenue related to professional services as they are performed.

Cost of Revenue

Cost of product revenue — Cost of product revenue consists of costs paid to third-party contract manufacturers, hardware costs, personnel costs associated with our operations function (consisting of salaries, benefits, bonuses and stock-based compensation), and allocated costs (consisting of certain facilities, depreciation and amortization, recruiting, and information technology costs allocated based on headcount). We expect our cost of product revenue to decrease as a percentage of revenue, as we expect an increasing percentage of our sales to move to a software-only model.

Cost of support, entitlements and other services revenue — Cost of support, entitlements and other services revenue includes personnel and operating costs associated with our global customer support organization, as well as allocated costs. We expect our cost of support, entitlements and other services revenue to increase in absolute dollars as our support, entitlements and other services revenue increases.

Operating Expenses

Our operating expenses consist of sales and marketing, research and development and general and administrative expenses. The largest component of our operating expenses is personnel costs. Personnel costs consist of wages, benefits, bonuses, and, with respect to sales and marketing expenses, sales commissions. Personnel costs also include stock-based compensation expense.

Sales and marketing — Sales and marketing expense consists primarily of personnel costs. Sales and marketing expense also includes sales commissions, costs for promotional activities and other marketing costs, travel costs, and costs associated with demonstration units, including depreciation and allocated costs. Commissions are deferred and recognized as we recognize the associated revenue. We expect sales and marketing expense to continue to increase in absolute dollars as we increase the size of our global sales and marketing organizations. Our sales and marketing expense may fluctuate as a percentage of total revenue.

Research and development — Research and development ("R&D") expense primarily consists of personnel costs, as well as other direct and allocated costs. We have devoted our product development efforts primarily to enhancing the functionality and expanding the capabilities of our solutions. R&D costs are expensed as incurred. We expect R&D expense to increase in absolute dollars as we continue to invest in our future products and services, although our R&D expense may fluctuate as a percentage of total revenue.

General and administrative — General and administrative ("G&A") expense consists primarily of personnel costs, which include our executive, finance, human resources, and legal organizations. G&A expense also includes outside professional services, which consists primarily of legal, accounting and other consulting costs, as well as insurance and other costs associated with being a public company and allocated costs. We expect G&A expense to increase in absolute dollars, particularly due to additional legal, accounting, insurance, and other costs associated with our growth, although our G&A expense may fluctuate as a percentage of total revenue.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest income and expense, which includes the amortization of the debt discount and issuance costs associated with the Notes, foreign currency exchange gains or losses and gains or losses on investments. Upon the completion of our IPO during the three months ended October 31, 2016, we reclassified the convertible preferred stock warrants, which, prior to our IPO, were classified as a liability on our consolidated balance sheet, and remeasured to fair value at each balance sheet date, with the corresponding changes in fair value recorded as other expense, into warrants to purchase Class B common stock. As a result, the convertible preferred stock liability was remeasured to its then fair value, which was based on the closing price of our Class A common stock on October 4, 2016, and reclassified to additional paid-in capital. Subsequent to the conversion of our convertible preferred stock warrants in connection with our IPO, we no longer remeasured them at fair value or incurred any charges related to changes in fair value. In addition, during the three months ended October 31, 2016, we fully repaid our outstanding $75.0 million of senior notes due April 15, 2019 ("the 2019 Notes") and incurred a loss on debt extinguishment. During the three and nine months ended April 30, 2018, we recognized $6.9 million and $7.7 million, respectively, of interest expense related to the amortization of the debt discount and issuance costs associated with the Notes.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes for certain foreign jurisdictions in which we conduct business and state income taxes in the United States. We have recorded a full valuation allowance related to our federal and state net operating losses and other net deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets.

Results of Operations

The following tables set forth our consolidated results of operations in dollars and as a percentage of total revenue for the periods presented. The period-to-period comparison of results is not necessarily indicative of results for future periods. We adopted the new revenue recognition accounting standard effective August 1, 2017. Prior period information presented has been adjusted to reflect the adoption of this new standard. See Note 3 of Part I, Item 1 of this Quarterly Report on Form 10-Q for a summary of adjustments.

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2017	2018	2017	2018
	(in thousands)			
Revenue:				
Product	$ 160,076	$ 221,117	$ 471,825	$ 663,339
Support, entitlements and other services	45,594	68,296	121,620	188,370
Total revenue	205,670	289,413	593,445	851,709
Cost of revenue:				
Product(1)(2)	62,593	66,680	173,206	235,059
Support, entitlements and other services(1)	20,613	28,935	56,608	77,706
Total cost of revenue	83,206	95,615	229,814	312,765
Gross profit	122,464	193,798	363,631	538,944
Operating expenses:				
Sales and marketing(1)(2)	126,746	169,860	366,745	466,466
Research and development(1)	74,607	81,291	220,802	216,727
General and administrative(1)	15,610	24,929	60,463	56,929
Total operating expenses	216,963	276,080	648,010	740,122
Loss from operations	(94,499)	(82,282)	(284,379)	(201,178)
Other income (expense), net	303	(4,235)	(25,830)	(5,285)
Loss before provision for income taxes	(94,196)	(86,517)	(310,209)	(206,463)
Provision for (benefit from) income taxes	2,639	(843)	3,297	3,329
Net loss	$ (96,835)	$ (85,674)	$ (313,506)	$ (209,792)
(1) Includes stock-based compensation expense as follows:				
Product cost of sales	$ 610	$ 634	$ 2,424	$ 1,888
Support cost of sales	2,471	1,951	8,210	6,156
Sales and marketing	15,726	18,051	65,145	47,759
Research and development	27,041	16,474	89,826	49,039
General and administrative	4,503	7,836	28,081	17,630
Total stock-based compensation expense	$ 50,351	$ 44,946	$ 193,686	$ 122,472
(2) Includes amortization of intangible assets as follows:				
Product cost of sales	$ 358	$ 1,447	$ 956	$ 3,506
Sales and marketing	250	222	665	625
Total amortization of intangible assets	$ 608	$ 1,669	$ 1,621	$ 4,131

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2017	2018	2017	2018
	(as a percentage of total revenue)			
Revenue:				
Product	77.8 %	76.4 %	79.5 %	77.9 %
Support, entitlements and other services	22.2 %	23.6 %	20.5 %	22.1 %
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue:				
Product	30.4 %	23.0 %	29.2 %	27.6 %
Support, entitlements and other services	10.1 %	10.0 %	9.5 %	9.1 %
Total cost of revenue	40.5 %	33.0 %	38.7 %	36.7 %
Gross profit	59.5 %	67.0 %	61.3 %	63.3 %
Operating expenses:				
Sales and marketing	61.6 %	58.7 %	61.8 %	54.8 %
Research and development	36.2 %	28.1 %	37.2 %	25.4 %
General and administrative	7.6 %	8.6 %	10.2 %	6.7 %
Total operating expenses	105.4 %	95.4 %	109.2 %	86.9 %
Loss from operations	(45.9)%	(28.4)%	(47.9)%	(23.6)%
Other income (expense), net	0.1 %	(1.5)%	(4.4)%	(0.6)%
Loss before provision for income taxes	(45.8)%	(29.9)%	(52.3)%	(24.2)%
Provision for (benefit from) income taxes	1.3 %	(0.3)%	0.6 %	0.4 %
Net loss	(47.1)%	(29.6)%	(52.9)%	(24.6)%

Comparison of the Three and Nine Months Ended April 30, 2017 and 2018

Revenue

	Three Months Ended April 30,		Change		Nine Months Ended April 30,		Change	
	2017	2018	$	%	2017	2018	$	%
	(in thousands, except percentages)							
Product	$ 160,076	$ 221,117	$ 61,041	38%	$ 471,825	$ 663,339	$ 191,514	41%
Support, entitlements and other services	45,594	68,296	22,702	50%	121,620	188,370	66,750	55%
Total revenue	$ 205,670	$ 289,413	$ 83,743	41%	$ 593,445	$ 851,709	$ 258,264	44%

	Three Months Ended April 30,		Change		Nine Months Ended April 30,		Change	
	2017	2018	$	%	2017	2018	$	%
	(in thousands, except percentages)							
U.S.	$ 114,323	$ 135,276	$ 20,953	18%	$ 325,533	$ 488,416	$ 162,883	50 %
Europe, the Middle East and Africa	39,271	74,916	35,645	91%	99,289	164,089	64,800	65 %
Asia-Pacific	45,443	68,622	23,179	51%	141,233	172,774	31,541	22 %
Other Americas	6,633	10,599	3,966	60%	27,390	26,430	(960)	(4)%
Total revenue	$ 205,670	$ 289,413	$ 83,743	41%	$ 593,445	$ 851,709	$ 258,264	44 %

The increase in product revenue for the three and nine months ended April 30, 2018 reflects increased domestic and international demand for our solutions as we continue to penetrate and expand in global markets through increased sales and marketing activities. Our total end customer count increased from over 6,100 as of April 30, 2017 to over 9,600 as of April 30, 2018. Our product revenue during the three and nine months ended April 30, 2018 was also impacted by the reduction of hardware revenue from transactions where the hardware was sold directly by our contract manufacturers. We estimate that if we had sold the hardware in these transactions, our product revenue for the three and nine months ended April 30, 2018 would have been approximately $51.9 million and $71.1 million higher, respectively. We continue to focus on a software-only sales model and therefore anticipate selling less hardware in future periods.

Support, entitlements and other services revenue increased in the three and nine months ended April 30, 2018, as compared to the prior year periods, in conjunction with the growth of our end customer base and the related support and software maintenance contracts.

Cost of Revenue and Gross Margin

	Three Months Ended April 30,		Change		Nine Months Ended April 30,		Change	
	2017	2018	$	%	2017	2018	$	%
	(in thousands, except percentages)							
Cost of product revenue	$ 62,593	$ 66,680	$ 4,087	7%	$ 173,206	$ 235,059	$ 61,853	36%
Product gross margin	*60.9%*	*69.8%*		*8.9%*	*63.3%*	*64.6%*		*1.3%*
Cost of support, entitlements and other services revenue	$ 20,613	$ 28,935	$ 8,322	40%	$ 56,608	$ 77,706	$ 21,098	37%
Support, entitlements and other services gross margin	*54.8%*	*57.6%*		*2.8%*	*53.5%*	*58.7%*		*5.2%*
Total gross margin	*59.5%*	*67.0%*		*7.5%*	*61.3%*	*63.3%*		*2.0%*

Cost of product revenue

Cost of product revenue increased for the three and nine months ended April 30, 2018, as compared to the prior year periods, due to the corresponding increase in product revenue. For the three and nine months ended April 30, 2018, as compared to the prior year periods, the cost of certain of our hardware components, specifically DRAM and NAND, increased due to supply constraints. The total cost of our DRAM and NAND components represented approximately 23% and 20% of the cost of product revenue during the three and nine months ended April 30, 2017, respectively, and 32% and 30% for the three and nine months ended April 30, 2018, respectively. DRAM and NAND component prices increased by approximately 47% and 107% for the three and nine months ended April 30, 2018, respectively, as compared to the prior year periods.

Product gross margin increased by 8.9 percentage points and 1.3 percentage points for the three and nine months ended April 30, 2018, respectively, as compared to the prior year periods. The gross margin increases were due primarily to the impact of higher revenue from software-only transactions as we continue to shift toward a software-centric model.

Cost of support, entitlements and other services revenue

Cost of support, entitlements and other services revenue increased for the three and nine months ended April 30, 2018, as compared to the prior year periods, due to higher personnel costs relating to our global customer support organization. The increase in personnel costs was due primarily to a 53% increase in our customer support, entitlements and other services headcount from April 30, 2017 to April 30, 2018.

Support, entitlements and other services gross margin increased by 2.8 percentage points and 5.2 percentage points for the three and nine months ended April 30, 2018, respectively, as compared to the prior year periods. The gross margin increases were due primarily to efficiencies gained in our support organization and personnel-related costs growing at a slower rate than support, entitlements and other services revenue.

Operating Expenses

Sales and Marketing

	Three Months Ended April 30,		Change		Nine Months Ended April 30,		Change	
	2017	2018	$	%	2017	2018	$	%
	(in thousands, except percentages)							
Sales and marketing	$ 126,746	$ 169,860	$ 43,114	34%	$ 366,745	$ 466,466	$ 99,721	27%
Percent of total revenue	*62%*	*59%*			*62%*	*55%*		

Sales and marketing expense increased for the three and nine months ended April 30, 2018, as compared to the prior year periods, due primarily to higher personnel costs and sales commissions, as our sales and marketing headcount increased by 40% from April 30, 2017 to April 30, 2018. Additionally, as part of our efforts to penetrate and expand in global markets, we continue to increase our marketing activities related to brand awareness, promotions, trade shows, and partner programs. For the nine months ended April 30, 2018, the increase was partially offset by lower stock-based compensation expense, as compared to the prior year period, during which we recognized a cumulative expense related to pre-IPO grants that we started expensing during the first quarter of fiscal 2017.

Research and Development

	Three Months Ended April 30,		Change		Nine Months Ended April 30,		Change	
	2017	2018	$	%	2017	2018	$	%
	(in thousands, except percentages)							
Research and development	$ 74,607	$ 81,291	$ 6,684	9%	$ 220,802	$ 216,727	$ (4,075)	(2)%
Percent of total revenue	*36%*	*28%*			*37%*	*25%*		

For the three months ended April 30, 2018, R&D expense increased, as compared to the prior year period, due primarily to higher personnel costs, as R&D headcount increased 35% from April 30, 2017 to April 30, 2018 in an effort to continue the expansion of our product development activities. This increase was partially offset by a decrease in stock-based compensation expense due to lower expense for performance-based awards. For the nine months ended April 30, 2018, R&D expense decreased as compared to the prior year period. This decrease was due primarily to lower stock-based compensation expense, as compared to the prior year period, during which we recognized a cumulative expense related to pre-IPO grants that we started expensing during the first quarter of fiscal 2017. This decrease was partially offset by higher personnel costs due to the increase in R&D headcount.

General and Administrative

	Three Months Ended April 30,		Change		Nine Months Ended April 30,		Change	
	2017	2018	$	%	2017	2018	$	%
	(in thousands, except percentages)							
General and administrative	$ 15,610	$ 24,929	$ 9,319	60%	$ 60,463	$ 56,929	$ (3,534)	(6)%
Percent of total revenue	*8%*	*9%*			*10%*	*7%*		

For the three months ended April 30, 2018, G&A expense increased as compared to the prior year period. The increase was due primarily to higher personnel-related costs, as well as higher legal and outside services costs. For the nine months ended April 30, 2018, G&A expense decreased as compared to the prior year period. The decrease was due primarily due to lower stock-based compensation expense, as compared to the prior year period, during which we recognized a cumulative expense related to pre-IPO grants that we started expensing during the first quarter of fiscal 2017. The lower stock-based compensation expense was partially offset by higher personnel costs, as our G&A headcount increased by 28% from April 30, 2017 to April 30, 2018, to support our growing operations and international footprint.

Other Income (Expense), Net

	Three Months Ended April 30,		Change		Nine Months Ended April 30,		Change	
	2017	2018	$	%	2017	2018	$	%
	(in thousands, except percentages)							
Other income (expense), net	$ 303	$ (4,235)	$ (4,538)	(1,498)%	$ (25,830)	$ (5,285)	$ 20,545	(80)%

Other income (expense), net for the three months ended April 30, 2017 was primarily related to interest earned on short-term investments, partially offset by foreign currency losses. Other income (expense), net for the nine months ended April 30, 2017 was primarily related to a $21.1 million change in the fair value of our convertible preferred stock warrant liability and a $3.3 million loss on debt extinguishment resulting from the early extinguishment of our 2019 Notes.

Other income (expense), net for the three and nine months ended April 30, 2018 was primarily related to interest expense associated with the amortization of the debt discount and issuance costs for the Notes and foreign currency losses, partially offset by interest earned on short-term investments.

Provision for (Benefit from) Income Taxes

	Three Months Ended April 30,		Change		Nine Months Ended April 30,		Change	
	2017	2018	$	%	2017	2018	$	%
	(in thousands, except percentages)							
Provision for (benefit from) income taxes	$ 2,639	$ (843)	$ (3,482)	(132)%	$ 3,297	$ 3,329	$ 32	1%

The income tax benefit for the three months ended April 30, 2018, as compared to the income tax expense for the three months ended April 30, 2017, was due primarily to a U.S. valuation allowance release in the third quarter of fiscal 2018 related to business combinations, partially offset by an increase in foreign taxes, as we continued our global expansion. The income tax provision for the nine months ended April 30, 2018 was relatively flat, as compared to the nine months ended April 30, 2017.

Impact of U.S. Federal Income Tax Reform

In December 2017, the U.S. Congress passed and the President signed the Tax Cuts and Jobs Act ("TCJA"), which includes a broad range of tax reform proposals affecting businesses, including a federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, the creation of new minimum taxes, such as the base erosion anti-abuse tax ("BEAT") and Global Intangible Low Taxed Income ("GILTI") tax, and a new minimum tax on certain foreign earnings.

Our initial analysis of the impact of the TCJA resulted in a significant reduction to our net U.S. deferred tax assets and valuation allowance and an immaterial impact to income tax expense due to the valuation allowance on net U.S. deferred tax assets. Certain provisions of the TCJA are not effective for us until fiscal 2019. We continue to assess the impact of these provisions, but we do not currently anticipate that the net impact will be material to our fiscal 2019 effective income tax rate.

The income tax benefit and provision for the three and nine months ended April 30, 2018, respectively, are based on the assumption that foreign undistributed earnings are indefinitely reinvested. We will continue to evaluate whether or not to continue to assert indefinite reinvestment on part or all of our foreign undistributed earnings. In the event we determine not to continue to assert the permanent reinvestment of part or all of our foreign undistributed earnings, such a determination could result in the accrual and payment of additional foreign, state and local taxes.

Liquidity and Capital Resources

As of April 30, 2018, we had $376.8 million of cash and cash equivalents and $546.7 million of short-term investments which were held for general corporate purposes. Our cash, cash equivalents and short-term investments primarily consist of bank deposits, money market accounts and highly rated debt instruments of the U.S. government and its agencies and debt instruments of highly rated corporations.

We believe that our cash and cash equivalents and short-term investments will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced product and service offerings, and the continuing market acceptance of our products. In the event that additional financing is required from outside sources, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition would be adversely affected.

Cash Flows

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

	Nine Months Ended April 30,	
	2017	2018
	(in thousands)	
Net cash provided by operating activities	$ 7,903	$ 69,810
Net cash used in investing activities	(102,219)	(406,790)
Net cash provided by financing activities	195,881	575,410
	$ 101,565	$ 238,430

Cash Flows from Operating Activities

Net cash provided by operating activities was $69.8 million for the nine months ended April 30, 2018, an increase of $61.9 million as compared to the nine months ended April 30, 2017. The increase in cash provided by operating activities for the nine months ended April 30, 2018 was due primarily to higher billings and collections, partially offset by higher operating expenses, as we continue to invest in the long-term growth of our business.

Cash Flows from Investing Activities

Net cash used in investing activities of $102.2 million for the nine months ended April 30, 2017 included $156.4 million of short-term investment purchases and $37.8 million of purchases of property and equipment, partially offset by $59.5 million of maturities of short-term investments and $32.6 million of sales of short-term investments.

Net cash used in investing activities of $406.8 million for the nine months ended April 30, 2018 included $485.8 million of short-term investment purchases and $46.1 million of purchases of property and equipment, partially offset by $147.9 million of maturities of short-term investments and $22.8 million of payments for business combinations, net of cash acquired.

Cash Flows from Financing Activities

Net cash provided by financing activities of $195.9 million for the nine months ended April 30, 2017 primarily consisted of $254.5 million of proceeds from our IPO, net of underwriting discounts and commissions, and $26.7 million of net proceeds from the sale of shares through employee equity incentive plans, partially offset by $76.6 million for the repayment of the 2019 Notes, including debt extinguishment costs, and a $7.1 million payment of debt in conjunction with an acquisition completed during the first quarter of fiscal 2017.

Net cash provided by financing activities of $575.4 million for the nine months ended April 30, 2018 primarily consisted of $563.9 million of net proceeds from the Notes, after deducting the initial purchasers' discount and debt issuance costs, $88.0 million of proceeds from the sale of the warrants in connection with the Notes, and $68.2 million of net proceeds from the sale of shares through employee equity incentive plans, partially offset by $143.2 million of cash used to purchase bond hedges in connection with the Notes and a $1.4 million payment of debt in conjunction with an acquisition completed during the third quarter of fiscal 2018.

Contractual Obligations

The following table summarizes our contractual obligations as of April 30, 2018:

	Payments Due by Period				
	Total	Less than 1 Year	1 Year to 3 Years	3 to 5 Years	More than 5 Years
	(in thousands)				
Principal amount payable on convertible senior notes[1]	$ 575,000	$ —	$ —	$ 575,000	$ —
Operating lease obligations	105,588	22,929	37,515	30,248	14,896
Other purchase commitments[2]	25,423	25,423	—	—	—
Purchase commitments with contract manufacturers[3]	54,721	54,721	—	—	—
Total	$ 760,732	$ 103,073	$ 37,515	$ 605,248	$ 14,896

(1) For additional information regarding our convertible senior notes, refer to Note 6 of Part I, Item 1 of this Quarterly Report on Form 10-Q.
(2) Purchase obligations pertaining to our normal operations.
(3) Commitments in the form of guarantees to our contract manufacturers related to certain components.

As of April 30, 2018, payments related to our above outstanding non-cancelable lease obligations will be made through fiscal 2024.

From time to time, we make commitments with our contract manufacturers, which consist of obligations for on-hand inventory and non-cancelable purchase orders for non-standard components. We record a charge to cost of product sales for firm, non-cancelable and unconditional purchase commitments with contract manufacturers for non-standard components when and if quantities exceed our future demand forecasts. Our historical charges have not been material.

As of April 30, 2018, we had accrued liabilities related to uncertain tax positions, which are reflected on our condensed consolidated balance sheet. These accrued liabilities are not reflected in the contractual obligations disclosed in our most recent Annual Report on Form 10-K, as it is unclear when these liabilities will be paid.

Off-Balance Sheet Arrangements

As of April 30, 2018, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates, assumptions and judgments on an ongoing basis. Our estimates, assumptions and judgments are based on historical experience and various other factors that we believe to be reasonable under the circumstances. Different assumptions and judgments would change the estimates used in the preparation of our financial statements, which, in turn, could change the results from those reported.

Except for accounting policies related to our early adoption of ASC 606 and those related to the Notes, there have been no material changes to our critical accounting policies and estimates as compared to those described in our Annual Report on Form 10-K for the fiscal year ended July 31, 2017. See Note 3 of Part I, Item 1 of this Quarterly Report on Form 10-Q for the critical accounting policies resulting from our early adoption of ASC 606.

Recent Accounting Pronouncements

See Note 1 of Part I, Item 1 of this Quarterly Report on Form 10-Q for a full description of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We have operations both within the United States and internationally, and we are exposed to market risk in the ordinary course of business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates.

Foreign Currency Risk

Our consolidated results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Historically, our revenue contracts have been denominated in U.S. dollars. Our expenses are generally denominated in the currencies in which our operations are located. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative instruments. In the event our foreign sales and expenses increase, our operating results may be more significantly affected by foreign currency exchange rate fluctuations, which can affect our operating income or loss. The effect of a hypothetical 10% change in foreign currency exchange rates on our non-U.S. dollar monetary assets and liabilities would not have had a material impact on our historical condensed consolidated financial statements. Foreign currency transaction gains and losses and exchange rate fluctuations have not been material to our condensed consolidated financial statements.

A hypothetical 10% decrease in the U.S. dollar against other currencies would result in an increase in our operating loss of approximately $13.2 million and $22.4 million for the nine months ended April 30, 2017 and 2018, respectively. The increase in this hypothetical change is due to an increase in our expenses denominated in foreign currencies due to of our continued global expansion. This analysis disregards the possibilities that rates can move in opposite directions and that losses from one geographic area may be offset by gains from another geographic area.

Interest Rate Risk

Our investment objective is to conserve capital and maintain liquidity to support our operations; therefore, we generally invest in highly liquid securities, consisting primarily of bank deposits, money market funds, commercial paper, U.S. government securities, and corporate bonds. Such fixed and floating interest-earning instruments carry a degree of interest rate risk. The fair market value of fixed income securities may be adversely impacted by a rise in interest rates, while floating rate securities may produce less income than predicted if interest rates fall. Due to the short-term nature of our investment portfolio, we do not believe an immediate 10% increase or decrease in interest rates would have a material effect on the fair market value of our portfolio. Therefore, we do not expect our operating results or cash flows to be materially affected by a sudden change in interest rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on management’s evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control over Financial Reporting

Except for the implementation of certain internal controls related to the adoption of ASC 606, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended April 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We implemented certain internal controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new revenue recognition standard on our financial statements to facilitate its adoption effective August 1, 2017. In addition, we have made some changes to certain internal controls to reflect new processes that were implemented as a result of the adoption of ASC 606.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any material legal proceedings that we believe to be material to our business or financial condition. From time to time, we may become party to various litigation matters and subject to claims that arise in the ordinary course of business.

Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes, before making a decision to invest in our Class A common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect our business. If any of the following risks occur, our business, financial condition, operating results, and prospects could be materially harmed. In that event, the price of our Class A common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

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

We have incurred net losses in all periods since our inception, and we expect that we will continue to incur net losses for the foreseeable future. We experienced net losses of $108.2 million, $379.6 million and $209.8 million for fiscal 2016, fiscal 2017 and the nine months ended April 30, 2018, respectively. As of April 30, 2018, we had an accumulated deficit of $940.8 million. In addition to the investments we expect to continue to make to grow our business, we have also incurred and expect to continue incurring significant additional legal, accounting and other expenses as a newly public company that we did not incur as a private company. If we fail to increase our revenue and manage our expenses, we may not achieve or sustain profitability in the future.

The markets in which we compete are rapidly evolving, which make it difficult to forecast end customer adoption rates and demand for our solutions.

The markets in which we compete are rapidly evolving. Accordingly, our future financial performance will depend in large part on the allocation of spending in traditional IT markets and on our ability to adapt to new market demands. Currently, sales of our solutions are dependent in large part upon replacement of spending in traditional markets, including x86 servers, storage systems and virtualization software. In addition, as we develop new solutions designed to address new market demands, such as our previously announced Nutanix Xi Cloud Services, sales of our solutions will in part be dependent on capturing new spending in these markets, including hybrid cloud services. If these markets experience a shift in customer demand, or if customers in these markets focus their new spending on, or shift their existing spending to, public cloud solutions more quickly or more extensively than expected, our solutions may not compete as effectively, if at all. It is also difficult to predict end customer demand or adoption rates for our solutions or the future growth of our market.

If end customers do not adopt our solutions, our ability to grow our business and operating results may be adversely affected.

Traditional IT infrastructure architecture is entrenched in the datacenters of many of our end customers because of their historical financial investment in existing IT infrastructure architecture and the existing knowledge base and skillsets of IT administrators. As a result, our sales efforts often involve extensive efforts to educate our end customers as to the benefits and capabilities of our web-scale architecture solutions, particularly as we continue to pursue large organizations as end customers. If we fail to achieve market acceptance of our solutions, our ability to grow our business and our operating results will be adversely affected.

A shift in our relationships with our OEM partners could adversely affect our results of operations.

Our relationships with our original equipment manufacturer ("OEM") partners continue to shift as industry dynamics change, and our OEM partners may be less willing to partner with us as an OEM or otherwise as such shifts occur. For example, Dell Technologies ("Dell"), is not just an OEM partner, but also a competitor of ours, and accounted for 13% and 11% of our total billings in fiscal 2016 and fiscal 2017, respectively. In September 2016, EMC Corporation ("EMC"), was acquired by Dell. As a result of the acquisition, Dell may be more likely to promote and sell its own solutions, including those from EMC’s complementary product portfolio, over our products, or cease selling or promoting our products entirely. Also, Dell holds a majority of outstanding voting power in VMware Inc. ("VMware"), and could combine the Dell, EMC and VMware product portfolios into unified offerings optimized for their platforms. If Dell decides to sell its own solutions over

our products, that could adversely impact our OEM sales and harm our business, operating results and prospects, and our stock price could decline.

Further, since OEM sales, including sales made by Dell, are generally recognized upon delivery under Accounting Standard Update 2014-09, Revenue from Contracts with Customers ("ASC 606"), which we adopted as of August 1, 2017, any reduction in OEM sales by any of our OEM partners will have an increased impact on our reported revenue and gross margins in future periods, potentially making it more difficult for us to forecast revenue and gross margins in future quarters. Under ASC 606, revenue from Dell accounted for approximately 12% and 10% of our total revenue in fiscal 2016 and fiscal 2017, respectively.

Our revenue growth in recent periods may not be indicative of our future performance.

We have experienced significant revenue growth in recent periods with total revenue of $503.4 million, $845.9 million, $593.4 million and $851.7 million for fiscal 2016, fiscal 2017 and the nine months ended April 30, 2017 and 2018, respectively. You should not consider our revenue growth in recent periods as indicative of our future performance. While we have recently experienced significant revenue growth, we may not achieve similar revenue growth in future periods. In addition, we are in the process of transitioning our business to focus on more software-only transactions. Software-only sales typically reflect higher gross margins and lower revenue in a given period, as compared to software sales deployed on off-the-shelf servers, since the sale does not include the revenue or cost of the hardware components in an appliance. As we transition to more software-only transactions, we anticipate that our revenue growth will slow during the transition period, and there is no guarantee that we will be able to successfully increase our software-only sales to the anticipated levels. Accordingly, you should not rely on our revenue growth for any prior periods as an indication of our future revenue or revenue growth.

We have experienced rapid growth in recent periods and we may not be able to sustain or manage any future growth effectively.

We have expanded our overall business and operations significantly in recent periods. Our employee headcount increased significantly since our inception, and we may have significant headcount increases in the future. We anticipate that our operating expenses will increase in the foreseeable future as we scale our business, including in developing and improving our solutions, expanding our sales and marketing capabilities and global coverage, and in providing general and administrative resources to support our growth. As we continue to grow our business, we must effectively integrate, develop and motivate a large number of new employees, as well as existing employees who are promoted or moved into new roles, while maintaining the effectiveness of our business execution. In particular, our success depends heavily on our ability to ramp new sales teams in a fast and effective manner. We must also continue to improve and expand our IT and financial infrastructure, management systems and product management and sales processes. We expect that our future growth will continue to place a significant strain on our management, operational and financial resources. We may incur costs associated with future growth prior to realizing the anticipated benefits, and the return on these investments may be lower, or may develop more slowly than we expect. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities. We also may fail to satisfy end customers' requirements, maintain product quality, execute on our business plan or respond to competitive pressures, any of which could adversely affect our business, operating results, financial condition and prospects.

We compete with traditional storage vendors, IT systems vendors, including providers of public cloud services, and infrastructure software providers, and expect competition to continue to intensify in the future from both established competitors and new market entrants.

We operate in the intensely competitive enterprise infrastructure market and compete primarily with companies that sell software to build and operate enterprise clouds, integrated systems, and standalone storage and servers, as well as providers of public cloud infrastructure solutions. These markets are characterized by constant change and rapid innovation. Our main competitors fall into the following categories:

- software providers such as VMware and Red Hat, Inc., that offer a broad range of virtualization, infrastructure and management products to build and operate enterprise clouds;

- traditional IT systems vendors such as Hewlett Packard Enterprise Company ("HPE"), Cisco Systems, Inc. ("Cisco"), Lenovo Group Ltd., Dell, Hitachi Data Systems Corporation ("Hitachi"), and International Business Machines Corporation ("IBM"), that offer integrated systems that include bundles of servers, storage and networking solutions, as well as a broad range of standalone server and storage products;

- traditional storage array vendors such as Dell, NetApp, Inc. ("NetApp"), and Hitachi, which typically sell centralized storage products; and

- providers of public cloud infrastructure such as Amazon.com, Inc., Google Inc., and Microsoft Corporation.

In addition, we compete against vendors of hyperconverged infrastructure and software-defined storage products such as VMware, Cisco, HPE, Dell and many smaller emerging companies. As our market grows, we expect it will continue to attract new companies as well as existing larger vendors. For example, NetApp recently released its first hyperconverged solution. Some of our competitors may expand their product offerings, acquire competing businesses, sell at lower prices, bundle with other products, provide closed technology platforms or otherwise attempt to gain a competitive advantage. For example, HPE acquired SimpliVity Corporation and Cisco acquired Springpath, Inc., both of which were emerging hyperconverged vendors, in order to bolster their own hyperconverged product lines. Furthermore, as we expand our product offerings, we may expand into new markets and we may encounter additional competitors in such markets. Additionally, as companies increasingly offer competing solutions, they may be less willing to partner with us as an OEM or otherwise.

Many of our existing competitors have, and some of our potential competitors may have, competitive advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, stronger brand awareness and name recognition, larger intellectual property portfolios and broader global presence and distribution networks. Furthermore, some of our competitors supply a wide variety of products to, and have well-established relationships with, our current and prospective end customers. Some of these competitors have in the past and may in the future take advantage of their existing relationships with end customers, distributors or resellers to provide incentives to such current or prospective end customers that make their products more economically attractive or to interfere with our ability to offer our solutions to our end customers. Our competitors may also be able to offer products or functionality similar to ours at a more attractive price, such as by integrating or bundling their solutions with their other product offerings or those of technology partners or establishing cooperative relationships with other competitors, technology partners or other third parties. Potential end customers may prefer to purchase from their existing suppliers rather than a new supplier, especially given the significant investments that they have historically made in their legacy infrastructures. Some of our competitors may also have stronger or broader relationships with technology partners than we do, which could make their products more attractive than ours. As a result, we cannot assure you that our solutions will compete favorably, and any failure to do so could adversely affect our business, operating results and prospects.

Our relatively limited operating history makes it difficult to evaluate our current business and prospects, and may increase the risk of your investment.

We began selling our products in October 2011. We have relatively limited historical financial data, and we operate in a rapidly evolving market. Our relatively limited operating history makes it difficult to evaluate our current business and our future prospects, including our ability to plan for and model future growth. Furthermore, we are in the process of transitioning our business to focus on more software-only transactions in the near term, and potentially shift to a software as a service and software as a subscription model in the longer-term, which may make it more difficult to project our business growth and margins. In addition, the rapidly evolving nature of the enterprise IT infrastructure market, as well as other factors beyond our control, reduces our ability to accurately forecast quarterly or annual performance. Our solutions may never reach widespread adoption, and changes or advances in technologies could adversely affect the demand for our solutions. A reduction in demand for web-scale architectures caused by lack of customer acceptance, technological challenges, competing technologies and solutions or otherwise would result in lower revenue growth rates or decreased revenue, either of which could negatively impact our business, operating results and prospects. Any predictions about future revenue and expenses may not be as accurate as they would be if we had a longer operating history. We have encountered and will continue to encounter risks and difficulties associated with rapid growth and expansion and a relatively limited operating history. If we do not address these risks successfully, our business and operating results would be adversely affected, and our stock price could decline.

Developments or improvements in enterprise IT infrastructure technologies may materially and adversely affect the demand for our solutions.

Significant developments in enterprise IT infrastructure technologies, such as advances in storage, virtualization, containers and management software, may materially and adversely affect our business, operating results and prospects in ways we do not currently anticipate. For example, improvements in existing data storage technologies, such as a significant increase in the speed of traditional interfaces for transferring data between a server and a storage system or the speed of traditional embedded controllers within the storage system, could emerge as a preferred alternative to our solutions, especially if they are sold at lower prices. Any failure by us to develop new or enhanced technologies or processes, to react to changes or advances in existing technologies or to correctly anticipate these changes or advances as we create and invest in our product roadmap could materially delay our development and introduction of new solutions, which could result in the loss of competitiveness of our solutions, decreased revenue and a loss of market share to competitors. In addition, the servers, network, software and other components and systems of a datacenter must comply with established industry standards in order to interoperate and function efficiently together. If larger companies who are more influential in driving industry standards do not support the same standards we use, market acceptance of our solutions could be adversely affected, or we may be required to spend significant time and resources duplicating efforts to adapt to different standards.

Public cloud infrastructure offers alternatives to the on-premise infrastructure deployments that our operating system primarily supports. Various factors could cause the rate of adoption of public cloud infrastructure to increase, including continued or accelerated decreases in the price of public cloud offerings and improvements in the ability of public cloud providers to deliver reliable performance, enhanced security, better application compatibility and more precise infrastructure control. Any of these factors could make our operating system less competitive as compared to the public cloud, and could materially and adversely affect the demand for our solutions.

If other vendors do not cooperate with us to ensure that our solutions interoperate with their products, including by providing us with early access to their new products or information about their new products, our product development efforts may be delayed or impaired, which could adversely affect our business, operating results and prospects.

Our solutions provide an operating system on which software applications and hypervisors from different software providers run. As a result, our solutions must interoperate with our end customers' existing hardware and software infrastructure, specifically their networks, servers, software and operating systems, as well as the applications that they run on this infrastructure, which may be manufactured and provided by a wide variety of vendors and OEMs. In addition to ensuring that our solutions interoperate with these hardware and software products initially, we must occasionally update our software to ensure that our solutions continue to interoperate with new or updated versions of these hardware and software products. Current or future providers of hardware, software applications, hypervisors or data management tools could make changes that would diminish the ability of our solutions to interoperate with them, and significant additional time and effort may be necessary to ensure the continued compatibility of our solutions, which might not be possible at all. Even if our solutions are compatible with those of other providers, if they do not certify or support our solutions for their systems or cooperate with us to coordinate troubleshooting and hand off of support cases, end customers may be reluctant to buy our solutions, which could decrease demand for our solutions and harm our ability to achieve a return on the investments and resources that we have dedicated to ensuring compatibility. Developing solutions that interoperate properly requires substantial partnering, capital investment and employee resources, as well as the cooperation of the vendors or developers of the software applications and hypervisors both with respect to product development and product support. Vendors may not provide us with early or any access to their technology and products, assist us in these development efforts, certify our solutions, share with or sell to us any APIs, formats, or protocols we may need, or cooperate with us to support end customers. If they do not provide us with the necessary access, assistance or proprietary technology on a timely basis or at all, we may experience product development delays or be unable to ensure the compatibility of our solutions with such new technology or products. To the extent that vendors develop products that compete with ours, they have in the past, and may again in the future, withhold their cooperation, decline to share access, certify our solutions or sell or make available to us their proprietary APIs, protocols or formats or engage in practices to actively limit the functionality, or compatibility, and certification of our products. If any of the foregoing occurs, our product development efforts may be delayed or impaired, our solutions could become less attractive to end customers resulting in a decline in sales, and our business, operating results and prospects may be adversely affected.

Shifts in our product mix more toward selling our solutions as software-only as opposed to as an appliance may cause our revenue to grow more slowly than it has in the past, or to decline, and our gross margins to fluctuate.

We are in the process of transitioning our business to focus on more software-only transactions. Software-only sales typically reflect higher gross margins and lower revenue in a given period, as compared to software sales deployed on off-the-shelf servers, since the sale does not include the revenue or cost of the hardware components in an appliance. If we are successful in executing this transition, there will be an increase in the delivery of our solutions as software-only licenses on separately procured hardware, and our overall product mix may shift more towards sales of our solutions as software-only licenses. Unless we can replace the hardware revenue with additional software sales, any increase in software-only sales may cause our revenue to grow more slowly than it has in the past, or to decline, and our gross margins to fluctuate, and may adversely impact our operating results. In addition, our success depends heavily on the ability of our sales team to adjust their strategy to focus on software-only sales. Furthermore, our customers may not understand these changes to our product sales, and investors, industry and financial analysts may have difficulty understanding the changes to our business model, resulting in changes in financial estimates or failure to meet investor expectations. As our business changes, the transition may make it more difficult to accurately project our operating results or plan for future growth. It may also take longer than anticipated to implement this new model, and our long-term projections may be negatively impacted. If we are not successful in executing this transition, our business could be adversely affected, and our stock price could decline.

If we fail to develop or introduce new or enhanced solutions on a timely or cost-effective basis, our ability to attract and retain end customers could be impaired and our competitive position could be harmed.

We operate in a dynamic environment characterized by rapidly changing technologies and industry standards and technological obsolescence. We will need to continue to create valuable software solutions and integrate these solutions across hardware platforms. To compete successfully, we must design, develop, market and sell new or enhanced solutions that provide increasingly higher levels of performance, capacity, scalability, security, application mobility, and reliability and meet the cost expectations of our end customers. The introduction of new products by our competitors, the market acceptance of products based on new or alternative technologies, or the emergence of new industry standards could render our existing or future solutions obsolete or less attractive to end customers. Any failure to anticipate or develop new or enhanced solutions or technologies in a timely or cost-effective manner in response to technological shifts could result in decreased revenue and harm to our business and prospects. Any new feature or application that we develop or acquire may not be introduced in a timely or cost-effective manner and may not achieve broad market acceptance and investments in research and development or efforts to optimize our engineering cost structure may not be successful. If we fail to introduce new or enhanced solutions that meet the needs of our end customers or penetrate new markets in a timely fashion, we will lose market share and our business, operating results and prospects will be adversely affected.

If we are not successful in executing our strategy to increase sales of our solutions to new and existing large organizations, service providers, and government entities, our operating results may suffer.

Our growth strategy is dependent in large part upon increasing sales of our solutions to new and existing large enterprises, service providers and government entities, particularly when such sales result in large orders for our solutions. Sales to these end customers involve risks that may not be present (or that are present to a lesser extent) with sales to smaller end customers, which can act as a disincentive to our sales team to pursue these larger end customers. These risks include:

- competition from companies that traditionally target larger enterprises, service providers and government entities and that may have pre-existing relationships or purchase commitments from such end customers;
- increased purchasing power and leverage held by large end customers in negotiating contractual arrangements with us;
- more stringent requirements in our support service contracts, including demand for quicker support response times and penalties for any failure to meet support requirements; and
- longer sales cycles and the associated risk that substantial time and resources may be spent on a potential end customer that elects not to purchase our solutions.

Large organizations often undertake a significant evaluation process that results in a lengthy sales cycle. Although we have a channel sales model, our sales representatives typically engage in direct interaction with our prospective end customers as well as our distributors and resellers. We typically provide evaluation products to these end customers and may spend substantial time, effort and money in our sales efforts to these prospective end customers. In addition, product purchases by large organizations are frequently subject to budget constraints, multiple approvals and unanticipated administrative, processing and other delays. Finally, large organizations typically have longer implementation cycles, require greater product functionality and scalability, require a broader range of services, demand that vendors take on a larger share of risks, require acceptance provisions that can lead to a delay in revenue recognition and expect greater payment flexibility. If we fail to realize an expected sale from a large end customer in a particular quarter or at all, our business and operating results could be adversely affected. All of these factors can add further risk to business conducted with these end customers.

Our growth depends on our existing end customers making additional purchases of software licenses and software upgrades and renewing and upgrading their support and software maintenance agreements, and the failure of our end customers to do so could harm our business and operating results.

Our future success depends in part on purchases by our existing end customers of additional software licenses and appliances as well as renewals and upgrades to their support and software maintenance agreements. If our end customers do not purchase additional software licenses or appliances or software upgrades, or renew or upgrade their support and software maintenance agreements, our revenue may decline and our operating results may be harmed. In order for us to maintain or improve our operating results, we depend on our existing end customers renewing support and software maintenance agreements or purchasing additional appliances. End customers may choose not to renew their support and software maintenance agreements or purchase additional appliances because of several factors, including dissatisfaction with our prices or features relative to competitive offerings, reductions in our end customers' spending levels or other causes outside of our control. If our existing end customers do not purchase new solutions, or renew or upgrade their support and software maintenance agreements, our revenue may grow more slowly than expected or may decline, and our business and operating results may be adversely affected.

We rely on our key personnel, and our Chief Executive Officer in particular, to grow our business, and the loss of one or more such key employees or the inability to attract and retain qualified personnel could harm our business.

Our success and future growth depends to a significant degree on the skills and continued services of our executive officers and key personnel. In particular, we are highly dependent on the services of Dheeraj Pandey, our Chief Executive Officer and Chairman, who is critical to the development of our technology, future vision and strategic direction. We do not have life insurance policies that cover any of our executive officers or other key employees. The loss of the services of Mr. Pandey or any of our key employees or executive officers could disrupt our business and negatively impact our operating results, prospects and future growth. Our future success also depends on our ability to continue to attract, integrate and retain highly skilled personnel, especially skilled sales and engineering employees. Competition for highly skilled personnel is frequently intense, especially in the San Francisco Bay Area where we are headquartered. Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. We cannot assure you that we will be able to successfully attract or retain qualified personnel. Our inability to attract and retain the necessary personnel could adversely affect our business, operating results and financial condition.

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

Although we have a channel sales model, our sales representatives typically engage in direct interaction with our prospective end customers. Therefore, we continue to be substantially dependent on our sales force to obtain new end customers and sell additional solutions to our existing end customers. There is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and may take significant time before they achieve full productivity; we estimate based on past experience that sales team members typically do not fully ramp and are not fully productive until around the time of the start of their fourth quarter of employment with us. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. Furthermore, hiring sales personnel in new countries requires additional set up, upfront and ongoing costs that we may not recover if the sales personnel fail to achieve full productivity. In addition, as a result of our rapid growth, a large percentage of our sales force is new to our company and our solutions and therefore less effective than our more seasoned employees. In addition, as we transition our business to focus on more software-only transactions, we are also re-training our seasoned sales employees, who have historically focused on appliance sales, in order to maintain or increase their productivity. If our new sales employees do not become fully productive on the timelines that we have projected, or if we are not successful in training our more seasoned sales employees as we focus

on software-only sales, our revenue will not increase at anticipated levels and our ability to achieve long term projections may be negatively impacted. If we are unable to hire, train and maintain sufficient numbers of effective sales personnel, or our new or existing sales personnel are not successful in obtaining new end customers or increasing sales to our existing customer base, our business, operating results and prospects will be adversely affected.

If we do not effectively structure our sales force to focus on the end customers that will primarily drive our growth strategy, our business will be adversely affected.

As indicated above, our growth is dependent in large part on increasing our sales to large enterprises, particularly when those sales result in large orders for our solutions. Over the past year, we have started to segment our sales force to focus on these major accounts and large deals. This process, which we anticipate will continue for the foreseeable future, has involved hiring new, and promoting existing members of our sales team into, global account manager roles that will focus exclusively on large sales to major accounts. As discussed above, we anticipate that the sales cycles associated with major accounts will be longer than our traditional sales cycles, which will increase the time it will take our new global account managers to become fully productive. The new sales processes and leadership structures for these global sales teams may also take longer than anticipated to implement, further impacting productivity. In addition, as our organization focuses more heavily on major accounts and large deals, the productivity of our traditional sales teams may be impacted. For example, we experienced what we believe was a short-term decrease in sales productivity of our North American sales teams as well as a reduction in the number of large deals executed during the quarter ended January 31, 2017 due to the continued segmentation of our sales teams. Additionally, we are in the process of transitioning our business to focus primarily on software-only transactions, and we are adjusting our sales strategy and approach away from appliance sales. These potential fluctuations in sales productivity make it more difficult to accurately project our operating results or plan for future growth. If we are unable to effectively manage these changes or implement our news sales structure in a timely manner, or if our decision to segment our sales force is not successful in obtaining large sales of our solutions, our growth and ability to achieve long term projections may be negatively impacted, and our business and operating results will be adversely affected.

We rely primarily on indirect sales channels for the distribution of our solutions, and disruption within these channels could adversely affect our business, operating results and cash flows.

We primarily sell our solutions through indirect sales channels, including channel partners such as distributors, our hardware OEM partners, value added resellers and system integrators. Our OEM partners in turn distribute our solutions through their own networks of channel partners with whom we have no direct relationships.

We rely, to a significant degree, on our channel partners to select, screen and maintain relationships with their distribution networks and to distribute our solutions in a manner that is consistent with applicable law, regulatory requirements and our quality standards. If our channel partners or a partner in their distribution network violates applicable law or regulatory requirements or misrepresents the functionality of our solutions, our reputation could be damaged and we could be subject to potential liability. Additionally, if we are unable to establish relationships with strong channel partners in key growth regions, our ability to sell our solutions in these regions may be adversely affected. Our agreements with our channel partners are non-exclusive, meaning our channel partners may offer end customers the products of several different companies, including products that compete with ours. If our channel partners do not effectively market and sell our solutions, choose to use greater efforts to market and sell their own products or those of our competitors, or fail to meet the needs of our end customers, our business, operating results and prospects may be adversely affected. Our channel partners may cease marketing our solutions with limited or no notice and with little or no penalty. The loss of a substantial number of our channel partners, together with our inability to replace them, or the failure to recruit additional channel partners or establish an alternative distribution network could materially and adversely affect our business and operating results. For example, sales through Carahsoft Technology Corp. and Promark Technology Inc. to our end customers represented 10% and 18%, respectively, of our total revenue for the nine months ended April 30, 2017, and represented 10% and 20%, respectively, of our total revenue for nine months ended April 30, 2018. In addition, if a channel partner offers its own products or services that are competitive to our solutions, is acquired by a competitor or reorganizes or divests its reseller business units, our revenue derived from that partner may be adversely impacted or eliminated altogether.

Recruiting and retaining qualified channel partners and training them in the use of our technologies require significant time and resources. If we fail to devote sufficient resources to support and expand our network of channel partners, our business may be adversely affected. Maintaining strong indirect sales channels for our products and effectively leveraging our channel partners and OEMs is important to our growth strategy, and the failure to effectively manage these relationships may lead to higher costs and reduced revenue. Also, in certain international markets we are in the process of transitioning our distribution model from contracting directly with hundreds of individual resellers to contracting with a smaller number of larger global distributors. Although we believe that this transition will make our sales channels more efficient and broader reaching in the long term in these markets, there is no guarantee that this new distribution model will

increase our sales in the short term or allow us to sustain our gross margins. Any potential delays or confusion during the transition process to our new partners may negatively affect our relationship with our existing end customers and channel partners and may cause us to lose prospective end customers or additional business from existing end customers. Upon completion of the transition to the new sales model, we will be more reliant on fewer channel partners, which may reduce our contact with our end customers making it more difficult for us to establish brand awareness, ensure proper delivery and installation of our software, support ongoing end customer requirements, estimate end customer demand, respond to evolving end customer needs and obtain subscription renewals from end customers.

All of our sales to government entities have been made indirectly through our channel partners. Government entities may have statutory, contractual or other legal rights to terminate contracts with our channel partners for convenience or due to a default, and, in the future, if the portion of government contracts that are subject to renegotiation or termination at the election of the government are material, any such termination or renegotiation may adversely impact our future operating results. Additionally, we sometimes rely on our channel partners to satisfy certain regulatory obligations that we would otherwise have to satisfy if we sold directly to the government entities, and our channel partners may be unable or unwilling to satisfy these obligations in the future. In the event of such termination or change, it may be difficult for us to arrange for another channel partner to sell our solutions to these government entities in a timely manner, and we could lose sales opportunities during the transition. Governments routinely investigate and audit government contractors' (including subcontractors') administrative processes, and any unfavorable audit could result in the government refusing to continue buying our solutions, our channel partners changing their business models or refusing to continue to sell our solutions under current models, a reduction of revenue or fines, or civil or criminal liability if the audit uncovers improper or illegal activities.

If our indirect distribution channel is disrupted, particularly if we are reliant on a fewer number of channel partners, or if we are required to directly satisfy certain regulatory obligations imposed by government entities as a result of our efforts to expand our sales to government entities, we may be required to devote more time and resources to distribute our solutions directly and support our end customers, which may not be as effective and could lead to higher costs, reduced revenue and growth that is slower than expected.

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

Our operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. If our revenue or operating results in any particular period fall below investor expectations, the price of our Class A common stock would likely decline. Factors that are difficult to predict and that could cause our operating results to fluctuate include:

- the timing and magnitude of orders, shipments and acceptance of our solutions in any quarter;
- our ability to attract new and retain existing end customers;
- disruptions in our sales channels or termination of our relationship with important channel partners and OEMs;
- the timing of revenue recognition for our sales, which has materially changed for the majority of sales of software-only licenses on or after August 1, 2017 as a result of our adoption of ASC 606, which requires us to recognize the revenue from sales of software licenses upon transfer of control to our end customers, instead of deferring the revenue over the post contract support period; this change will heighten the impact of any fluctuations in the timing and magnitude of software-only sales on our quarterly operating results;
- reductions in end customers' budgets for information technology purchases;
- delays in end customers' purchasing cycles or deferments of end customers' purchases in anticipation of new products or updates from us or our competitors;
- fluctuations in demand and competitive pricing pressures for our solutions;
- the mix of solutions sold, including the mix between appliance and software-only sales and the mix of the types of appliances that we sell, and the mix of revenue between products and support, entitlements and other services, which will depend in part on whether we are successful in executing our strategy to transition our business to focus on more software-only transactions;
- our ability to develop, introduce and ship in a timely manner new solutions and product enhancements that meet customer requirements;

- the timing of product releases or upgrades or announcements by us or our competitors;
- any change in the competitive dynamics of our markets, including consolidation among our competitors or resellers, new entrants or discounting of prices;
- the amount and timing of expenses to grow our business and the extent to which we are able to take advantage of economies of scale or to leverage our relationships with OEM or channel partners;
- the costs associated with acquiring new businesses and technologies and the follow-on costs of integrating and consolidating the results of acquired businesses;
- the amount and timing of stock-based compensation expenses;
- our ability to control the costs of our solutions and their key components, or to pass along any cost increases to our end customers;
- general economic, industry and market conditions; and
- future accounting pronouncements and changes in accounting policies, including our ability to implement the new procedures and processes necessary to accurately recognize our revenue under the new ASC 606 revenue recognition standard.

The occurrence of any one of these risks could negatively affect our operating results in any particular quarter, which could cause the price of our Class A common stock to decline.

Our gross margins are impacted by a variety of factors and may be subject to variation from period to period.

Our gross margins may be affected by a variety of factors, including shifts in the mix of whether our solutions are sold as an appliance or as software-only, fluctuations in the pricing of our products, including as a result of competitive pricing pressures or increases in component pricing, and the degree to which we are successful in selling the value of incremental feature improvements and upgrades, changes in the cost of components of our hardware appliances, changes in the mix between direct versus indirect sales, changes in the mix of products sold, including whether they are sold as appliances or as software-only, and the timing and amount of recognized and deferred revenue, particularly given that our recognition of revenue from sales of software-only licenses has changed following our adoption of ASC 606. For example, in the last three quarters of fiscal 2017 and the first half of fiscal 2018, the prices of DRAM and NAND components increased due to supply constraints, which caused a negative impact on our gross margin. While the pricing of DRAM and NAND continues to increase, we expect there to be less impact to our gross margins going forward as our solutions are increasingly being sold on a software-only basis. If we are unable to manage these factors effectively, our gross margins may decline, and fluctuations in gross margin may make it difficult to manage our business and to achieve or maintain profitability, which could adversely affect our business and operating results.

Our sales cycles can be long and unpredictable and our sales efforts require considerable time and expense. As a result, it can be difficult for us to predict when, if ever, a particular customer will choose to purchase our solutions, which may cause our operating results to fluctuate significantly.

Our sales efforts involve educating our end customers about the uses and benefits of our solutions, including their technical capabilities and cost saving potential. End customers often undertake an evaluation and testing process that can result in a lengthy sales cycle. Increasing competition and the emergence of new hyperconverged infrastructure product offerings often result in customers evaluating multiple vendors at the same time, which can further lengthen the sales cycle. We spend substantial time and resources on our sales efforts without any assurance that our efforts will produce any sales. Platform purchases are frequently subject to budget constraints, multiple approvals and unanticipated administrative, processing and other delays. The broad nature of the technology shift that our solutions represent and the legacy relationships our end customers have with existing IT vendors sometimes lead to unpredictable sales cycles, which make it difficult for us to predict when end customers may purchase solutions from us. The unpredictable nature of our sales cycles may be increased in future periods as we focus our sales efforts more heavily on major accounts and large deals. Our business and operating results will be significantly affected by the degree to which and speed with which organizations adopt our solutions.

Because we depend on contract manufacturers to assemble and test our hardware appliances, we are susceptible to delays and pricing fluctuations that could prevent us from shipping orders on time, if at all, or on a cost-effective basis, which would cause our business to be adversely affected.

We rely substantially on Super Micro Computer, Inc. ("Super Micro"), and Flextronics Systems Limited ("Flextronics"), to assemble and test our appliances. Our reliance on these contract manufacturers reduces our control over the manufacturing process and exposes us to risks, including reduced control over quality assurance, product costs and product supply and timing. Furthermore, our orders represent a relatively small percentage of the overall orders received by our third-party manufacturers from their customers. Therefore, fulfilling our orders may not be a priority in guiding their business decisions and operational commitments. If we fail to manage our relationships with these contract manufacturers effectively, inaccurately forecast our component requirements, or if either of them experience delays or increased manufacturing lead-times, disruptions, capacity constraints or quality control problems in their operations or are unable to meet our requirements for timely delivery, or we are unable to shift operations from one contract manufacturer to the other, our ability to ship high-quality solutions to our end customers could be severely impaired, we could incur substantial costs, such as costs relating to the procurement of non-standard components and inventory costs, and our business and operating results, competitive position and reputation could be harmed.

Our agreement with Super Micro expires in May 2018, and automatically renews for successive one-year periods thereafter with the option to terminate upon each annual renewal, and does not contain any minimum long-term commitment to manufacture our solutions. In addition, in November 2017, we entered into a Manufacturing Services Agreement with Flextronics which expires in November 2020 and automatically renews for successive one-year periods thereafter with the option to terminate upon each annual renewal. The Flextronics Manufacturing Services Agreement does not contain any minimum long-term commitment to manufacture our solutions and any orders are fulfilled only after a purchase order has been delivered and accepted. If we are required to change contract manufacturers, we may lose revenue, incur increased costs and damage our channel partner and end customer relationships. We may also decide to switch or bring on additional contract manufacturers in order to better meet our needs. Switching to or bringing on a new contract manufacturer and commencing production is expensive and time-consuming and may cause delays in order fulfillment at our existing contract manufacturers or cause other disruptions. For example, while we have already transitioned some of our manufacturing operations to Flextronics, we may encounter unexpected issues as we scale our operations with them. Our agreements with Super Micro and Flextronics do not contain any price assurances, and any increases in component costs, without a corresponding increase in the price of our solutions, could harm our gross margins. Furthermore, we may need to increase our component purchases, manufacturing capacity and internal test and quality functions if we experience increased demand. The inability of Super Micro, Flextronics or other contract manufacturers to provide us with adequate supplies of high-quality products could cause a delay in our order fulfillment, and our business, operating results and prospects would be adversely affected.

We rely on a limited number of suppliers, and in some cases single-source suppliers, for several key components of our hardware appliances, and any disruption in the availability or quality of these components could delay shipments of our appliances and damage our channel partner or end customer relationships.

We rely on a limited number of suppliers, and in some cases single-source suppliers, for several key hardware components of our appliances. These components are generally purchased on a purchase order basis through Super Micro or Flextronics and we do not have long-term supply contracts with our suppliers. Our reliance on key suppliers exposes us to risks, including reduced control over product quality, production and component costs, timely delivery and capacity. It also exposes us to the potential inability to obtain an adequate supply of required components because we do not have long-term supply commitments, and replacing some of these components would require a product qualification process that could take months to complete. Furthermore, we extensively test and qualify the components that are used in our appliances to ensure that they meet certain quality and performance specifications. If our supply of certain components is disrupted or delayed, or if we need to replace our existing suppliers, there can be no assurance that additional supplies or components can serve as adequate replacements for the existing components, will be available when required or that supplies will be available on terms that are favorable to us, and we may be required to modify our solutions to interoperate with the replacement components. Any of these developments could extend our lead times, increase the costs of our components or costs of product development and adversely affect our business, operating results and financial condition.

We generally maintain minimal inventory for repairs and a limited number of evaluation and demonstration units, and generally acquire components only as needed. We do not enter into long-term supply contracts for these components. As a result, our ability to respond to channel partner or end customer orders efficiently may be constrained by the then-current availability, terms and pricing of these components. The technology industry has experienced component shortages and delivery delays in the past, and we may experience shortages or delays of critical components in the future as a result of strong demand in the industry or other factors. If we or our suppliers inaccurately forecast demand for our solutions or we ineffectively manage our enterprise resource planning processes, our suppliers may have inadequate inventory, which could increase the prices we must pay for substitute components or result in our inability to meet demand for our solutions, as well as damage our channel partner or end customer relationships.

If the suppliers of the components of our hardware appliances increase prices of components, experience delays, disruptions, capacity constraints, quality control problems in their manufacturing operations or adverse changes to their financial condition, our ability to ship appliances to our channel partners or end customers in a timely manner and at competitive prices could be impaired and our competitive position, reputation, and operating results could be adversely affected. For example, in the last three quarters of fiscal 2017 and the first half of fiscal 2018, the prices of DRAM and NAND components increased due to supply constraints. Qualifying a new component is expensive and time-consuming. If we are required to change key suppliers or assume internal manufacturing operations, we may lose revenue and damage our channel partner or end customer relationships which could adversely impact our revenue and operating results.

We enter into arrangements with our suppliers that could require us to purchase certain minimum levels of inventory, which could result in us incurring losses with respect to such inventory, and may negatively impact our business and operating results.

We enter into arrangements with our suppliers whereby the supplier will purchase certain quantities of components and allocate them exclusively for our use in our products. If we are unable to use the inventory within a specified period, we may be required to purchase the inventory, or to pay the supplier the difference between the price at which the supplier purchased the inventory and the price at which the supplier is ultimately able to sell the inventory to a third party. As a result, if we inaccurately or mistakenly forecast our need for any such components, or if the market price of any such components decreases after the components are purchased by a supplier, we may suffer losses with respect to such inventory, and our business and operating results could be adversely affected.

We rely upon third parties for the warehousing and delivery of our appliances and replacement parts for support, and we therefore have less control over these functions than we otherwise would.

We outsource the warehousing and delivery of all of our appliances to a third-party logistics provider for worldwide fulfillment. In addition, some of our support offerings commit us to replace defective parts in our appliances as quickly as four hours after the initial customer support call is received, which we satisfy by storing replacement parts inventory in various third-party supply depots in strategic locations. As a result of relying on third parties, we have reduced control over shipping and logistics, quality control, security and the supply of replacement parts for support. Consequently, we may be subject to shipping disruptions as well as failures to provide adequate support for reasons that are outside of our direct control. If we are unable to have our appliances or replacement products shipped in a timely manner, end customers may cancel their contracts with us, we may suffer reputational harm and our business, operating results and prospects may be adversely affected.

Our ability to sell our solutions is dependent in part on ease of use and the quality of our technical support, and any failure to offer high-quality technical support would harm our business, operating results and financial condition.

Once our solutions are deployed, our end customers depend on our support organization to resolve any technical issues relating to our solutions. Furthermore, because of the emerging nature of our solutions, our support organization often provides support for and troubleshoots issues for products of other vendors running on our solutions, even if the issue is unrelated to our solutions. There is no assurance that we can solve issues unrelated to our solutions, or that vendors whose products run on our solutions will not challenge our provision of technical assistance to their products. Our ability to provide effective support is largely dependent on our ability to attract, train and retain personnel who are not only qualified to support our solutions, but also well versed in some of the primary applications and hypervisors that our end customers run on our solutions. Furthermore, as we expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training and documentation in languages other than English. Any failure to maintain high-quality installation and technical support, or a market perception that we do not maintain high-quality support, could harm our reputation, adversely affect our ability to sell our solutions to existing and prospective end customers, and could harm our business, operating results and financial condition.

Our solutions are highly technical and may contain undetected defects, which could cause data unavailability, loss or corruption that might, in turn, result in liability to our end customers and harm to our reputation and business.

Our solutions are highly technical and complex and are often used to store information critical to our end customers' business operations. Our solutions may contain undetected errors, defects or security vulnerabilities that could result in data unavailability, unauthorized access to, loss, corruption or other harm to our end customers' data. Some errors or defects in our solutions may only be discovered after they have been installed and used by end customers. We previously conducted an in-field replacement of equipment manufactured by our previous outsourced manufacturer, and may be required to do so again in the future. In addition, we may make certain commitments to our OEM partners regarding the time frames within which we will correct any security vulnerabilities in our software. If any hardware or software errors, defects or security vulnerabilities are discovered in our solutions after commercial release, a number of negative effects in our business could result, including:

- lost revenue or lost OEM or other channel partners or end customers;
- increased costs, including warranty expense and costs associated with end customer support as well as development costs to remedy the errors or defects;
- delays, cancellations, reductions or rescheduling of orders or shipments;
- product returns or discounts; and
- damage to our reputation and brand.

In addition, we could face legal claims for breach of contract, product liability, tort or breach of warranty. While many of our contracts with end customers contain provisions relating to warranty disclaimers and liability limitations, these provisions might not be upheld or might not provide adequate protection if we face such legal claims. Defending a lawsuit, regardless of its merit, could be costly and may divert management's attention and adversely affect the market's perception of us and our solutions. In addition, our business liability insurance coverage could prove inadequate with respect to a claim and future coverage may be unavailable on acceptable terms or at all. These product-related issues could result in claims against us and our business could be adversely impacted.

Our business depends, in part, on sales to government organizations, and significant changes in the contracting or fiscal policies of such government organizations could have an adverse effect on our business and operating results.

We derive a portion of our revenue from contracts with federal, state, local and foreign governments, and we believe that the success and growth of our business will continue to depend on our successful procurement of government contracts. However, demand is often unpredictable from government organizations, and there can be no assurance that we will be able to maintain or grow our revenue from the public sector. Government agencies are subject to budgetary processes and expenditure constraints that could lead to delays or decreased capital expenditures in IT spending, particularly in light of continued uncertainties about government spending levels and recent changes to, or failure to appoint new, government leaders. The budget and approval process for government agencies also experiences a longer sales cycle relative to our other end customers. If government organizations reduce or shift their capital spending patterns, our business, operating results and prospects may be harmed. Factors that could impede our ability to maintain or increase the amount of revenue derived from government contracts, include:

- public sector budgetary cycles and funding authorizations;
- changes in fiscal or contracting policies;
- decreases in available government funding;
- changes in government programs or applicable requirements;
- the adoption of new laws or regulations or changes to existing laws or regulations;
- potential delays or changes in the government appropriations or other funding authorization processes; and
- higher expenses associated with, or delays caused by, diligence and qualifying or maintaining qualification as a government vendor.

The occurrence of any of the foregoing could cause governments and governmental agencies to delay or refrain from purchasing our solutions in the future or otherwise have an adverse effect on our business, operating results and prospects.

Third-party claims that we are infringing intellectual property, whether successful or not, could subject us to costly and time-consuming litigation or expensive licenses, and our business could be harmed.

A number of companies, both within and outside of the enterprise computing infrastructure industry, hold a large number of patents covering aspects of storage, servers and virtualization products. In addition to these patents, participants in this industry typically also protect their technology through copyrights and trade secrets. As a result, there is frequent litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights. We have received, and in the future may receive, inquiries from other intellectual property holders and may become subject to claims that we infringe their intellectual property rights, particularly as we expand our presence in the market and face increasing competition. Based upon our review of these claims, we believe we have meritorious defenses to the allegations, although there can be no assurance that we will be successful in defending against these allegations or reaching a business resolution that is satisfactory to us. In addition, parties may claim that the names and branding of our solution infringe their trademark rights in certain countries or territories. If such a claim were to prevail we may have to change the names and branding of our solution in the affected territories and we could incur other costs.

We currently have a number of agreements in effect pursuant to which we have agreed to defend, indemnify and hold harmless our end customers, suppliers and channel and other partners from damages and costs which may arise from the infringement by our solutions of third-party patents or other intellectual property rights. The scope of these indemnity obligations varies, but may, in some instances, include indemnification for damages and expenses, including attorneys' fees. Our insurance may not cover all intellectual property infringement claims. A claim that our solutions infringe a third party's intellectual property rights, even if untrue, could harm our relationships with our end customers and/or channel partners, may deter future end customers from purchasing our solutions and could expose us to costly litigation and settlement expenses. Even if we are not a party to any litigation between a customer and a third party relating to infringement by our solutions, an adverse outcome in any such litigation could make it more difficult for us to defend our solutions against intellectual property infringement claims in any subsequent litigation in which we are a named party. Any of these results could harm our brand and operating results.

Our defense of intellectual property rights claims brought against us or our end customers, suppliers and channel partners, with or without merit, could be time-consuming, expensive to litigate or settle, divert management resources and attention and force us to acquire intellectual property rights and licenses, which may involve substantial royalty or other payments. Further, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages. An adverse determination also could invalidate our intellectual property rights and prevent us from offering our solutions to our end customers and may require that we procure or develop substitute solutions that do not infringe, which could require significant effort and expense. We may have to seek a license for the technology, which may not be available on acceptable terms or at all, and as a result may significantly increase our operating expenses or require us to restrict our business activities in one or more respects. Any of these events could adversely affect our business, operating results, financial condition and prospects.

The success of our business depends in part on our ability to protect and enforce our intellectual property rights.

We rely on a combination of patent, copyright, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions and covenants, to establish and protect our proprietary rights, all of which provide only limited protection. We cannot assure you that any patents will be issued with respect to our currently pending patent applications in a manner that gives us adequate defensive protection or competitive advantages, if at all, or that any patents issued to us will not be challenged, invalidated or circumvented. We have filed for patents in the United States and in certain international jurisdictions, but such protections may not be available in all countries in which we operate or in which we seek to enforce our intellectual property rights, or may be difficult to enforce in practice. Our currently issued patents and any patents that may be issued in the future with respect to pending or future patent applications may not provide sufficiently broad protection or they may not prove to be enforceable in actions against alleged infringers. We cannot be certain that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property.

Protecting against the unauthorized use of our intellectual property, solutions and other proprietary rights is expensive and difficult, particularly internationally. Litigation may be necessary in the future to enforce or defend our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could result in substantial costs and diversion of management resources, either of which could harm our business, operating results and financial condition. Further, many of our current and potential competitors have the ability to dedicate substantially greater resources to defending intellectual property infringement claims and to enforcing their intellectual property rights than we have. Attempts to enforce our rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against us, or result in a holding that invalidates or narrows the scope of our rights, in whole or in part. Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our solutions are available. An inability to adequately protect and enforce our intellectual property and other proprietary rights could seriously harm our business, operating results, financial condition and prospects.

We may become subject to claims that our employees have wrongfully disclosed or we have wrongfully used proprietary information of our employees' former employers. These claims may be costly to defend and if we do not successfully do so, our business could be harmed.

Many of our employees were previously employed at current or potential competitors. Although we have processes to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may in the future become subject to claims that these employees have divulged, or we have used, proprietary information of these employees' former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper our ability to develop new solutions and features for existing solutions, which could severely harm our business. Even if we are successful in defending against these claims, litigation efforts are costly, time-consuming and a significant distraction to management.

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

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act"), the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), and the rules and regulations of the NASDAQ Stock Market. 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, internal control over financial reporting 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 Securities and Exchange Commission ("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.

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 internal controls 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 operating results 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 controls 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 are required to include in our periodic reports we will file with the SEC under Section 404 of the Sarbanes-Oxley Act. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the market price of our Class A common stock.

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 provide significant management oversight. Any failure to maintain the adequacy of our internal controls, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. In the event that our internal controls are perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and our stock price could decline. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NASDAQ Global Select Market.

We are not currently required to comply with the SEC rules that implement Sections 302 and 404 of the Sarbanes-Oxley Act, and are therefore not required to make a formal assessment of the effectiveness of our internal controls over financial reporting for that purpose. We will be required to comply with certain of these rules, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our Annual Report on Form 10-K for the fiscal year ending July 31, 2018. To comply with the requirements of being a public company, we will need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff.

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, which we expect will occur as of the end of our current fiscal year. 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 controls are documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results and could cause a decline in the price of our Class A common stock.

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 end customers in the public sector or negatively impact our ability to contract with the public sector.

Our business is subject to regulation by various federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, antitrust laws, workplace safety, product safety, environmental laws, consumer protection laws, anti-bribery laws, import/export controls, federal securities laws and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages and civil and criminal penalties or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results and financial condition could be adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in third-party professional fees. Enforcement actions and sanctions could harm our business, operating results and financial condition.

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 solutions 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, operating results, financial condition and prospects. As an example, the U.S. Department of Justice ("DOJ"), and the General Services Administration ("GSA"), have in the past pursued claims against and financial settlements with IT 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 an adverse effect on our revenue, operating results, financial condition and prospects.

These laws and regulations impose added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non-compliance in the past, could lead to claims for damages from our channel partners, penalties, termination of contracts, loss of exclusive rights in our intellectual property, and temporary suspension or permanent debarment from government contracting. Any such damages, penalties, disruptions or limitations in our ability to do business with the public sector could have an adverse effect on our business and operating results.

We are subject to governmental regulation and other legal obligations, particularly related to privacy, data protection and information security, and our actual or perceived failure to comply with such obligations could adversely affect our business and operating results. Compliance with such laws could also impair our efforts to maintain and expand our customer base, and thereby decrease our revenue.

Personal privacy, data protection and information security are significant issues in the United States and the other jurisdictions where we offer our solutions. The regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, including the U.S. Federal Trade Commission ("FTC"), and various state, local and foreign bodies and agencies.

The U.S. federal and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use and storage of personal information of individuals, including end customers and employees. In the United States, the FTC and many state attorneys general are applying federal and state consumer protection laws to the online collection, use and dissemination of data. Additionally, many foreign countries and governmental bodies, including in Australia, the European Union, India, Japan and numerous other jurisdictions in which we operate or conduct our business, have laws and regulations concerning the collection and use of personal information obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations often are more restrictive than those in the United States. Such laws and regulations may require companies to implement new privacy and security policies, permit individuals to access, correct and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, and, in some cases, obtain individuals' consent to use personal information for certain purposes. In addition, a foreign government could require that any personally identifiable information collected in a country not be disseminated outside of that country, and we are not currently equipped to comply with such a requirement.

We also expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States, the European Union and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. Additionally, we expect that existing laws, regulations and standards may be interpreted in new manners in the future. There remains significant uncertainty surrounding the regulatory framework for the future of personal data transfers from the European Union to the United States with regulations such as the recently adopted a General Data Protection Regulation ("GDPR"), which became effective in May 2018, that will supersede current EU data protection legislation, impose more stringent EU data protection requirements, provide an enforcement authority, and impose large penalties for noncompliance. Future laws, regulations, standards and other obligations, including the adoption of the GDPR, as well as changes in the interpretation of existing laws, regulations, standards and other obligations could impair our or our customers' ability to collect, use or disclose information relating to individuals, which could decrease demand for our solutions, require us to restrict our business operations, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue.

Although we are working to comply with those federal, state and foreign laws and regulations, industry standards, contractual obligations and other legal obligations that apply to us, those laws, regulations, standards and obligations are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another, other requirements or legal obligations, our practices or the features of our solutions. As such, we cannot assure ongoing compliance with all such laws or regulations, industry standards, contractual obligations and other legal obligations. Any failure or perceived failure by us to comply with federal, state or foreign laws or regulations, industry standards, contractual obligations or other legal obligations, or any actual or suspected security incident, whether or not resulting in unauthorized access to, or acquisition, release or transfer of personal information or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business. Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business and operating results.

Failure to comply with anticorruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA"), and similar laws associated with our activities outside of the United States could subject us to penalties and other adverse consequences.

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the United Kingdom Bribery Act of 2010 ("U.K. Bribery Act"), and possibly other anti-bribery and anti-money laundering laws in countries in which we conduct activities. We face significant risks if we fail to comply with the FCPA and other anticorruption laws that prohibit companies and their employees and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person or securing any advantage. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. In addition, we use various third parties to sell our solutions and conduct our business abroad. We or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. We continue to update and implement our FCPA/anti-corruption compliance program and no assurance can be given that all of our employees and agents, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Any violation of the FCPA, other applicable anticorruption laws, and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and, in the case of the FCPA, suspension or debarment from U.S. government contracts, which could have a material and adverse effect on our reputation, business, operating results and prospects. In addition, responding to any enforcement action may result in a materially significant diversion of management's attention and resources and significant defense costs and other third-party professional fees.

We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate the controls.

Our solutions are subject to U.S. export controls, including the Export Administration Regulations and economic sanctions administered by the Office of Foreign Assets Control, and we incorporate encryption technology into certain of our solutions. These encryption products and the underlying technology may be exported outside of the United States only with the required export authorizations, including by license, a license exception or other appropriate government authorizations, including the filing of an encryption registration.

Furthermore, our activities are subject to the U.S. economic sanctions laws and regulations that prohibit the shipment of certain products and services without the required export authorizations, including to countries, governments and persons targeted by U.S. embargoes or sanctions. Additionally, the U.S. government has been critical of existing trade agreements and may impose more stringent export and import controls. Obtaining the necessary export license or other authorization for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities even if the export license ultimately may be granted. While we take precautions to prevent our solutions from being exported in violation of these laws, including obtaining authorizations for our encryption products, implementing IP address blocking and screenings against U.S. government and international lists of restricted and prohibited persons, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws. Violations of U.S. sanctions or export control laws can result in significant fines or penalties and possible incarceration for responsible employees and managers could be imposed for criminal violations of these laws.

We also note that if our channel partners fail to obtain appropriate import, export or re-export licenses or permits, we may also be adversely affected, through reputational harm as well as other negative consequences including government investigations and penalties. We presently incorporate export control compliance requirements into our channel partner agreements; however, no assurance can be given that our channel partners will be able to comply with such requirements.

Also, various countries, in addition to the United States, regulate the import and export of certain encryption and other technology, including import and export licensing requirements, and have enacted laws that could limit our ability to distribute our solutions or could limit our end customers' ability to implement our solutions in those countries. Changes in our solutions or future changes in export and import regulations may create delays in the introduction of our solutions in international markets, prevent our end customers with international operations from deploying our solutions globally or, in some cases, prevent the export or import of our solutions to certain countries, governments, or persons altogether. From time to time, various governmental agencies have proposed additional regulation of encryption technology, including the escrow and government recovery of private encryption keys. Any change in export or import regulations, economic sanctions or related legislation, increased export and import controls stemming from U.S. government policies, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our solutions by, or in our decreased ability to export or sell our solutions to, existing or potential end customers with international operations. Any decreased use of our solutions or limitation on our ability to export or sell our solutions would adversely affect our business, operating results and prospects.

Our international operations expose us to additional risks, and failure to manage those risks could adversely affect our business, operating results and cash flows.

We derive a significant portion of our revenue from end customers and channel partners outside the United States. We derived approximately 42%, 44%, 45% and 43% of our total revenue from our international customers based on bill-to-location for fiscal 2016 and fiscal 2017 and the nine months ended April 30, 2017 and 2018, respectively. We are continuing to adapt to and develop strategies to address international markets but there is no guarantee that such efforts will have the desired effect. As of April 30, 2018, approximately 43% of our full-time employees were located outside of the United States. We expect that our international activities will continue to grow over the foreseeable future as we continue to pursue opportunities in existing and new international markets, which will require significant management attention and financial resources. We are subject to risks associated with having significant worldwide operations, including:

- business practices may differ from those in the United States and may require us in the future to include terms other than our standard terms in customer, channel partner, employee, consultant and other contracts;
- political, economic and social instability or uncertainty around the world;
- potential changes in trade relations arising from policy initiatives implemented by, or statements made by, the U.S. government, which has been critical of existing and proposed trade agreements;
- greater difficulty in enforcing contracts, judgments and arbitration awards in international courts, and in collecting accounts receivable and longer payment and collection periods;
- greater risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties;
- risks associated with trade restrictions and foreign legal requirements, including the importation, certification and localization of our solutions required in foreign countries;
- greater risk of a failure of foreign employees, partners, distributors and resellers to comply with both U.S. and foreign laws, including antitrust regulations, the FCPA, the U.K. Bribery Act, U.S. or foreign sanctions regimes and export or import control laws, and any trade regulations ensuring fair trade practices;
- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- requirements to comply with foreign privacy, data protection and information security laws and regulations and the risks and costs of non-compliance;
- reduced or uncertain protection for intellectual property rights in some countries;
- impediments to the flow of foreign exchange capital payments and receipts due to exchange controls instituted by certain foreign governments;
- increased expenses incurred in establishing and maintaining corporate entities, office space, and equipment for our international operations;
- difficulties in managing and staffing international offices and increased travel, infrastructure and legal compliance costs associated with multiple international locations;

- greater difficulty in identifying, attracting and retaining local experienced personnel, and the costs and expenses associated with such activities;

- the challenge of managing a development team in geographically disparate locations;

- management communication and integration problems resulting from cultural and geographic dispersion;

- differing employment practices and labor relations issues;

- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business; and

- treatment of revenue from international sources for tax purposes and changes in tax laws, regulations or official interpretations, including being subject to foreign tax laws and being liable for paying withholding, income or other taxes in foreign jurisdictions.

As we expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these risks. These factors and other factors could harm our ability to gain future international revenue and, consequently, materially impact our business, operating results and financial condition. 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 effectively could limit the future growth of our business. Additionally, failure to effectively manage this growth may result in reduced international revenue relative to U.S. revenue, and as a result, a higher effective tax rate due to the overall percentage of total revenue from U.S. customers relative to international customers.

A number of our solutions incorporate software provided under open source licenses which may restrict or impose certain obligations on how we use or distribute our solutions or subject us to various risks and challenges, which could result in increased development expenses, delays or disruptions to the release or distribution of those solutions, inability to protect our intellectual property rights and increased competition.

Certain significant components of our solutions incorporate or are based upon open source software, and we may incorporate open source software into other solutions in the future. Such open source software is generally licensed under open source licenses, including, for example, the GNU General Public License, the GNU Lesser General Public License, "Apache-style" licenses, "BSD-style" licenses and other open source licenses. The use of open source software subjects us to a number of risks and challenges, including:

- If open source software programmers, most of whom we do not employ, do not continue to develop and enhance open source technologies, our development expenses could be increased and our product release and upgrade schedules could be delayed.

- Open source software is open to further development or modification by anyone. As a result, others may develop such software to be competitive with our operating system, and may make such competitive software available as open source. It is also possible for competitors to develop their own solutions using open source software, potentially reducing the demand for, and putting price pressure on, our solutions.

- The licenses under which we license certain types of open source software may require that, if we modify the open source software we receive, we are required to make such modified software and other related proprietary software of ours publicly available without cost and on the same terms. Accordingly, we monitor our use of open source software in an effort to avoid subjecting our proprietary software to such conditions and others we do not intend. Although we believe that we have complied with our obligations under the various applicable licenses for open source software that we use, our processes used to monitor how open source software is used could be subject to error. In addition, there is little or no legal precedent governing the interpretation of terms in most of these licenses. Therefore, any improper usage of open source could result in unanticipated obligations regarding our solutions and technologies, which could have an adverse impact on our intellectual property rights and our ability to derive revenue from solutions incorporating the open source software.

- If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur legal expenses defending against such allegations, or engineering expenses in developing a substitute solution.

If we are unable to successfully address the challenges of integrating offerings based upon open source technology into our business, our business and operating results may be adversely affected and our development costs may increase.

Our failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new solutions could reduce our ability to compete and could harm our business.

We expect that our existing cash and cash equivalents, and short-term investments, together with the net proceeds that we received from our initial public offering ("IPO"), and the issuance of the 0% Convertible Senior Notes due 2023 (the "Notes"), will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. We may, however, need to raise additional funds in the future, and we may not be able to obtain those funds on favorable terms, or at all. If we raise additional equity financing or equity linked financing such as the Notes, our stockholders may experience significant dilution of their ownership interests and the per share value of our Class A common stock could decline. Furthermore, if we engage in further debt financing, the holders of debt would have priority over the holders of our Class A and Class B common stock, and we may be required to accept terms that restrict our ability to incur additional indebtedness. We may also be required to take other actions, any of which could harm our business and operating results. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, and our business, operating results, financial condition and prospects could be adversely affected.

Adverse economic conditions or reduced datacenter spending may adversely impact our revenues and profitability.

Our operations and performance depend in part on worldwide economic conditions and the impact these conditions have on levels of spending on enterprise computing technology. Our business depends on the overall demand for enterprise computing infrastructure and on the economic health and general willingness of our current and prospective end customers to purchase our solutions. Weak economic conditions, or a reduction in enterprise computing spending, would likely adversely affect our business, operating results and financial condition in a number of ways, including by reducing sales, lengthening sales cycles and lowering prices for our solutions.

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

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 solutions to our end customers outside of the United States, which could adversely affect our financial condition and operating results. In addition, an increasing portion of our operating expenses is incurred outside the United States, is denominated in foreign currencies such as the Euro, the Pound Sterling, the Indian Rupee, the Canadian Dollar and the Australian Dollar, and is subject to fluctuations due to changes in foreign currency exchange rates. If we become more exposed to currency fluctuations and are not able to successfully hedge against the risks associated with currency fluctuations, our operating results could be adversely affected. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative instruments.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value added or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our operating results.

We do not collect sales and use, value added or similar taxes in all jurisdictions in which we have sales, and we have been advised that such taxes are not applicable to our products and services in certain jurisdictions. Sales and use, value added and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, to us or our end customers for the past amounts, and we may be required to collect such taxes in the future. If we are unsuccessful in collecting such taxes from our end customers, we could be held liable for such costs, which may adversely affect our operating results.

Our international operations may subject us to potential adverse tax consequences.

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

We expect to receive significant tax benefits from sales to our non-U.S. customers. These benefits are contingent upon existing tax laws and regulations in the U.S. and in the countries in which our international operations are located. Future changes in domestic or international tax laws and regulations could adversely affect our ability to continue to realize these tax benefits.

Changes in global tax laws could increase our worldwide tax rate and count have a material adverse effect on our business, cash flow, results of operations or financial conditions.

In December 2017, the U.S. Congress passed and the President signed legislation commonly referred to as the Tax Cuts and Jobs Act ("TCJA"), which includes a broad range of tax reform proposals affecting businesses, including a federal corporate rate reduction from 35% to 21%; limitations on the deductibility of interest expense and executive compensation; creation of new minimum taxes such as the base erosion anti-abuse tax ("BEAT"), Global Intangible Low Taxed Income ("GILTI tax"); and a new minimum tax on certain foreign earnings. We are analyzing the TCJA to determine the full impact of the new tax law. In addition, International organizations such as the Organization for Economic Cooperation and Development ("OECD"), have published Base Erosion and Profit Shifting ("BEPS"), action plans that, if adopted by countries where we do business, could increase our tax obligations in these countries. Due to the large scale of our U.S. and international business activities, many of these enacted and proposed changes to the taxation of our activities could increase our worldwide effective tax rate and have an adverse effect on our operating results, cash flow, or financial condition.

Our business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events, and interruptions by man-made problems, such as network security breaches, computer viruses or terrorism.

A significant natural disaster, such as an earthquake, fire, flood or significant power outage could have an adverse impact on our business and operating results. Despite the implementation of network security measures, our networks also may be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our solutions. Both our corporate headquarters and our main contract manufacturers are located in the San Francisco Bay Area, a region known for seismic activity. In addition, natural disasters, acts of terrorism or war could cause disruptions in our or our end customers’ or channel partners’ businesses, our suppliers’ and manufacturers’ operations or the economy as a whole. We also rely on IT systems to communicate among our workforce and with third parties. Any disruption to our communications, whether caused by a natural disaster or by manmade problems, such as power disruptions, could adversely affect our business. We do not have a formal disaster recovery plan or policy in place and do not currently require that our manufacturing partners have such plans or policies in place. To the extent that any such disruptions result in delays or cancellations of orders or impede our suppliers’ or our manufacturers’ ability to timely deliver our solutions and product components, or the deployment of our solutions, our business, operating results and financial condition would be adversely affected. We do maintain what we believe are commercially reasonable levels of business interruption insurance. However, such insurance may not adequately cover our losses in the event of a significant disruption in our business.

If our networks, computer systems or software solutions are breached or unauthorized access to customer data otherwise occurs, our enterprise and our solutions may be perceived as insecure, we may lose existing end customers or fail to attract new end customers, our reputation may be damaged and we may incur significant liabilities.

We store, transmit and process our end customers' data. If any unauthorized access to or security breach of our solutions occurs, or is believed to have occurred, such an event or perceived event could result in the loss of data, loss of intellectual property or trade secrets, loss of business, severe reputational or brand damage adversely affecting end customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, and penalties for violation of privacy, data protection and other applicable laws, regulations or contractual obligations. We may also be subject to significant costs for remediation that may include liability for stolen assets or information and repair of system damage that may have been caused or incentives offered to end customers or other business partners in an effort to maintain business relationships after a breach and other liabilities. Additionally, any such event or perceived event could impact our reputation, harm customer confidence, hurt our sales and expansion into new markets or cause us to lose existing end customers. We could be required to expend significant capital and other resources to alleviate problems caused by such actual or perceived breaches and to remediate our systems, we could be exposed to a risk of loss, litigation or regulatory action and possible liability, and our ability to operate our business may be impaired. Additionally, actual, potential or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants.

Additionally, we depend upon our employees to appropriately handle confidential data and deploy our IT resources in a safe and secure fashion that does not expose our network systems, or those of our end customers, to security breaches and the loss of data. Accordingly, if our cybersecurity systems and measures or those of our contractors, partners and vendors fail to protect against unauthorized access, sophisticated cyberattacks and the mishandling of data by our employees, contractors, partners or vendors, our business and prospects could be adversely affected. We could lose or suffer the exposure of sensitive data regarding our business, including intellectual property or other proprietary data, or personally identifiable information of our end customers, employees and business partners; encounter disruptions in our communications systems that impair our ability to conduct our business operations; and experience degradation in our ability to process customer orders or deliver solutions, affecting our distribution channels and delaying our revenue recognition. Likewise, security vulnerabilities could be exploited or introduced into our solutions, thereby damaging the reputation and perceived reliability and security of our products and services and potentially making the data systems of our end customers vulnerable to further data loss and cyber incidents.

In addition, if the security measures of our end customers are compromised, even without any actual compromise of our own systems or of our solutions used by such end customers, we may face negative publicity or reputational harm if our end customers or anyone else incorrectly attributes the blame for such security breaches to us or our solutions. If end customers believe that our solutions do not provide adequate security for the storage of personal or other sensitive or proprietary information or the transmission of such information over the internet, our business will be harmed. End customers' concerns about security or privacy may deter them from using our solutions for activities that involve personal or other sensitive information, which may significantly affect our business and operating results.

Because the techniques used and vulnerabilities exploited to obtain unauthorized access or to sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or vulnerabilities or implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period.

We are dependent on the continued availability of the Internet and third-party computer and communications systems.

Our ability to provide services and solutions to our end customers depends on our ability to communicate with our end customers through the public Internet and electronic networks that are owned and operated by third parties. In addition, in order to provide customer service and sales on-demand and promptly, our computer equipment and network servers must be functional 24 hours per day, which requires access to telecommunications facilities managed by third parties and the availability of electricity, which we do not control. A severe disruption of one or more of these networks, including as a result of utility or third-party system interruptions, could impair our ability to process information, which could impede our ability to provide services to our end customers, harm our reputation, result in a loss of end customers and adversely affect our business and operating results.

Our estimates of end customer cost savings may not be indicative of the actual benefits that end customers experience in the future.

We have based our estimates of the cost savings that end customers may experience on our internal models, which depend on a variety of assumptions, including publicly-available industry data, our estimates of spending on IT and our industry experience. These assumptions may turn out to be incorrect, may not reflect the specific circumstances faced by an end customer or could change over time due to a variety of factors, including our assumptions regarding the costs of third-party equipment, software licenses, services, support offerings and IT administration may change over time, may not accurately reflect current market trends or may not accurately reflect the actual costs faced by our end customers; the prices of our solutions may change; technological changes could render the need for some equipment obsolete; and competitors may offer more favorable pricing or bundle some components together with other products, reducing the cost of the infrastructures or solutions against which we have made our comparisons. As a result, end customers may not experience these estimated cost savings, and the failure of many of them to do so could harm our brand or our future sales, which could harm our business.

We have expanded and may further expand through acquisitions of, or investments in, other companies, each of which may divert our management's attention, resulting in additional dilution to our stockholders and consumption of resources that are necessary to sustain and grow our business.

Our business strategy may, from time to time, include acquiring other complementary products, technologies or businesses. For example, in April 2018 we acquired Minjar, Inc. and Netsil Inc., in August 2016, we acquired Calm.io Pte. Ltd. ("Calm"), and in September 2016, we acquired PernixData, Inc. ("PernixData"). We also may enter into relationships with other businesses in order to expand our solutions, which could involve preferred or exclusive licenses, additional channels of distribution or discount pricing or investments in other companies. Negotiating these transactions can be time-consuming, difficult and expensive, 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 can make no assurance that these transactions once undertaken and announced, will close.

These kinds of acquisitions or investments may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel or operations of companies that we may acquire, particularly if the key personnel of the acquired business choose not to work for us. We may have difficulty retaining the customers of any acquired business or the acquired technologies or research and development expectations may prove unsuccessful. Acquisitions may also disrupt our ongoing business, divert our resources and require significant management attention that would otherwise be available for development of our business. We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. Any acquisition or investment could expose us to unknown liabilities. Moreover, we cannot assure you that the anticipated benefits of any acquisition or investment would be realized or that we would not be exposed to unknown liabilities. In connection with these types of 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 investments could adversely affect our business, operating results, financial condition and prospects.

Regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain metals used in the manufacturing of our solutions.

We are subject to the requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), that will require us to perform due diligence, disclose and report whether our solutions contain conflict minerals. The U.S. government has indicated that the Dodd-Frank Act will be under further scrutiny and some of the provisions of the Dodd-Frank Act may be revised, repealed or amended, and, in April 2017, the SEC announced that it was suspending enforcement of portions of the conflict minerals regulations enacted under the Dodd-Frank Act following a ruling by the U.S. Court of Appeals for the District of Columbia Circuit. The implementation of these requirements and any changes effected by the U.S. government's implementation of these requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our appliances. In addition, we will incur additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of conflict minerals that may be used in or necessary to the production of our appliances and, if applicable, potential changes to appliances, processes or sources of supply as a consequence of such verification activities. It is also possible that we may face reputational harm if we determine that certain of our appliances contain minerals not determined to be conflict-free or if we are unable to alter our appliances, processes or sources of supply to avoid use of such materials.

Risks Related to the Notes

We may not have the ability to raise the funds necessary to settle conversions of the Notes in cash or to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.

Holders of the Notes will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change before the maturity date at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest, if any. In addition, upon conversion of the Notes, unless we elect to deliver solely shares of our Class A common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. Moreover, we will be required to repay the Notes in cash at their maturity unless earlier converted or repurchased. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered therefor or pay cash with respect to Notes being converted or at their maturity.

In addition, our ability to repurchase Notes or to pay cash upon conversions of Notes or at their maturity may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase Notes at a time when the repurchase is required by the indenture or to pay cash upon conversions of Notes or at their maturity as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. Moreover, the occurrence of a fundamental change under the indenture could constitute an event of default under any such agreement. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness or to pay cash amounts due upon conversion, upon required repurchase or at maturity of the Notes.

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

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

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

Under Accounting Standards Codification 470-20, Debt with Conversion and Other Options ("ASC 470-20"), an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer’s economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders’ equity on our consolidated balance sheet at the issuance date and the value of the equity component would be treated as debt discount for purposes of accounting for the debt component of the Notes. As a result, we are required to record a non-cash interest expense as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes. We will report larger net losses (or lower net income) in our financial results because ASC 470-20 will require interest to include the amortization of the debt discount, which could adversely affect our reported or future financial results or the trading price of our Class A common stock.

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

The convertible note hedge and warrant transactions may affect the value of the Notes and our Class A common stock.

In connection with the pricing of the Notes, we entered into convertible note hedge transactions with one or more of the initial purchasers of the Notes and/or their respective affiliates or other financial institutions, or the option counterparties. We also entered into warrant transactions with the option counterparties pursuant to which we will sell warrants for the purchase of our Class A common stock. The convertible note hedge transactions are expected generally to reduce the potential dilution upon any conversion of Notes and/or offset any cash payments we are required to make in excess of the principal amount upon conversion of any Notes. The warrant transactions could separately have a dilutive effect to the extent that the market price per share of our Class A common stock exceeds the strike price of the warrants.

The option counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A common stock and/or purchasing or selling our Class A common stock in secondary market transactions prior to the maturity of the Notes (and are likely to do so during any observation period related to a conversion of Notes or following any repurchase of Notes by us on any fundamental change repurchase date or otherwise). This activity could also cause or avoid an increase or a decrease in the market price of our Class A common stock. In addition, if any such convertible note hedge and warrant transactions fail to become effective, the option counterparties may unwind their hedge positions with respect to our Class A common stock, which could adversely affect the value of our Class A common stock.

The potential effect, if any, of these transactions and activities on the market price of our Class A common stock will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our Class A common stock.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

The option counterparties will be financial institutions or affiliates of financial institutions, and we will be subject to the risk that one or more of such option counterparties may default under the convertible note hedge transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If any option counterparty becomes subject to bankruptcy or other insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with that option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in our Class A common stock market price and in the volatility of the market price of our Class A common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and dilution with respect to our Class A common stock. We can provide no assurance as to the financial stability or viability of any option counterparty.

Risks Related to Ownership of Our Class A Common Stock

The market price of our Class A common stock may be volatile and may decline.

The market price of our Class A common stock has fluctuated and may continue to fluctuate substantially. The market price of our Class A common stock depends on a number of factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our Class A common stock. Factors that could cause fluctuations in the market price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of high technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- failure of financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, including as a result of our recently announced plan to transition our business to focus on more software-only transactions, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- announcements by us or our competitors of new products or new or terminated significant contracts, commercial relationships or capital commitments;
- public analyst or investor 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 or fluctuations in our operating results;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- actual or threatened 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 our solutions, or third-party proprietary rights;
- rumored, announced or completed acquisitions of businesses 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 major changes in our management or our board of directors;
- general economic conditions and slow or negative growth of our markets; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our Class A common stock, regardless of our actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market prices of a particular company's securities, securities class action litigation has often been instituted against that company. Securities litigation, if instituted against us, could result in substantial costs and divert our management's attention and resources from our business. This could have an adverse effect on our business, operating results and financial condition.

Sales of substantial amounts of our Class A common stock in the public markets, or the perception that they might occur, could reduce the price that our Class A common stock might otherwise attain and may dilute your voting power and your ownership interest in us.

Sales of a substantial number of shares of our Class A common stock in the public markets, particularly sales by our directors, executive officers and significant stockholders, or the perception that these sales could occur, could adversely affect the market price of our Class A common stock.

We have reserved a substantial number of shares of our Class A common stock for issuance upon vesting or exercise of our equity compensation plans, upon conversion of the Notes and in relation to warrant transactions we entered into in connection with the pricing of the Notes.

In addition, certain holders of our Class B common stock are entitled to rights with respect to registration of these shares under the Securities Act of 1933, as amended, pursuant to our Amended and Restated Investors' Rights Agreement. If such holders exercise their registration rights and sell a large number of shares, they could adversely affect the market price for our Class A common stock. We have also registered the offer and sale of all shares of Class A and Class B common stock that we may issue under our equity compensation plans.

We may also issue our shares of Class A common stock or additional securities convertible into shares of our Class A common stock from time to time in connection with a financing, acquisition, investments or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the market price of our Class A common stock to decline.

The dual class structure of our common stock as contained in our charter documents has the effect of concentrating voting control with a limited number of stockholders that held our stock prior to our IPO, including our directors, executive officers, and employees and their affiliates, and significant stockholders, which will limit your ability to influence corporate matters.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. As of April 30, 2018, stockholders who hold shares of Class B common stock, including our investors and our directors, executive officers, and employees, and their affiliates, together hold a significant majority of the voting power of our outstanding capital stock. As a result, for the foreseeable future, such stockholders will have significant influence over the management and affairs of our company and over the outcome of all matters submitted to our stockholders for approval, including the election of directors and significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets.

In addition, the holders of Class B common stock collectively will continue to control all matters submitted to our stockholders for approval even if their stock holdings represent less than 50% of the outstanding shares of our common 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 so long as the shares of Class B common stock represent at least 9.1% of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common stock could be adversely affected. These holders of our Class B common stock may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests, and, unless earlier converted at the election of the holders of 67% of our outstanding Class B common stock, our amended and restated certificate of incorporation provides for a dual class stock structure for 17 years following the completion of our IPO.

Future transfers, whether or not for value, by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers affected for estate planning purposes. The conversion of shares of our Class B common stock into shares of our Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If one or more significant holders of our Class B common stock decides to convert or sell their shares, it could result in a different group of Class B common stock holders having the power to exert significant influence over our company, which may or may not align with the strategy and direction set by our management. Any such changes could adversely affect the market 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.

For so long as we remain an "emerging growth company" as defined in the in the Jumpstart Our Business Startups Act ("JOBS Act"), we may take advantage of certain exemptions from various requirements that are applicable to public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may take advantage of these exemptions until we are no longer an emerging growth company, which we expect will occur as of the end of our current fiscal year. We would cease to be an emerging growth company upon the earliest to occur of: (i) the first fiscal year following the fifth anniversary of our IPO; (ii) the first fiscal year after our annual gross revenue is $1.07 billion or more; (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt securities; or (iv) as of the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million as of the end of the second quarter of that fiscal year. We cannot predict if investors will find our Class A common stock less attractive because we may rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

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

We are subject to the reporting and corporate governance requirements of the Exchange Act, the listing requirements of the NASDAQ Global Select Market and other applicable securities rules and regulations, including the Sarbanes-Oxley Act and the Dodd-Frank Act. 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, particularly after we are no longer an "emerging growth company" as defined in the JOBS Act. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and results of operations and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business, financial condition, results of operations and prospects. Although we have already hired additional employees to help comply with these requirements, we may need to further expand our legal and finance departments in the future, which will increase our costs and 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 resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expense 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, regulatory authorities may initiate legal proceedings against us and our business and prospects may be harmed. As a result of our required public disclosures of information, our business and financial condition are more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, results of operations and prospects could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, financial condition, results of operations and prospects.

In addition, as a result of our disclosure obligations as a public company, we will have reduced strategic flexibility and will be under pressure to focus on short-term results, which may adversely affect our ability to achieve long-term profitability.

If financial or industry analysts do not publish research or reports about our business, if they have a difficulty understanding the changes to our business model, or if they issue inaccurate or unfavorable research regarding our Class A common stock, our stock price and trading volume could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts or the content and opinions included in their reports. As a new public company, we may be slow to attract research coverage and the analysts who publish information about our Class A common stock will have had relatively little experience with our company. In addition, we are in a period of transition intended to focus our business on more software-only transactions, which analysts may not have historically reflected, or may not accurately in the future reflect, in their research. The foregoing factors could affect analysts' ability to accurately forecast our results and make it more likely that we fail to meet their estimates. In the event we obtain industry or financial analyst coverage, if any of the analysts who cover us issue an inaccurate or unfavorable opinion regarding our stock price, our stock price would likely decline. In addition, the stock prices of many companies in the high technology industry have declined significantly after those companies have failed to meet, or often times significantly exceeded, the financial guidance publicly announced by the companies or the expectations of analysts. If our financial results fail to meet (or significantly exceed) our announced guidance or the expectations of analysts or public investors, analysts could downgrade our Class A common stock or publish unfavorable research about us. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

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

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- our amended and restated certificate of incorporation provides for a dual class common stock structure for 17 years following the completion of our IPO;
- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- upon the conversion of our Class A common stock and Class B common stock into a single class of common stock, the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- upon the conversion of our Class A common stock and Class B common stock into a single class of common stock, a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of our board of directors, our lead independent director, our president, our secretary or a majority vote of our board of directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement for the affirmative vote of holders of at least 66 2⁄3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the issuance of preferred stock and management of our business or our amended and restated bylaws, which may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt;
- the ability of our board of directors, by majority vote, to amend our amended and restated bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend our amended and restated bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may 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 us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time.

We believe our long-term value as a company will be greater if we focus on growth, which may negatively impact our profitability in the near term.

Part of our business strategy is to primarily focus on our long-term growth. As a result, our profitability may be lower in the near term than it would be if our strategy was to maximize short-term profitability. Expenditures on expanding our research and development efforts, sales and market efforts, infrastructure and other such investments may not ultimately grow our business or cause long-term profitability. If we are ultimately unable to achieve profitability at the level anticipated by analysts and our stockholders, our stock price may decline.

We do not intend to pay dividends in the foreseeable future. As a result, your ability to achieve a return on your investment will depend on appreciation in the price of our Class A common stock.

We have never declared or paid any cash dividends on our Class A common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our Class A common stock in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

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

a) Unregistered Sales of Equity Securities

See the descriptions in Item 3.02 of the Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on March 12, 2018.

b) Use of Proceeds from Public Offering of Common Stock

Our initial public offering ("IPO") of Class A common stock was effected through Registration Statements on Form S-1 (File Nos. 333-208711 and 333-213876), which were declared or became effective on September 29, 2016. There has been no material change in the use of proceeds from our IPO as described in our final prospectus filed with the SEC pursuant to Rule 424(b) of the Securities Act of 1933, as amended, and other periodic reports previously filed with the SEC.

Purchases of Equity Securities by the Issuer

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See the Exhibit Index below for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

EXHIBIT INDEX

		Incorporated by Reference				
Number	**Exhibit Title**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed Herewith**
3.1	Amended and Restated Certificate of Incorporation	10-Q	001-37883	3.1	12/8/2016	
3.2	Amended and Restated Bylaws	S-1/A	333-208711	3.4	5/27/2016	
10.1	Sixth Amendment to the Office Lease dated as of January 29, 2018, by and between the Company and Hudson 1740 Technology, LLC					X
10.2	Seventh Amendment to the Office Lease dated as of April 4, 2018, by and between the Company and Hudson 1740 Technology, LLC					X
10.3	Fourth Amendment to the Office Lease dated as of April 4, 2018, by and between the Company and Hudson Metro Plaza, LLC					X
10.4	Office Lease dated as of April 4, 2018, by and between the Company and Hudson Concourse, LLC					X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*					X
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.	XBRL Taxonomy Extension Definition					X
101.	XBRL Taxonomy Extension Label Linkbase					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

* These exhibits are furnished with this Quarterly Report on Form 10-Q and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of Nutanix, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filings.

SIGNATURES

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

Date: June 12, 2018

/s/ Duston M. Williams
Duston M. Williams
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1

SIXTH AMENDMENT

THIS SIXTH AMENDMENT (this **"Sixth Amendment")** is made and entered into as of January 29, 2018, by and between **HUDSON 1740 TECHNOLOGY, LLC, a Delaware Limited Liability Company ("Landlord"),** and **NUTANIX, INC., a Delaware corporation ("Tenant").**

RECITALS

A. Landlord (as successor in interest to CA-1740 Technology Drive Limited Partnership, a Delaware limited partnership) and Tenant are parties to that certain lease dated August 5, 2013 (the **"Original Lease"),** as previously amended by that certain First Amendment dated October 9, 2013 **("First Amendment"),** by that certain Second Amendment dated April 17, 2014 **("Second Amendment"),** by that certain Third Amendment dated October 13, 2014 **("Third Amendment"),** by that certain Fourth Amendment dated March 23, 2015 **("Fourth Amendment"),** by that certain Fifth Amendment dated July 28, 2016 (the **"Fifth Amendment"),** and by that certain Confirmation Letter dated April 11, 2017 (as amended, the **"Lease").** Pursuant to the Lease, Landlord has leased to Tenant space currently containing a total of approximately **148,325** rentable square feet (the **"Premises")** described as Suite Nos. 150, 200, 270, 280, 290, 310, 320, 400, 500, 510, 530 and 600 of the building commonly known as 1740 Technology Drive located at 1740 Technology Drive, San Jose, California 95110 (the **"Building").**

B. The parties wish to expand the Premises (defined in the Lease) to include additional space containing approximately **8,475** rentable square feet described as Suite No. 210 on the second (2nd) floor of the Building and shown on **Exhibit A** attached hereto (the **"Expansion Space"),** on the following terms and conditions.

NOW, THEREFORE, in consideration of the above recitals which by this reference are incorporated herein, the mutual covenants and conditions contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Expansion.**

1.1 **Effect of Expansion.** Effective as of the Expansion Effective Date (defined in Section 1.2 below), the Premises shall be increased from 148,325 rentable square feet to 156,800 rentable square feet on by the addition of the Expansion Space, and, from and after the Expansion Effective Date, the Existing Premises and the Expansion Space shall collectively be deemed the Premises. The term of the Lease for the Expansion Space (the **"Expansion Term")** shall commence on the Expansion Effective Date and, unless sooner terminated in accordance with the Lease, end on October 31, 2021. From and after the Expansion Effective Date, the Expansion Space shall be subject to all the terms and conditions of the Lease except as provided herein. Except as may be expressly provided herein, (a) Tenant shall not be entitled to receive, with respect to the Expansion Space, any allowance, free rent or other financial concession granted with respect to the Existing Premises, and (b) no representation or warranty made by Landlord with respect to the Existing Premises shall apply to the Expansion Space.

1.2 **Expansion Effective Date.** As used herein, **"Expansion Effective Date"** means February 16, 2018; provided, however, that if Landlord fails to deliver vacant possession of the Expansion Space to Tenant on or before the date described in the preceding clause as a result of any holdover or unlawful possession by another party or for any other reason, the Expansion Effective Date shall be the date on which Landlord delivers vacant possession of the Expansion Space to Tenant free from occupancy by any party; provided Tenant acknowledges that the existing tenant will

be leaving its furniture and IT/Communications cabling in the Expansion Space. Any such delay in the Expansion Effective Date shall not subject Landlord to any liability for any loss or damage resulting therefrom. If the Expansion Effective Date is delayed, the Expansion Term shall not be similarly extended.

1.3 **Confirmation Letter.** At any time after the Expansion Effective Date, Landlord may deliver to Tenant a notice substantially in the form of **Exhibit B** attached hereto, as a confirmation of the information set forth therein. Tenant shall execute and return (or, by written notice to Landlord, reasonably object to) such notice within five (5) days after receiving it.

2. **Base Rent.** With respect to the Expansion Space during the Expansion Term, the schedule of Base Rent shall be as follows:

Period during Expansion Term	Annual Rate Per Square Foot (rounded to the nearest 100th of a dollar)	Monthly Base Rent
2/16/2018 - 8/31/2018	$39.55	$27,933.60*
9/1/2018 - 8/31/2019	$40.74	$28,771.61
9/1/2019- 8/31/2020	$41.96	$29,634.76
9/1/2020 - 8/31/2021	$43.22	$30,523.80
9/1/2021-10/31/2021	$44.52	$31,439.51
*Prorated to $12,969.17 for the partial month of February 2018 (13 days).		

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease.

Notwithstanding the foregoing, Base Rent for the Expansion Space shall be abated in the amount of $27,933.60 per month for the months of March, April, May, and June of 2018; provided, however, that if a Default exists when any such abatement would otherwise apply, such abatement shall be deferred until the date, if any, on which such Default is cured.

In addition, and notwithstanding the foregoing, Tenant's Share of the Expense Excess and the Tax Excess (as such terms are defined in Section 4.1 of the Original Lease) for the Expansion Space shall be abated in the estimated amount of $42.69 per month for the Expense Excess and $56.27 per month for the Tax Excess, for the months of March, April, May, and June of 2018; provided, however, that if a Default exists when any such abatement would otherwise apply, such abatement shall be deferred until the date, if any, on which such Default is cured.

3. **Additional Security Deposit.** Upon Tenant's execution hereof, Tenant shall pay Landlord the sum of $31,439.51, which shall be added to and become part of the Security Deposit held by Landlord pursuant to Section 21 of the Original Lease. Accordingly, simultaneously with the execution hereof, the Security Deposit is hereby increased from $436,979.53 to $468,419.04.

4. **Tenant's Share.** With respect to the Expansion Space during the Expansion Term, Tenant's Share shall be 4.0966%.

5. **Expenses and Taxes.** With respect to the Expansion Space during the Expansion Term, Tenant shall pay for Tenant's Share of Expenses and Taxes in accordance with the terms of the Lease; provided, however, that, with respect to the Expansion Space during the Expansion Term, the Base Year for Expenses and Taxes shall be 2016.

6. **Condition of the Expansion Space.**

6.1 **Configuration and Condition of Expansion Space.** Tenant acknowledges that it has inspected

the Expansion Space and agrees to accept it in its existing configuration and condition (or in such other configuration and condition as any existing tenant of the Expansion Space may cause to exist in accordance with its lease), without any representation by Landlord regarding its configuration or condition and without any obligation on the part of Landlord to perform or pay for any alteration or improvement, except as may be otherwise expressly provided in this Sixth Amendment. Notwithstanding the foregoing, Landlord shall waive any rights it may have under its lease with the existing tenant of the Expansion Space to require such tenant to perform or pay for any removal or replacement of any leasehold improvements, furniture, and IT/Communications cabling systems, existing in the Expansion Space on the date hereof.

6.2 **Responsibility for Improvements to Premises.** Any improvements to the Expansion Space performed by Tenant shall be paid for by Tenant and performed in accordance with the terms of the Lease.

6.3 **Package HVAC Units.** In the event Tenant desires to utilize any existing dedicated heating, ventilation and air conditioning units **("Package Units")** within the Expansion Space, or installs, as an Alteration, new Package Units within the Expansion Space, the plans and specifications for any Package Units shall be subject to Landlord's reasonable approval. If Tenant elects to utilize or install Package Units within the Expansion Space, Tenant shall also install, at Tenant's sole cost and expense, separate meters or at Landlord's option, sub-meters, in order to measure the amount of electricity furnished to such Package Units and Tenant shall be responsible for Landlord's actual cost of supplying electricity to such units as reflected by such meters or sub-meters, which amounts shall be payable on a monthly basis as Additional Rent. Tenant shall be responsible for maintenance and repair of the Package Units pursuant to Section 25.5 of the Lease and such units may be subject to removal by Tenant upon the expiration or earlier termination of the Lease pursuant to Section 25.5 of the Lease.

7. **Extension Option.** Landlord and Tenant hereby acknowledge and agree that under the Lease, Tenant's lease of the Premises expires on March 31, 2021, and that under the Lease, as amended by this Sixth Amendment, Tenant's lease of the Expansion Space expires on October 31, 2021. Accordingly, in the event Tenant exercises right to further extend the term of the Lease for one (1) additional period of three (3) years under the terms and conditions of Section 6 of the Fifth Amendment (referencing Section 7 of the Fourth Amendment), such three (3)-year extension period shall run from April **1,** 2021 through March 31, 2024 for the Premises and from November 1, 2021 through March 31, 2024 for the Expansion Space.

8. **Right of First Offer.** The Right of First Offer with respect to the Expansion Space contained in Section 7.l(A)(ii) of the Fifth Amendment shall no longer apply.

9. **Other Pertinent Provisions.** Landlord and Tenant agree that, effective as of the date of this Sixth Amendment, the Lease shall be amended in the following additional respects.

9.1 **Energy Usage.** If Tenant (or any party claiming by, through or under Tenant) pays directly to the provider for any energy consumed at the Building, Tenant, promptly upon request, shall deliver to Landlord (or, at Landlord's option, execute and deliver to Landlord an instrument enabling Landlord to obtain from such provider) any data about such consumption that Landlord, in its reasonable judgment, is required for benchmarking purposes or to disclose to a prospective buyer, tenant or mortgage lender under any applicable law.

9.2 **California Civil Code Section 1938.** Pursuant to California Civil Code§ 1938, Landlord hereby states that the Expansion Space has not undergone inspection by a Certified Access Specialist (CASp) (defined in California Civil Code§ 55.52).

Accordingly, pursuant to California Civil Code § 1938(e), Landlord hereby further states as follows: "A Certified Access Specialist (CASp) can inspect the subject premises and determine

whether the subject premises comply with all of the applicable construction related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises".

In accordance with the foregoing, Landlord and Tenant agree that if Tenant requests a CASp inspection of the Expansion Space, then Tenant shall pay (i) the fee for such inspection, and (ii) the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Expansion Space.

9.3 **The Suite 300 Must Take Space.** Prior to the Suite 300 Expansion Effective Date, Landlord shall deliver to Tenant an amendment (the **"Suite 300 Amendment")** adding the Suite 300 Must Take Space to the Lease upon the same non-economic terms and conditions as applicable to the Premises, and the economic terms and conditions as provided in Section 12 of the Fifth Amendment. Tenant shall execute and deliver the Suite 300 Amendment to Landlord within 15 days after receiving it, but Tenant's lease of the Suite 300 Must Take Space shall be fully effective whether or not the Suite 300 Amendment is executed.

9.4 **The Suite 550 Must Take Space.** Prior to the Suite 550 Expansion Effective Date, Landlord shall deliver to Tenant an amendment (the **"Suite 550 Amendment")** adding the Suite 550 Must Take Space to the Lease upon the same non-economic terms and conditions as applicable to the Premises, and the economic terms and conditions as provided in Section 13 of the Fifth Amendment. Tenant shall execute and deliver the Suite 550 Amendment to Landlord within 15 days after receiving it, but Tenant's lease of the Suite 550 Must Take Space shall be fully effective whether or not the Suite 550 Amendment is executed.

10. **Surrender.** Upon the expiration or earlier termination of the Lease, Tenant shall surrender possession of the Expansion Space to Landlord in accordance with the terms and conditions of Section 15 of the Original Lease. For avoidance of doubt, no leasehold improvements existing in the Expansion Space on the date of this Amendment shall be deemed to be Tenant-Insured Improvements that Tenant shall be required to remove under Section 8 of the Lease; provided Tenant shall be obligated to remove its furniture, and IT/Communications cabling, including, without limitation any such furniture and IT/Communications cabling originally belonging to the existing tenant referenced in Section 6.1 above.

11. **Parking.** During the Expansion Term with respect to the Expansion Space, Tenant shall be entitled to use an additional thirty-two (32) unreserved parking spaces in the Parking Facility in accordance with the terms of the Lease.

12. **Contingency.** The parties acknowledge and agree that this Sixth Amendment is contingent upon Landlord's negotiation and execution of a termination agreement on terms and conditions acceptable to Landlord with the current tenant of the Expansion Space on or before February 1, 2018.

13. **Miscellaneous.**

13.1 This Sixth Amendment and the attached exhibits, which are hereby incorporated into and made a part of this Sixth Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Tenant shall not be entitled, in connection with entering into this Sixth Amendment, to any free rent, allowance, alteration, improvement or similar economic incentive to which Tenant may have been entitled in connection with entering into the Lease, except as may be

otherwise expressly provided in this Sixth Amendment.

13.2 Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.

13.3 In the case of any inconsistency between the provisions of the Lease and this Sixth Amendment, the provisions of this Sixth Amendment shall govern and control.

13.4 Submission of this Sixth Amendment by Landlord is not an offer to enter into this Sixth Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Sixth Amendment until Landlord has executed and delivered it to Tenant.

13.5 Capitalized terms used but not defined in this Sixth Amendment shall have the meanings given in the Lease.

13.6 Tenant shall indemnify and hold Landlord, its trustees, members, principals, beneficiaries, partners, officers, directors, employees, mortgagee(s) and agents, and the respective principals and members of any such agents harmless from all claims of any brokers in connection with this Sixth Amendment. Tenant acknowledges that any assistance rendered by any agent or employee of any affiliate of Landlord in connection with this Sixth Amendment has been made as an accommodation to Tenant solely in furtherance of consummating the transaction on behalf of Landlord, and not as agent for Tenant.

13.7 Landlord acknowledges that no Security Agreement (as defined in Article 17 of the Original Lease) exists on the date hereof.

13.8 This Sixth Amendment may be executed in any number of duplicate originals, all of which shall be of equal legal force and effect. Additionally, this Sixth Amendment may be executed in counterparts, but shall become effective only after each party has executed a counterpart hereof; all said counterparts when taken together, shall constitute the entire single agreement between the parties. This Sixth Amendment may be executed by a party's signature transmitted by portable document format ("pdf') or email or by a party's electronic signature (collectively, "pdf Signatures"), and copies of this Sixth Amendment executed and delivered by electronic means or originals of this Sixth Amendment executed by pdf Signature shall have the same force and effect as copies hereof executed and delivered with original wet signatures. All parties hereto may rely upon emailed or pdf Signatures as if such signatures were original wet signatures. Any party executing and delivering this Sixth Amendment by pdf or email shall promptly thereafter deliver a counterpart signature page of this Sixth Amendment containing said party's original signature. All parties hereto agree that a pdf or emailed signature page or a pdf Signature may be introduced into evidence in any proceeding arising out of or related to this Sixth Amendment as if it were an original wet signature page.

[SIGNATURES ARE ON FOLLOWING PAGE]

IN **WITNESS WHEREOF,** Landlord and Tenant have duly executed this Sixth Amendment as of the day and year first above written.

LANDLORD:

HUDSON 1740 TECHNOLOGY, LLC,
a Delaware limited liability company

By: Hudson Pacific Properties, L.P., a Maryland limited partnership, its sole member

By: Hudson Pacific Properties, Inc., a Maryland corporation,
its general partner

By: /s/ Mark T. Lammas

Name: Mark T. Lammas

Title: Chief Operating Officer, Chief Financial Officer and Treasurer.

TENANT:

NUTANIX, INC., a Delaware Corporation

BY: /s/ Duston Williams
Name: Duston Williams
Title: Chief Financial Officer

EXHIBIT "A"

THE EXPANSION SPACE

[GRAPHIC]

EXHIBIT "B"

CONFIRMATION LETTER

,20_

To:

Re: Office Lease (the **"Lease")** dated 20_, between
a **("Landlord"),** and
a **("Tenant"),** concerning Suite on
the floor of the building located at California.

Dear

In accordance with the Lease, Tenant accepts possession of the Premises and confirms the following:

1. The Commencement Date is and the Expiration Date is

2. The exact number of rentable square feet within the Premises is square feet, subject to Section 2.1.1 of the Lease.

3. Tenant's Share, based upon the exact number of rentable square feet within the Premises, is %, subject to Section 2.1.1 of the Lease.

Please acknowledge the foregoing by signing all three (3) counterparts of this letter in the space provided below and returning two (2) fully executed counterparts to my attention.

"Landlord":

By:
Name:
Title:

Agreed and Accepted as of ,20_.

"Tenant":

_____

By:
Name:
Title:

Exhibit 10.2

SEVENTH AMENDMENT
(1740 TECHNOLOGY DRIVE)

THIS SEVENTH AMENDMENT (this "**Seventh Amendment**") is made and entered into as of April 4, 2018, by and between **HUDSON 1740 TECHNOLOGY, LLC, a Delaware limited liability company** ("**Landlord**"), and **NUTANIX, INC., a Delaware corporation** ("**Tenant**").

RECITALS

A. Landlord (as successor in interest to CA-1740 Technology Drive Limited Partnership, a Delaware limited partnership) and Tenant are parties to that certain Office Lease dated August 5, 2013 (the "**Original Lease**"), as previously amended by that certain First Amendment dated October 9, 2013 ("**First Amendment**"), by that certain Second Amendment dated April 17, 2014 ("**Second Amendment**"), by that certain Third Amendment dated October 13, 2014 ("**Third Amendment**"), by that certain Fourth Amendment dated March 23, 2015 ("**Fourth Amendment**"), by that certain Fifth Amendment dated July 28, 2016 (the "**Fifth Amendment**"), by that certain Confirmation Letter dated April 11, 2017, and by that certain Sixth Amendment dated January 29, 2018 (the "**Sixth Amendment**") (as amended, the "**Lease**"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing a total of approximately **156,800** rentable square feet (collectively, the "**Premises**") in the building commonly known as 1740 Technology Drive located at 1740 Technology Drive, San Jose, California 95110 (the "**Building**"). The Premises is comprised of (a) **148,325** rentable square feet located in Suite Nos. 150, 200, 270, 280, 290, 310, 320, 400, 500, 510, 530 and 600 (collectively, the "**Existing Premises**"), and (b) **8,475** rentable square feet located in Suite No. 210 ("**Suite 210**").

B. Landlord and Tenant hereby acknowledge and agree that under the Lease, Tenant's lease of the Existing Premises expires on March 31, 2021, and Tenant's lease of Suite 210 expires on October 31, 2021. The parties wish to extend the term of the Lease on the following terms and conditions.

C. The parties also wish to expand the Premises to include approximately **4,605** rentable square feet of additional space comprised of (i) approximately **1,365** rentable square feet described as Suite No. 205 on the second (2nd) floor of the Building and shown on **Exhibit A** attached hereto, and (ii) approximately **3,240** rentable square feet described as Suite No. 260 on the second (2nd) floor of the Building and shown on **Exhibit A** attached hereto (collectively, the "**First Expansion Space**"), on the following terms and conditions.

D. The parties also wish to expand the Premises to include additional space containing approximately **6,927** rentable square feet described as Suite No. 110 on the first (1st) floor and certain second (2nd) floor storage space containing approximately **236** rentable square feet as shown on **Exhibit B** attached hereto (collectively, the "**Second Expansion Space**"), on the following terms and conditions.

E. Pursuant to the Fifth Amendment, the Premises may be expanded to include the Suite 300 Must Take Space and the Suite 550 Must Take Space.

NOW, THEREFORE, in consideration of the above recitals which by this reference are incorporated herein, the mutual covenants and conditions contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Extension**. The term of the Lease is hereby extended through May 31, 2024 (the "**Seventh Amendment Expiration Date**"). The portion of the term of the Lease beginning on April 1, 2021 and ending on the Seventh Amendment Expiration Date shall be referred to herein as the "**Seventh Amendment Extended Term**."

2. **The Existing Premises and Suite 210.**

2.1 **Base Rent**. During the Seventh Amendment Extended Term, the schedule of Base Rent for the Existing Premises and Suite 210 shall be as follows:

Period of the Seventh Amendment Extended Term	Annual Rate Per Square Foot (rounded to the nearest 100th of a dollar)	Monthly Base Rent
4/1/2021 - 10/31/2021*	$43.01	$531,621.52
11/1/2021 -3/31/2022	$43.01	$561,997.33
4/1/2022 - 3/31/2023	$44.30	$578,857.25
4/1/2023 - 3/31/2024	$45.63	$596,222.97
4/1/2024 - 5/31/2024	$47.00	$614,109.66

*Please note that in the table above, the Base Rent for the period from 4/1/21 through 10/31/2021 is calculated for the Existing Premises only (148,325 rentable square feet), and not including the 8,475 rentable square feet contained in Suite 210, as the Base Rent for Suite 210 during such period will continue to be governed by Section 2 of the Sixth Amendment. For the period from and after 11/1/2021, the calculations in this Section 2.1 include the Base Rent for both the Existing Premises and Suite 210 (*i.e.*, a total of 156,800 rentable square feet).

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease. Notwithstanding the foregoing, Base Rent for the Existing Premises only shall be abated, in the amount of $531,621.52, for the month of April 2021; provided, however, that if a Default exists when any such abatement would otherwise apply, such abatement shall be deferred until the date, if any, on which such Default is cured.

2.2 **Expenses and Taxes**.

A. From and after April 1, 2021 and continuing during the Seventh Amendment Extended Term, Tenant shall pay Tenant's Share of Expenses and Taxes for the Existing Premises in accordance with the terms of the Lease; provided, however, that from and after April 1, 2021, the Base Year for the Existing Premises shall be 2021.

B. From and after November 1, 2021 and continuing during the Seventh Amendment Extended Term, Tenant shall pay Tenant's Share of Expenses and Taxes for Suite 210 in accordance with the terms of the Lease; provided, however, that from and after November 1, 2021, the Base Year for Suite 210 shall be 2021.

2.3 **Improvements to the Existing Premises**.

A. **Configuration and Condition of the Existing Premises**. Tenant acknowledges that it is currently, and as of the commencement of the Seventh Amendment Extended Term will be, in possession of the Existing Premises and agrees to accept them "as is" without any representation by Landlord regarding their configuration or condition and without any obligation on the part of Landlord to perform or pay for any alteration or improvement, except as may be otherwise expressly provided in this Seventh Amendment.

B. **Responsibility for Improvements to the Existing Premises**. After April 1, 2021, Tenant shall be entitled to perform additional improvements to the Existing Premises, and to receive an allowance from Landlord for such improvements, in accordance with the Work Letter attached to the Fifth Amendment as **Exhibit A**; provided that (i) the Allowance referenced in Section 1.1 of the Work Letter for the Existing Premises shall be $13.89 per rentable square foot of the Existing Premises, (ii) the reference in the last sentence of Section 1.1 of the Work Letter to "December 31, 2019" shall be replaced with a reference to "June 30, 2022" (with

regard to the Existing Premises only), and (iii) the Coordination Fee, referenced in Section 2.3 of the Work Letter shall be 1.5% of the cost of the Tenant Improvement Work.

C. **Other Modifications with respect to the Existing Premises**.

(1) The phrase "within twelve (12) months after the Suite 200 Expansion Effective Date" contained in Section 11.7(ii) of the Fifth Amendment is hereby deleted in its entirety and the phrase "on or before December 31, 2019" is substituted in lieu thereof.

(2) The phrase "within twelve (12) months after the Suite 300 Expansion Effective Date" contained in Section 12.7(ii) of the Fifth Amendment is hereby deleted in its entirety and the phrase "on or before December 31, 2019" is substituted in lieu thereof.

(3) The phrase "within twelve (12) months after the Suite 550 Expansion Effective Date" contained in Section 13.7(ii) of the Fifth Amendment is hereby deleted in its entirety and the phrase "on or before December 31, 2019" is substituted in lieu thereof.

(4) The last sentence of Section 1.1 of Exhibit "B" to the Fourth Amendment is hereby deleted in its entirety and the following is inserted in lieu thereof: "Notwithstanding any contrary provision of this Amendment, if Tenant fails to use the entire Allowance on or before December 31, 2019, the unused amount shall revert to Landlord and Tenant shall have no further rights with respect thereto."

2.4 **Improvements to Suite 210**.

A. **Configuration and Condition of Suite 210**. Tenant acknowledges that it is currently, and as of November 1, 2021 will be, in possession of Suite 210 and agrees to accept it "as is" without any representation by Landlord regarding its configuration or condition and without any obligation on the part of Landlord to perform or pay for any alteration or improvement, except as may be otherwise expressly provided in this Seventh Amendment.

B. **Responsibility for Improvements to Suite 210**. After November 1, 2021, Tenant shall be entitled to perform additional improvements to Suite 210, and to receive an allowance from Landlord for such improvements, in accordance with the Work Letter attached to the Fifth Amendment as **Exhibit A**; provided that (i) the Allowance referenced in Section 1.1 of the Work Letter shall be $11.94 per rentable square foot of Suite 210, (ii) the reference to "March 31, 2019" contained in the last sentence of Section 1.1 of the Work Letter shall be revised to refer to "June 30, 2022" (with regard to Suite 210 only), (iii) and the Coordination Fee, referenced in Section 2.3 of the Work Letter shall be 1.5% of the cost of the Tenant Improvement Work.

2.5 **Suite 300 Must Take Space and Suite 550 Must Take Space**. The terms and conditions of the Fifth Amendment shall govern in the event that the Suite 300 Must Take Space and the Suite 550 Must Take Space become part of the Premises prior to the start of the Seventh Amendment Extended Term. From and after the commencement of the Seventh Amendment Extended Term (if the Suite 300 Must Take Space and the Suite 550 Must Take Space are part of the Premises), (a) Tenant shall pay Base Rent with respect to the Suite 300 Must Take Space and the Suite 550 Must Take Space at the same then applicable annual rate per square foot as described in the rent table depicted in Section 2.1 of this Seventh Amendment (as thereafter increased annually pursuant to such rent table), and (b) the Base Year with regard to the Suite 300 Must Take Space and the Suite 550 Must Take Space shall be 2021 (effective from and after April 1, 2021).

3. **The First Expansion - Suite Nos. 205 & 260.**

3.1 **Effect of the First Expansion.** Effective as of the First Expansion Effective Date (defined in Section 3.2 below), the Premises shall be increased by the addition of the First Expansion Space (4,605 rentable square feet), and, from and after the First Expansion Effective Date, the First Expansion Space shall be deemed part of the "Premises" under the Lease, as amended hereby. The term of the Lease for the First Expansion Space (the "**First Expansion Space Term**") shall commence on the First Expansion Effective Date and, unless extended or sooner terminated in accordance with the Lease, end on May 31, 2024. From and after the First Expansion Effective Date, the First Expansion Space shall be subject to all the terms and conditions of the Lease except as provided herein. Except as may be expressly provided herein, (a) Tenant shall not be entitled to receive, with respect to the First Expansion Space, any allowance, free rent or other financial concession granted with respect to the Existing Premises or Suite 210, and (b) no representation or warranty made by Landlord with respect to the Existing Premises or Suite 210 shall apply to the First Expansion Space.

3.2 **First Expansion Effective Date.** As used herein, "**First Expansion Effective Date**" means July 1, 2018; provided, however, that if Landlord fails to deliver vacant possession of Suite No. 205 to Tenant on or before the date described in the preceding clause as a result of holdover by the current tenant, unlawful possession by another party, or for any other reason, the First Expansion Effective Date for Suite No. 205 shall be the date on which Landlord delivers vacant possession of Suite No. 205 to Tenant free from occupancy by any party. Any such delay in the First Expansion Effective Date for Suite No. 205 shall not subject Landlord to any liability for any loss or damage resulting therefrom. During the period beginning on the date of full execution and delivery of this Seventh Amendment and ending on the date immediately preceding the First Expansion Effective Date, Tenant shall have the right to use and access Suite 260 of the First Expansion Space, and, during any such period of use or access, all provisions of the Lease relating to Suite 260 of the First Expansion Space shall apply as if the First Expansion Effective Date had occurred and Tenant shall be entitled to conduct business in the Suite 260; provided, however, that during such period Tenant shall not be required to pay Base Rent or Tenant's Share of Expenses and Taxes for Suite 260.

3.3 **Base Rent.** With respect to the First Expansion Space during the First Expansion Space Term, the schedule of Base Rent shall be as follows:

Period during First Expansion Term	**Annual Rate Per Square Foot (rounded to the nearest 100th of a dollar)**	**Monthly Base Rent**
7/1/2018 - 3/31/2019	$39.36	$15,104.40
4/1/2019 - 3/31/2020	$40.54	$15,557.53
4/1/2020 - 3/31/2021	$41.76	$16,024.26
4/1/2021 - 3/31/2022	$43.01	$16,504.99
4/1/2022 - 3/31/2023	$44.30	$17,000.14
4/1/2023 - 3/31/2024	$45.63	$17,510.14
4/1/2024 - 5/31/2024	$47.00	$18,035.44

Notwithstanding the foregoing, Base Rent for the First Expansion Space shall be abated in the amount of $15,104.40 per month for the months of July and August 2018; provided, however, that if a Default exists when any such abatement would otherwise apply, such abatement shall be deferred until the date, if any, on which such Default is cured.

3.4 **Tenant's Share.** With respect to the First Expansion Space during the First Expansion Space Term, Tenant's Share shall be 2.2259%.

3.5 **Expenses and Taxes.** With respect to the First Expansion Space during the First Expansion Term, Space Tenant shall pay for Tenant's Share of Expenses and Taxes in accordance with the terms of the Lease; provided, however, that, with respect to the First Expansion Space during the First Expansion Space Term, the Base Year for Expenses and Taxes shall be 2018.

3.6 **Condition of the First Expansion Space**.

A. **Configuration and Condition of the First Expansion Space.** Tenant acknowledges that it has inspected the First Expansion Space and agrees to accept it in its existing configuration and condition (or in such other configuration and condition as any existing tenant of Suite 205 may cause to exist in accordance with its lease), without any representation by Landlord regarding its configuration or condition and without any obligation on the part of Landlord to perform or pay for any alteration or improvement, except as may be otherwise expressly provided in this Seventh Amendment

B. **Responsibility for Improvements to the First Expansion Space**. Tenant shall be entitled to perform additional improvements in the First Expansion Space, and to receive an allowance from Landlord for such improvements, in accordance with the Work Letter attached to the Fifth Amendment as **Exhibit A**; provided that (i) the Allowance referenced in Section 1.1 of the Work Letter shall be $71.00 per rentable square foot of the First Expansion Space, (ii) the reference to "March 31, 2019" contained in the last sentence of Section 1.1 of the Work Letter shall be revised to refer to "December 31, 2018", and (iii) and the Coordination Fee, referenced in Section 2.3 of the Work Letter shall be 1.5% of the cost of the Tenant Improvement Work.

C. **Suite 205 Contingency**. The parties acknowledge and agree that Landlord has previously leased Suite 205 to a third party (such party, and any successor or assignee thereto, the "**Suite 205 Existing Tenant**") for a lease term extending through June 30, 2018 ("**Suite 205 Existing Lease**"). Nothing herein shall be deemed to require Landlord to negotiate for, enter into or otherwise cause an early termination of the Suite 205 Existing Lease with respect to Suite 205. Notwithstanding the foregoing, if the Suite 205 Existing Tenant fails to surrender possession of Suite 205 by the expiration of the Suite 205 Existing Lease, then Landlord shall use commercially reasonable efforts to recover possession of Suite 205 from the Suite 205 Existing Tenant as soon thereafter as reasonably possible (including, if necessary in Landlord's reasonable judgement, by commencing and pursuing an unlawful detainer).

D. **Suite 205 Existing Improvements**. Landlord shall use commercially reasonable efforts, subject to the rights of the Suite 205 Existing Tenant under the Suite 250 Existing Lease, to schedule and perform, at least 90 days before the First Expansion Effective Date with respect to Suite 205, a walk-through of Suite 205 during which representatives of Landlord and Tenant may identify any leasehold improvements in Suite 205 that (i) Landlord may have the right, under the Suite 205 Existing Lease, to require the Suite 205 Existing Tenant to remove, and (ii) Tenant wishes not to be removed or to be removed. If Tenant provides to Landlord, at least 75 days before the First Expansion Effective Date with respect to Suite 205, a Non-Removal Notice (as defined in Section 11.10 of the Fifth Amendment) identifying any leasehold improvements in the Suite 205 that Tenant, acting on a reasonable basis, does not wish to be removed before the First Expansion Effective Date with respect to Suite 205, then Landlord shall use commercially reasonable efforts to enforce any rights it may have under the Suite 205 Existing Lease to require the Suite 205 Existing Tenant to not perform such removal obligations, or, if applicable, to waive any such rights to cause the Suite 205 Existing Tenant to perform such removal obligations. If any such improvement is not so removed, then, for all purposes under the Lease, such Non-Removal Item shall be deemed a Tenant-Insured Improvement as to which Landlord has timely notified Tenant, pursuant to Section 8 of the Original Lease, that its removal shall be required pursuant to such Section 8; provided, however, that if, when it delivers any Non-Removal Notice, Tenant specifically requests that

Landlord identify any Non-Removal Item in Suite 205 that Landlord will require to be removed pursuant to Section 8 of the Original Lease, Landlord shall do so within 10 business days after receiving such request.

3.7 **Parking**. During the First Expansion Space Term with respect to the First Expansion Space, Tenant shall be entitled to use an additional fourteen (14) unreserved parking spaces in the Parking Facility in accordance with the terms of the Lease.

4. **The Second Expansion - Suite 110 & 2nd Floor Storage Space**.

4.1 **Effect of the Second Expansion.** Effective as of the Second Expansion Effective Date (defined in Section 4.2 below), the Premises shall be increased by the addition of the Second Expansion Space (7,163 rentable square feet), and, from and after the Second Expansion Effective Date, the Second Expansion Space shall be deemed part of the "Premises" under the Lease, as amended hereby. The term of the Lease for the Second Expansion Space (the "**Second Expansion Space Term**") shall commence on the Second Expansion Effective Date (as defined in Section 4.2 below) and, unless extended or sooner terminated in accordance with the Lease, end on May 31, 2024. From and after the Second Expansion Effective Date, the Second Expansion Space shall be subject to all the terms and conditions of the Lease except as provided herein. Except as may be expressly provided herein, (a) Tenant shall not be entitled to receive, with respect to the Second Expansion Space, any allowance, free rent or other financial concession granted with respect to the Existing Premises, Suite 210, or the First Expansion Space, and (b) no representation or warranty made by Landlord with respect to the Existing Premises, Suite 210, or the First Expansion Space shall apply to the Second Expansion Space.

4.2 **Second Expansion Effective Date.** As used herein, "**Second Expansion Effective Date**" means February 1, 2020.

4.3 **Base Rent.** With respect to the Second Expansion Space during the Second Expansion Space Term, the schedule of Base Rent shall be as follows:

Period during Second Expansion Term	**Annual Rate Per Square Foot (rounded to the nearest 100th of a dollar)**	**Monthly Base Rent**
2/1/2020 - 3/31/2020	$40.54	$24,199.00
4/1/2020 - 3/31/2021	$41.76	$24,924.97
4/1/2021 - 3/31/2022	$43.01	$25,672.72
4/1/2022 - 3/31/2023	$44.30	$26,442.90
4/1/2023 - 3/31/2024	$45.63	$27,236.19
4/1/2024 - 5/31/2024	$47.00	$28,053.27

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease.

4.4 **Tenant's Share.** With respect to the Second Expansion Space during the Second Expansion Space Term, Tenant's Share shall be 3.4624%.

4.5 **Expenses and Taxes.** With respect to the Second Expansion Space during the Second Expansion Term, Space Tenant shall pay for Tenant's Share of Expenses and Taxes in accordance with the terms of the Lease; provided, however, that, with respect to the Second Expansion Space during the Second Expansion Space Term, the Base Year for Expenses and Taxes shall be 2020.

4.6 **Condition of the Second Expansion Space**.

A. **Configuration and Condition of Second Expansion Space.** Tenant acknowledges that it is currently, and as of the commencement of the Second Expansion Space Term will be, in possession of the Second Expansion Space (under the terms and conditions of a sublease) and agrees to accept them "as is" without any representation by Landlord regarding their configuration or condition and without any obligation on the part of Landlord to perform or pay for any alteration or improvement, except as may be otherwise expressly provided in this Seventh Amendment. Landlord agrees for the benefit of Tenant and the existing tenant of the Second Expansion Space (the "**Suite 110 Existing Tenant**") that Landlord will not require the Suite 110 Existing Tenant to remove or pay for the removal (or make payment in lieu of removal) of any existing alterations or improvements in the Second Expansion Space.

B. **Responsibility for Improvements to Suite 110**. Tenant shall be entitled to perform additional improvements in Suite 110, and to receive an allowance from Landlord for such improvements, in accordance with the Work Letter attached to the Fifth Amendment as **Exhibit A**; provided that (i) the Allowance referenced in Section 1.1 of the Work Letter shall be $17.78 per rentable square foot of Suite 110, (ii) the reference to "March 31, 2019" contained in Section 1.1 of the Work Letter shall be revised to refer to "December 31, 2020", and (iii) and the Coordination Fee, referenced in Section 2.3 of the Work Letter shall be 1.5% of the cost of the Tenant Improvement Work.

4.7 **Parking**. During the Second Expansion Space Term with respect to the Second Expansion Space, Tenant shall be entitled to use an additional twenty-one (21) unreserved parking spaces in the Parking Facility in accordance with the terms of the Lease.

5. **Extension Option**. Section 7 of the Sixth Amendment and Section 6 of the Fifth Amendment are hereby deleted in their entirety. Tenant shall retain the right to further extend the term of the Lease for the entire Premises for one (1) additional period of three (3) years under the terms and conditions of Section 7 of the Fourth Amendment, provided (a) all references in such Section 7 to the "Second Extended Expiration Date" shall mean and refer to the Seventh Amendment Expiration Date referenced in Section 1 above, and (b) the reference to "2018" in the last clause of Section 7.2.(B) of the Fourth Amendment shall be modified to "2024."

6. **Right of First Offer.** The right of first offer with respect to Suite 110 contained in Section 7.1(A)(i) of the Fifth Amendment shall no longer apply.

7. **Suite 250 Must Take Space.**

7.1 **Effective Date of Suite 250 Must Take.** Effective as of the Suite 250 Expansion Effective Date (defined in Section 7.2 below), the Premises shall be increased by the addition of approximately 3,198 rentable square feet described as Suite 250 on the second (2nd) floor of the Building (as more particularly shown on **Exhibit C** hereto, the "**Suite 250 Must Take Space**"). The term of the Lease for the Suite 250 Must Take Space (the "**Suite 250 Expansion Term**") shall commence on the Suite 250 Expansion Effective Date and, unless extended or sooner terminated in accordance with the Lease, end on the Seventh Amendment Expiration Date. From and after the Suite 250 Expansion Effective Date, the Suite 250 Must Take Space shall be subject to all the terms and conditions of the Lease except as provided herein. Except as may be expressly provided herein, (1) no representation or warranty made by Landlord with respect to the Premises shall apply to the Suite 250 Must Take Space, (2) Tenant shall not be entitled to receive, with respect to the Suite 250 Must Take Space, any allowance, free rent or other financial concession granted with respect to the Premises, and (3) the Suite 250 Must Take Space shall be accepted by Tenant in its configuration and condition existing on the date hereof (or, subject to Section 7.10 below, in such other configuration and condition as any existing tenant thereof may cause to exist in accordance with its lease), without any obligation of Landlord to perform or pay for any alterations to the Suite 250 Must Take Space, and without any representation or warranty regarding the configuration or condition of the Suite 250 Must Take Space.

7.2 **Suite 250 Expansion Effective Date.** As used in this Section 7, "**Suite 250 Expansion Effective Date**" means the date upon which Landlord delivers possession (if ever and pursuant to the Lease, as amended hereby) of the Suite 250 Must Take Space to Tenant free from occupancy by any party (including, without limitation, free of any such parties' personal property), which delivery date is anticipated to be no later than October 1, 2020 (for purposes of this Section 7, the "**Suite 250 Target Delivery Date**"). The adjustment of the Suite 250 Expansion Effective Date and, accordingly, the postponement of Tenant's obligation to pay rent for the Suite 250 Must Take Space shall be Tenant's sole remedy if the Suite 250 Must Take Space is not delivered to Tenant in accordance with the terms hereof as of the Suite 250 Target Delivery Date. Notwithstanding any contrary provision of the Lease, any delay or failure to deliver the Suite 250 Must Take Space shall not be a Landlord default nor subject Landlord to any liability for any loss or damage resulting therefrom or entitle Tenant to any credit, abatement or adjustment of rent or other sums payable under the Lease; provided, however, that Landlord shall not lease the Suite 250 Must Take Space to anyone other than Tenant and Landlord shall not extend the Suite 250 Existing Lease (defined below).

7.3 **Confirmation Letter.** At any time after the Suite 250 Expansion Effective Date, Landlord may deliver to Tenant a notice substantially in the form of **Exhibit F** attached hereto, as a confirmation of the information set forth therein. Tenant shall execute and return (or, by written notice to Landlord, reasonably object to) such notice within ten (10) business days after receiving it.

7.4 **Base Rent**. With respect to the Suite 250 Must Take Space, commencing on the Suite 250 Expansion Effective Date and continuing during the Suite 250 Expansion Term, Tenant shall pay Base Rent at the same then applicable annual rate per square foot as described in the rent table depicted in Section 2.1 of this Seventh Amendment (as thereafter increased annually pursuant to such rent table). Notwithstanding the foregoing, Base Rent for the Suite 250 Must Take Space shall be abated for the first (2) full months of the Suite 250 Expansion Term; provided, however, that if a Default exists when any such abatement would otherwise apply, such abatement shall be deferred until the date, if any, on which such Default is cured. All such Base Rent shall be payable monthly by Tenant in accordance with the terms of the Lease.

7.5 **Tenant's Share**. With respect to the Suite 250 Must Take Space during the Suite 250 Expansion Term, Tenant's Share shall be 1.5458%.

7.6 **Expenses and Taxes**. With respect to the Suite 250 Must Take Space during the Suite 250 Expansion Term, Tenant shall pay for Tenant's Share of Expenses and Taxes in accordance with the terms of the Lease; provided, however, that, with respect to the Suite 250 Must Take Space during the Suite 250 Expansion Term, the Base Year for Expenses and Taxes shall be the calendar year in which the Suite 250 Expansion Effective Date falls.

7.7 **Improvements to the Suite 250 Must Take Space**. Following the Suite 250 Expansion Effective Date, Tenant shall be entitled to perform improvements to the Suite 250 Must Take Space, in accordance with the Work Letter attached to the Fifth Amendment as **Exhibit A**, provided that (i) the Allowance for the Suite 250 Must Take Space shall be $79,950.00 (based upon $25.00 per rentable square foot of the Suite 250 Must Take Space) multiplied by a fraction, the numerator of which is the number of months remaining in the First Expansion Space Term (which First Expansion Space Term runs from 7/1/2018 - 5/31/2024) as of the Suite 250 Expansion Effective Date and the denominator of which is 71, (ii) if Tenant fails to use the entire Allowance (as calculated under this Section 7.7) within twelve (12) months after the Suite 250 Expansion Effective Date, the unused amount shall revert to Landlord and Tenant shall have no further rights with respect thereto, and (iii) the Coordination Fee, referenced in Section 2.3 of the Work Letter shall be 1.5% of the cost of the Tenant Improvement Work.

7.8 **Parking**. During the Suite 250 Expansion Term with respect to the Suite 250 Must Take Space, Tenant shall be entitled to use an additional ten (10) unreserved parking spaces in the Parking Facility in accordance with the terms of the Lease.

7.9 **Contingency**. The parties acknowledge and agree that Landlord has previously leased the Suite 250 Must Take Space to a third party (such party, and any successor or assignee thereto, the "**Suite 250 Existing Tenant**") for a lease term extending through September 30, 2020 ("**Suite 250 Existing Lease**"). Landlord shall attempt to engage the Suite 250 Existing Tenant in discussions in an effort to terminate the Suite 250 Existing Lease prior to its scheduled expiration date; however, Landlord shall not be obligated to expend any funds to effect such termination and Landlord does not guaranty it will be successful in terminating the Suite 250 Existing Lease prior to the scheduled expiration date. Tenant shall pay half of any reasonable costs incurred by Landlord to effect such early termination upon receipt of an invoice therefor. Notwithstanding the foregoing, if the Suite 250 Existing Tenant fails to surrender possession of the Suite 250 Must Take Space by the expiration of the Suite 250 Existing Lease, then Landlord shall use commercially reasonable efforts to recover possession of the Suite 250 Must Take Space from the Suite 250 Existing Tenant as soon thereafter as reasonably possible (including, if necessary in Landlord's reasonable judgement, by commencing and pursuing an unlawful detainer).

7.10 **Suite 250 Must Take Space**. Landlord shall use commercially reasonable efforts, subject to the rights of the Suite 250 Existing Tenant under the Suite 250 Existing Lease, to schedule and perform, at least 90 days before the Suite 250 Target Delivery Date, a walk-through of the Suite 250 Must Take Space during which representatives of Landlord and Tenant may identify any leasehold improvements in the Suite 250 Must Take Space that (a) Landlord may have the right, under the Suite 250 Existing Lease, to require the Suite 250 Existing Tenant to remove, and (b) Tenant wishes not to be removed or to be removed. If Tenant provides to Landlord, at least 75 days before the Suite 250 Target Delivery Date, a Non-Removal Notice identifying any leasehold improvements in the Suite 250 Must Take Space that Tenant, acting on a reasonable basis, does not wish to be removed before the Suite 250 Expansion Effective Date, then Landlord shall use commercially reasonable efforts to enforce any rights it may have under the Suite 250 Existing Lease to require the Suite 250 Existing Tenant to not perform such removal obligations, or, if applicable, to waive any such rights to cause the Suite 250 Existing Tenant to perform such removal obligations. If any such improvement is not so removed, then, for all purposes under the Lease, such Non-Removal Item shall be deemed a Tenant-Insured Improvement as to which Landlord has timely notified Tenant, pursuant to Section 8 of the Lease, that its removal shall be required pursuant to such Section 8; provided, however, that if, when it delivers any Non-Removal Notice, Tenant specifically requests that Landlord identify any Non-Removal Item in the Suite 250 Must Take Space that Landlord will require to be removed pursuant to such Section 8, Landlord shall do so within 10 business days after receiving such request.

8. **Suite 460 Must Take Space**.

8.1 **Effective Date of Suite 460 Must Take.** Effective as of the Suite 460 Expansion Effective Date (defined in Section 8.2 below), the Premises shall be increased by the addition of approximately 6,413 rentable square feet described as Suite 460 on the fourth (4^{th}) floor of the Building (as more particularly shown on **Exhibit D** hereto, the "**Suite 460 Must Take Space**"). The term of the Lease for the Suite 460 Must Take Space (the "**Suite 460 Expansion Term**") shall commence on the Suite 460 Expansion Effective Date and, unless sooner terminated in accordance with the Lease, end on the Seventh Amendment Expiration Date. From and after the Suite 460 Expansion Effective Date, the Suite 460 Must Take Space shall be subject to all the terms and conditions of the Lease except as provided herein. Except as may be expressly provided herein, (1) no representation or warranty made by Landlord with respect to the Premises shall apply to the Suite 460 Must Take Space, (2) Tenant shall not be entitled to receive, with respect to the Suite 460 Must Take Space, any allowance, free rent or other financial concession granted with respect to the Premises, and (3) the Suite 460 Must Take Space shall be accepted by Tenant in its configuration and condition existing on the date hereof (or, subject to Section 8.10 below, in such other configuration and condition as any existing tenant thereof may cause to exist in accordance with its lease), without any obligation of Landlord to perform or pay for any alterations to the Suite 460 Must Take Space, and without any representation or warranty regarding the configuration or condition of the Suite 460 Must Take Space.

8.2 **Suite 460 Expansion Effective Date.** As used in this Section 8, "**Suite 460 Expansion Effective Date**" means the date upon which Landlord delivers possession (if ever and pursuant to the Lease, as amended hereby) of the Suite 460 Must Take Space to Tenant free from occupancy by any party (including, without limitation, free of any such parties' personal property), which delivery date is anticipated to be no later than May 1, 2022, unless the existing tenant thereof exercises its option to renew for an additional five (5) year period (for purposes of this Section 8, the "**Suite 460 Target Delivery Date**"). The adjustment of the Suite 460 Expansion Effective Date and, accordingly, the postponement of Tenant's obligation to pay rent for the Suite 460 Must Take Space shall be Tenant's sole remedy if the Suite 460 Must Take Space is not delivered to Tenant in accordance with the terms hereof as of the Suite 460 Target Delivery Date. Notwithstanding any contrary provision of the Lease, any delay or failure to deliver the Suite 460 Must Take Space shall not be a Landlord default nor subject Landlord to any liability for any loss or damage resulting therefrom or entitle Tenant to any credit, abatement or adjustment of rent or other sums payable under the Lease; provided, however, that Landlord shall not lease the Suite 460 Must Take Space to anyone other than Tenant and Landlord shall not extend the Suite 460 Existing Lease (defined below) except where the Suite 460 Existing Tenant exercises its renewal option strictly pursuant to the terms of the Suite 460 Existing Lease.

8.3 **Confirmation Letter.** At any time after the Suite 460 Expansion Effective Date, Landlord may deliver to Tenant a notice substantially in the form of **Exhibit F** attached hereto, as a confirmation of the information set forth therein. Tenant shall execute and return (or, by written notice to Landlord, reasonably object to) such notice within 10 business days after receiving it.

8.4 **Base Rent**. With respect to the Suite 460 Must Take Space, commencing on the Suite 460 Expansion Effective Date and continuing during the Suite 460 Expansion Term, Tenant shall pay Base Rent at the same then applicable annual rate per square foot as described in the rent table depicted in Section 2.1 of this Seventh Amendment (as thereafter increased annually pursuant to such rent table). Notwithstanding the foregoing, Base Rent for the Suite 460 Must Take Space shall be abated for the first (2) full months of the Suite 460 Expansion Term; provided, however, that if a Default exists when any such abatement would otherwise apply, such abatement shall be deferred until the date, if any, on which such Default is cured. All such Base Rent shall be payable monthly by Tenant in accordance with the terms of the Lease.

8.5 **Tenant's Share**. With respect to the Suite 460 Must Take Space during the Suite 460 Expansion Term, Tenant's Share shall be 3.1000%.

8.6 **Expenses and Taxes**. With respect to the Suite 460 Must Take Space during the Suite 460 Expansion Term, Tenant shall pay for Tenant's Share of Expenses and Taxes in accordance with the terms of the Lease; provided, however, that, with respect to the Suite 460 Must Take Space during the Suite 460 Expansion Term, the Base Year for Expenses and Taxes shall be the calendar year in which the Suite 460 Expansion Effective Date falls.

8.7 **Improvements to the Suite 460 Must Take Space**. Following the Suite 460 Expansion Effective Date, Tenant shall be entitled to perform improvements to the Suite 460 Must Take Space, in accordance with the Work letter attached to the Fifth Amendment as **Exhibit A**, provided that (i) the Allowance for the Suite 460 Must Take Space shall be $160,325.00 (based upon $25.00 per rentable square foot of the Suite 460 Must Take Space) multiplied by a fraction, the numerator of which is the number of months remaining in the First Expansion Space Term (which First Expansion Space Term runs from 7/1/2018 - 5/31/2024) as of the Suite 460 Expansion Effective Date and the denominator of which is 71, (ii) if Tenant fails to use the entire Allowance (as calculated under this Section 8.7) within twelve (12) months after the Suite 460 Expansion Effective Date, the unused amount shall revert to Landlord and Tenant shall have no further rights with respect thereto, and (iii) the Coordination Fee, referenced in Section 2.3 of the Work Letter shall be 1.5% of the cost of the Tenant Improvement Work.

8.8 **Parking**. During the Suite 460 Expansion Term with respect to the Suite 460 Must Take Space, Tenant shall be entitled to use an additional nineteen (19) unreserved parking spaces in the Parking Facility in accordance with the terms of the Lease.

8.9 **Contingency**. The parties acknowledge and agree that Landlord has previously leased the Suite 460 Must Take Space to a third party (such party, and any successor or assignee thereto, the "**Suite 460 Existing Tenant**") for a lease term extending through April 30, 2022 (with a five (5) year option to renew) ("**Suite 460 Existing Lease**"). Landlord shall attempt to engage the Suite 460 Existing Tenant in discussions in an effort to terminate the Suite 460 Existing Lease prior to its scheduled expiration date; however, Landlord shall not be obligated to expend any funds to effect such termination and Landlord does not guaranty it will be successful in terminating the Suite 460 Existing Lease prior to the scheduled expiration date. Tenant shall pay half of any reasonable costs incurred by Landlord to effect such early termination upon receipt of an invoice therefor. Notwithstanding the foregoing, if the Suite 460 Existing Tenant fails to surrender possession of the Suite 460 Must Take Space by the expiration of the Suite 460 Existing Lease, then Landlord shall use commercially reasonable efforts to recover possession of the Suite 460 Must Take Space from the Suite 460 Existing Tenant as soon thereafter as reasonably possible (including, if necessary in Landlord's reasonable judgement, by commencing and pursuing an unlawful detainer).

8.10 **Suite 460 Must Take Space**. Landlord shall use commercially reasonable efforts, subject to the rights of the Suite 460 Existing Tenant under the Suite 460 Existing Lease, to schedule and perform, at least 90 days before the Suite 460 Target Delivery Date, a walk-through of the Suite 460 Must Take Space during which representatives of Landlord and Tenant may identify any leasehold improvements in the Suite 460 Must Take Space that (a) Landlord may have the right, under the Suite 460 Existing Lease, to require the Suite 460 Existing Tenant to remove, and (b) Tenant wishes not to be removed or to be removed. If Tenant provides to Landlord, at least 75 days before the Suite 460 Target Delivery Date, a Non-Removal Notice identifying any leasehold improvements in the Suite 460 Must Take Space that Tenant, acting on a reasonable basis, does not wish to be removed before the Suite 460 Expansion Effective Date, then Landlord shall use commercially reasonable efforts to enforce any rights it may have under the Suite 460 Existing Lease to require the Suite 460 Existing Tenant to not perform such removal obligations, or, if applicable, to waive any such rights to cause the Suite 460 Existing Tenant to perform such removal obligations. If any such improvement is not so removed, then, for all purposes under the Lease, such Non-Removal Item shall be deemed a Tenant-Insured Improvement as to which Landlord has timely notified Tenant, pursuant to Section 8 of the Lease, that its removal shall be required pursuant to such Section 8; provided, however, that if, when it delivers any Non-Removal Notice, Tenant specifically requests that Landlord identify any Non-Removal Item in the Suite 460 Must Take Space that Landlord will require to be removed pursuant to such Section 8, Landlord shall do so within 10 business days after receiving such request.

9. **Suite 100 Must Take Space**.

9.1 **Effective Date of Suite 100 Must Take.** Effective as of the Suite 100 Expansion Effective Date (defined in Section 9.2 below), the Premises shall be increased by the addition of approximately 2,770 rentable square feet described as Suite 100 on the first (1st) floor of the Building (as more particularly shown on **Exhibit D** hereto, the "**Suite 100 Must Take Space**"). The term of the Lease for the Suite 100 Must Take Space (the "**Suite 100 Expansion Term**") shall commence on the Suite 100 Expansion Effective Date and, unless sooner terminated in accordance with the Lease, end on the Seventh Amendment Expiration Date. From and after the Suite 100 Expansion Effective Date, the Suite 100 Must Take Space shall be subject to all the terms and conditions of the Lease except as provided herein. Except as may be expressly provided herein, (1) no representation or warranty made by Landlord with respect to the Premises shall apply to the Suite 100 Must Take Space, (2) Tenant shall not be entitled to receive, with respect to the Suite 100 Must Take Space, any allowance, free rent or other financial concession granted with respect to the Premises, and (3) the Suite 100 Must Take Space shall be accepted by Tenant in its configuration and condition existing on the date of delivery thereof, without

any obligation of Landlord to perform or pay for any alterations to the Suite 100 Must Take Space, and without any representation or warranty regarding the configuration or condition of the Suite 100 Must Take Space.

9.2 **Suite 100 Expansion Effective Date.** As used in this Section 9, "**Suite 100 Expansion Effective Date**" means the date upon which Landlord delivers possession (if ever and pursuant to the Lease, as amended hereby) of the Suite 100 Must Take Space to Tenant free from occupancy by any party (including, without limitation, free of any such parties' personal property), which delivery date will be (if ever) the later to occur of (i) the date Tenant leases from Landlord all of the remaining rentable space in the Building such that Tenant is effectively the only tenant in the Building, and (ii) the date Landlord has provided another fitness center option (other than the fitness center currently located in the Suite 100 Must Take Space) for the benefit of the other buildings owned by Landlord (or affiliates of Landlord) located in the vicinity of the Building.

9.3 **Confirmation Letter.** At any time after the Suite 100 Expansion Effective Date, Landlord may deliver to Tenant a notice substantially in the form of **Exhibit F** attached hereto, as a confirmation of the information set forth therein. Tenant shall execute and return (or, by written notice to Landlord, reasonably object to) such notice within 10 business days after receiving it.

9.4 **Base Rent**. With respect to the Suite 100 Must Take Space during the Suite 100 Expansion Term, Tenant shall pay Base Rent at the same then applicable annual rate per square foot as described in the rent table depicted in Section 2.1 of this Seventh Amendment (as thereafter increased annually pursuant to such rent table). All such Base Rent shall be payable monthly by Tenant in accordance with the terms of the Lease.

9.5 **Tenant's Share**. With respect to the Suite 100 Must Take Space during the Suite 100 Expansion Term, Tenant's Share shall be 1.3389%.

9.6 **Expenses and Taxes**. With respect to the Suite 100 Must Take Space during the Suite 100 Expansion Term, Tenant shall pay for Tenant's Share of Expenses and Taxes in accordance with the terms of the Lease; provided, however, that, with respect to the Suite 100 Must Take Space during the Suite 100 Expansion Term, the Base Year for Expenses and Taxes shall be the calendar year in which the Suite 100 Expansion Effective Date falls.

9.7 **Parking**. During the Suite 100 Expansion Term with respect to the Suite 100 Must Take Space, Tenant shall be entitled to use an additional nineteen (19) unreserved parking spaces in the Parking Facility in accordance with the terms of the Lease.

10. **California Civil Code Section 1938.** Pursuant to California Civil Code § 1938, Landlord hereby states that the Existing Premises, Suite 210, the First Expansion Space, the Second Expansion Space, and the Suite 250, 460 and 100 Must Take Spaces referenced in Sections 7, 8, and 9 above, have not undergone inspection by a Certified Access Specialist (CASp) (defined in California Civil Code § 55.52). Accordingly, pursuant to California Civil Code § 1938(e), Landlord hereby further states as follows: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises". In accordance with the foregoing, Landlord and Tenant agree that if Tenant requests a CASp inspection of the Premises, then Tenant shall pay (i) the fee for such inspection, and (ii) the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises; provided, that, if Tenant is required to obtain such CASp inspection by applicable Law or to avoid any penalty

imposed under applicable Law, then the cost of and obligation for making any repairs necessary to correct violations of construction-related accessibility standards within the Premises shall be governed by the provisions of the Lease.

11. **Package HVAC Units.** In the event Tenant desires to utilize any existing dedicated heating, ventilation and air conditioning units ("**Package Units**") within the Premises, or installs, as an Alteration, new Package Units within the Premises, the plans and specifications for any Package Units shall be subject to Landlord's reasonable approval. If Tenant elects to utilize or install Package Units within the Premises, Tenant shall also install, at Tenant's sole cost and expense, separate meters or at Landlord's option, sub-meters, in order to measure the amount of electricity furnished to such Package Units and Tenant shall be responsible for Landlord's actual cost of supplying electricity to such units as reflected by such meters or sub-meters, which amounts shall be payable on a monthly basis as Additional Rent. Tenant shall be responsible for maintenance and repair of the Package Units pursuant to Section 25.5 of the Lease and such units may be subject to removal by Tenant upon the expiration or earlier termination of the Lease pursuant to Section 25.5 of the Lease.

12. **The Single Tenant Amendment.** Tenant hereby acknowledges and agrees, that at such time that Tenant has added to the Premises all of the remaining must-take space as provided in the Fifth Amendment and this Seventh Amendment, such that Tenant is effectively the only tenant in the Building, Landlord may prepare and deliver to Tenant an amendment (the "**Single Tenant Amendment**") (a) shifting the obligation to provide and pay for janitorial services, utility service, and security service to the Premises from Landlord to Tenant, and (b) decreasing the amount included for Expenses in the Base Year(s) then-applicable to various portions of the Premises to exclude the amount that Landlord reasonably determines it incurred to provide janitorial services, utility service, and security service in the applicable Base Year(s). Tenant shall execute and return the Single Tenant Amendment to Landlord within fifteen (15) days after receiving it, but Landlord shall be relieved of the obligation to provide and pay for janitorial service, utility service and security service to the Premises and the Expenses included in the Base Year(s) shall be adjusted whether or not the Single Tenant Amendment is executed.

13. **Signage.**

13.1 **Building-Top Signage**. Subject to this Section 13.1, Tenant may, at Tenant's sole cost and expense, cause its existing building-top signage currently located on the East elevation of the Building ("**Tenant's Existing Signage**") to be removed from the exterior of the Building and shall cause the exterior of the Building to be restored to the condition existing prior to the placement of Tenant's Existing Signage. Tenant may re-install, at its sole cost and expense, such building-top sign on the North West elevation of the Building ("**Tenant's Building-Top Signage**"). The graphics, materials, size, color, design, lettering, lighting (if any), specifications and exact location of Tenant's Building-Top Signage (collectively, the "**Signage Specifications**") shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned, or delayed. In addition, the Tenant's Building-Top Signage and all Signage Specifications therefor shall be subject to Tenant's receipt of all required governmental permits and approvals, shall be subject to all applicable governmental laws and ordinances, and all covenants, conditions and restrictions affecting the Building. Tenant hereby acknowledges that, notwithstanding Landlord's approval of the Tenant's Building-Top Signage and/or the Signage Specifications therefor, Landlord has made no representations or warranty to Tenant with respect to the probability of obtaining such approvals and permits. In the event Tenant does not receive the necessary permits and approvals for Tenant's Building-Top Signage, Tenant's and Landlord's rights and obligations under the remaining provisions of the Lease, as amended hereby, shall not be affected. The cost of installation of Tenant's Building-Top Signage, as well as all costs of design and construction of Tenant's Building-Top Signage and all other costs associated with Tenant's Building-Top Signage, including, without limitation, permits, maintenance and repair, shall be the sole responsibility of Tenant. Notwithstanding anything to the contrary contained herein, in the event that at any time during the Seventh Amendment Extended Term (or any Extension Term, if applicable), Tenant fails to lease at least 100,000 rentable square feet in the Building, Tenant's right to Tenant's Building-Top Signage shall thereupon terminate and Tenant

shall remove Tenant's Building-Top Signage as provided in this Section 13.1 below. The rights to Tenant's Building-Top Signage shall be personal to the originally named Tenant and may not be transferred to any assignee or used by any subtenant of Tenant; provided that the rights to Tenant's Building-Top Signage may be transferred to an assignee of the Original Tenant's interest in the Lease that acquires its interest solely by means of one or more Permitted Transfers originating with the Original Tenant, so long as the name of such assignee is not an "Objectionable Name," as that term is defined below. In addition, should the name of the Original Tenant change, Tenant shall be entitled to modify, at Tenant's sole cost and expense, Tenant's Building-Top Signage to reflect Tenant's new name, but only if Tenant's new name is not an "Objectionable Name." The term "**Objectionable Name**" shall mean any name that (a) relates to an entity that is of a character or reputation, or is associated with a political orientation or faction that is materially inconsistent with the quality of the Project, or which would otherwise reasonably offend a landlord of a building comparable to the Project, or (ii) conflicts with any covenants in other leases of space in the Project. Should the Signage require maintenance or repairs as determined in Landlord's reasonable judgment, Landlord shall have the right to provide written notice thereof to Tenant and Tenant shall cause such repairs and/or maintenance to be performed within thirty (30) days after receipt of such notice from Landlord (or such longer period as may be reasonably required so long as Tenant is diligently pursuing such repairs) at Tenant's sole cost and expense. Should Tenant fail to perform such maintenance and repairs within the period described in the immediately preceding sentence, Landlord shall have the right to cause such work to be performed and to charge Tenant, as Additional Rent, for the cost of such work. Upon the expiration or earlier termination of the Lease (or the termination of Tenant's Signage right as described above), Tenant shall, at Tenant's sole cost and expense, cause Tenant's Building-Top Signage to be removed from the exterior of the Building and shall cause the exterior of the Building to be restored to the condition existing prior to the placement of Tenant's Building-Top Signage. If Tenant fails to remove Tenant's Building-Top Signage and to restore the exterior of the Building as provided in the immediately preceding sentence within thirty (30) days following the expiration or earlier termination of this Lease (or the termination of Tenant's right to Tenant's Building-Top Signage as provided above), then Landlord may perform such work, and all costs and expenses incurred by Landlord in so performing such work shall be reimbursed by Tenant to Landlord within ten (10) days after Tenant's receipt of invoice therefor. The immediately preceding sentence shall survive the expiration or earlier termination of the Lease. Except as provided in this Section 13.1 above and in Section 13.2 below, Tenant may not install any signs on the exterior or roof of the Building or the common areas of the Building, and any signs, notices, logos, pictures, names or advertisements which are installed in such areas and that have not been individually approved by Landlord may be removed without notice by Landlord at the sole expense of Tenant.

13.2 **Exclusive Monument Signage.** From and after the date of this Seventh Amendment, Tenant shall have the right, at Tenant's sole cost and expense, to exclusive use of the "monument" sign located at the Building ("**Tenant's Monument Signage**"). Tenant's Monument Signage shall be subject to Landlord's approval (which approval shall not be unreasonably withheld, conditioned or delayed) as to size, design, location, graphics, materials, colors and similar specifications and shall be consistent with the exterior design, materials and appearance of the Building and the Building's signage program and shall be further subject to all applicable local governmental laws, rules, regulations, codes and Tenant's receipt of all permits and other governmental approvals and any applicable covenants, conditions and restrictions. Tenant's Signage shall be personal to the Original Tenant and may not be assigned to any assignee or sublessee, or any other person or entity; provided that the rights to Tenant's Monument Signage may be transferred to an assignee of the Original Tenant's interest in the Lease that acquires its interest solely by means of one or more Permitted Transfers originating with the Original Tenant so long as the name of such assignee is not an "Objectionable Name," as that term is defined in Section 13.1 above. In addition, should the name of the Original Tenant change, Tenant shall be entitled to modify, at Tenant's sole cost and expense, Tenant's Monument Signage to reflect Tenant's new name, but only if Tenant's new name is not an "Objectionable Name". Landlord has the right, but not the obligation, to oversee the installation of Tenant's Monument Signage. The cost to

maintain and operate, if any, Tenant's Monument Signage shall be paid for by Tenant. Upon the expiration or earlier termination of the Lease, Tenant shall be responsible for any and all costs associated with the removal of Tenant's Monument Signage, including, but not limited to, the cost to repair and restore the monument to its original condition, normal wear and tear excepted.

14. **Surrender**. Except as required under Section 23 of the Original Lease (regarding removal of Lines) and except as required under Section 25.5 of the Original Lease and Section 11 above (regarding Units and Package Units) and except for Tenant's obligation to remove all of Tenant's full floor signage (*i.e.*, any signage in the elevator lobby, hallways, or other areas of any full floor leased by Tenant) and Tenant's Building-Top Signage and Tenant's Monument Signage under Section 13 above, upon the expiration or earlier termination of the Lease, as amended hereby, Tenant shall surrender possession of the Premises to Landlord in as good condition and repair as exists as of the date of this Seventh Amendment, except for reasonable wear and tear, casualty, condemnation and repairs that are Landlord's express responsibility hereunder. Notwithstanding the foregoing, (a) in the event any Alterations are installed by Tenant in the Premises after the date of this Seventh Amendment which are not approved by Landlord, Tenant shall remove such non-approved Alterations upon the expiration or earlier termination of the Lease and repair any damage associated with such removal, and (b) in the event any tenant improvements or Alterations are installed by Tenant in the Premises after the date of this Seventh Amendment (including, without limitation, any Tenant Improvement Work to be installed in the Premises by Tenant in accordance with the Work Letter attached to the Fifth Amendment as **Exhibit A**), which are approved by Landlord, Tenant shall not be required to remove such Tenant Improvement Work or Alterations upon the expiration or earlier termination of the Lease. For clarity, nothing contained in this Section 14 shall be construed to limit Tenant's obligation to remove the Lines, Units, Package Units, Full Floor Signage or Tenant's Building-Top Signage or Tenant's Monument Signage upon the expiration or earlier termination of the Lease.

15. **Miscellaneous.**

15.1 This Seventh Amendment and the attached exhibits, which are hereby incorporated into and made a part of this Seventh Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Tenant shall not be entitled, in connection with entering into this Seventh Amendment, to any free rent, allowance, alteration, improvement or similar economic incentive to which Tenant may have been entitled in connection with entering into the Lease, except as may be otherwise expressly provided in this Seventh Amendment.

15.2 Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.

15.3 In the case of any inconsistency between the provisions of the Lease and this Seventh Amendment, the provisions of this Seventh Amendment shall govern and control.

15.4 Submission of this Seventh Amendment by Landlord is not an offer to enter into this Seventh Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Seventh Amendment until Landlord has executed and delivered it to Tenant.

15.5 Capitalized terms used but not defined in this Seventh Amendment shall have the meanings given in the Lease.

15.6 Tenant shall indemnify and hold Landlord, its trustees, members, principals, beneficiaries, partners, officers, directors, employees, mortgagee(s) and agents, and the respective principals and members of any such agents harmless from all claims of any brokers in connection with this Seventh Amendment other than Savills Studley, claiming to have represented Tenant in connection with this Seventh Amendment. Tenant acknowledges that any assistance rendered by any agent or employee of any affiliate of Landlord in connection with this Seventh Amendment has been made as an accommodation

to Tenant solely in furtherance of consummating the transaction on behalf of Landlord, and not as agent for Tenant.

15.7 Landlord acknowledges that no Security Agreement (as defined in Article 17 of the Original Lease) exists on the date hereof.

15.8 This Seventh Amendment may be executed in any number of duplicate originals, all of which shall be of equal legal force and effect. Additionally, this Seventh Amendment may be executed in counterparts, but shall become effective only after each party has executed a counterpart hereof; all said counterparts when taken together, shall constitute the entire single agreement between the parties. This Seventh Amendment may be executed by a party's signature transmitted by portable document format ("pdf") or email or by a party's electronic signature (collectively, "pdf Signatures"), and copies of this Seventh Amendment executed and delivered by electronic means or originals of this Seventh Amendment executed by pdf Signature shall have the same force and effect as copies hereof executed and delivered with original wet signatures. All parties hereto may rely upon emailed or pdf Signatures as if such signatures were original wet signatures. Any party executing and delivering this Seventh Amendment by pdf or email shall promptly thereafter deliver a counterpart signature page of this Seventh Amendment containing said party's original signature. All parties hereto agree that a pdf or emailed signature page or a pdf Signature may be introduced into evidence in any proceeding arising out of or related to this Seventh Amendment as if it were an original wet signature page.

15.9 Tenant and Landlord's affiliate, Hudson Concourse, LLC, a Delaware limited liability company ("**Hudson Concourse**") have concurrently entered into that certain Lease, of even date herewith, whereby Hudson Concourse leases to Tenant Suite 500 and Suite 600 (collectively, the "**Concourse Premises**") of the building located at 1745 Technology Drive, San Jose, California (the "**Concourse**"), contingent upon Hudson Concourse successfully terminating the existing leases for the Concourse Premises (collectively, the "**Existing Leases**") prior to their scheduled expiration dates. In the event Hudson Concourse has not entered into an agreement, within forty-five (45) days after the date of full execution and delivery of this Seventh Amendment, to terminate the Existing Leases effective on or prior to June 1, 2018, Landlord shall so notify Tenant and Tenant may, within five (5) days after such notice, terminate this Seventh Amendment, unless Landlord and Tenant mutually agree in writing to extend the forty-five (45) day period referenced above. In the event Hudson Concourse enters into an agreement, within forty-five (45) days after the date of full execution and delivery of this Seventh Amendment, to terminate the Existing Leases effective as of a date on or prior to June 1, 2018, but fails to deliver the Concourse Premises by June 1, 2018, Tenant may, within five (5) days after such date (but prior to the date Landlord actually delivers the Concourse Premises to Tenant), terminate this Seventh Amendment.

[Signatures are on the following page]

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Seventh Amendment as of the day and year first above written.

LANDLORD:

HUDSON 1740 TECHNOLOGY, LLC,
a Delaware limited liability company

By:Hudson Pacific Properties, L.P.,
a Maryland limited partnership,
its sole member

By:Hudson Pacific Properties, Inc.,
a Maryland corporation,
its general partner

By: /s/ Mark T. Lammas
Name: Mark T. Lammas
Title: Chief Operating Officer, Chief Financial Officer & Treasurer

TENANT:

NUTANIX, INC., a Delaware corporation,

By: /s/ Duston Williams
Name: Duston Williams
Title: Chief Financial Officer

EXHIBIT A
THE FIRST EXPANSION SPACE (SUITE 205 & SUITE 260)

[GRAPHIC]

EXHIBIT B
THE SECOND EXPANSION SPACE (SUITE 110)

[GRAPHIC]

EXHIBIT C
THE SUITE 250 MUST TAKE SPACE

[GRAPHIC]

EXHIBIT D
THE SUITE 460 MUST TAKE SPACE

[GRAPHIC]

EXHIBIT E
SUITE 100 MUST TAKE SPACE

[GRAPHIC]

EXHIBIT F
CONFIRMATION LETTER

_____, 20__

To: _____

_____

_____

_____

Re: Seventh Amendment (the "**Seventh Amendment**") dated _____, 2018, between **HUDSON 1740 TECHNOLOGY, LLC,** a Delaware limited liability company ("**Landlord**"), and **NUTANIX, INC.**, a Delaware corporation ("**Tenant**"), concerning Suite _____ on the _____ floor (the "**Premises**") of the building located at _____, _____ California.

Dear _____:

In accordance with the Lease, Tenant accepts possession of the Premises and confirms the following:

1. The Commencement Date is _____ and the Expiration Date is _____.

2. The exact number of rentable square feet within the Premises is _____ square feet, subject to Section 2.1.1 of the Lease.

3. Tenant's Share, based upon the exact number of rentable square feet within the Premises, is _____%, subject to Section 2.1.1 of the Lease.

Please acknowledge the foregoing by signing all three (3) counterparts of this letter in the space provided below and returning two (2) fully executed counterparts to my attention.

"Landlord":

By:
Name:
Title:

Agreed and Accepted as of ,20_.

"Tenant":

_____

By:
Name:
Title:

Exhibit 10.3

FOURTH AMENDMENT
(METRO PLAZA)

THIS FOURTH AMENDMENT (this "**Fourth Amendment**") is made and entered into as of April 4, 2018, by and between **HUDSON METRO PLAZA, LLC**, a Delaware limited liability company ("**Landlord**"), and **NUTANIX, INC.**, a Delaware corporation ("**Tenant**").

RECITALS

A. Landlord (as successor in interest to CA-Metro Plaza Limited Partnership, a Delaware limited partnership) and Tenant are parties to that certain lease dated April 23, 2014 (the "**Original Lease**"), as previously amended by that certain First Amendment dated March 23, 2015 ("**First Amendment**"), by that certain Second Amendment dated January 28, 2016 ("**Second Amendment**"), and by that certain Third Amendment dated July 28, 2016 ("**Third Amendment**") (as amended, the "**Lease**"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing a total of approximately 28,121 rentable square feet (the "**Premises**") comprised of approximately 9,716 rentable square feet described as Suite No. 280 located on the second (2nd) floor and approximately 18,405 rentable square feet described as Suite No. 300 located on the third (3rd) floor of the building commonly known as 181 Metro Drive located at 181 Metro Drive, San Jose, California 95110 (the "**Building**").

B. Pursuant to Section 1 of the Third Amendment, the Lease will expire by its terms on March 31, 2021 (the "**Existing Expiration Date**"), and the parties wish to extend the term of the Lease on the following terms and conditions.

NOW, THEREFORE, in consideration of the above recitals which by this reference are incorporated herein, the mutual covenants and conditions contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Extension**. The term of the Lease is hereby extended through May 31, 2024 (the "**Fourth Amendment Expiration Date**"). The portion of the term of the Lease beginning on April 1, 2021 and ending on the Fourth Amendment Expiration Date shall be referred to herein as the "**Fourth Amendment Extended Term**."

2. **Base Rent**. During the period from the date of this Fourth Amendment through March 31, 2021, Tenant shall pay Base Rent for the Premises in accordance with the terms and conditions of the Lease. During the Fourth Amendment Extended Term, the schedule of Base Rent for the Premises shall be as follows:

Period of the Fourth Amendment Extended Term	Annual Rate Per Square Foot (rounded to the nearest 100th of a dollar)	Monthly Base Rent
4/1/2021 - 3/31/2022	$43.01	$100,789.72
4/1/2022 - 3/31/2023	$44.30	$103,813.41
4/1/2023 - 3/31/2024	$45.63	$106,927.81
4/1/2024 - 5/31/2024	$47.00	$110,135.65

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease. Notwithstanding the foregoing, Base Rent for the Premises shall be abated, in the amount of $100,789.72, for the month of April 2021; provided, however, that if a Default exists when any such abatement would otherwise apply, such abatement shall be deferred until the date, if any, on which such Default is cured.

3. **Expenses and Taxes**. During the Fourth Amendment Extended Term, Tenant shall pay Tenant's Share of Expenses and Taxes for the Premises in accordance with the terms of the Lease; provided, however, that from and after April 1, 2021, the Base Year for the Premises shall be 2021.

4. **Improvements to the Premises.**

4.1 **Configuration and Condition of the Premises**. Tenant acknowledges that it currently is, and as of the commencement of the Fourth Amendment Extended Term will be, in possession of the Premises and agrees to accept them "as is" without any representation by Landlord regarding their configuration or condition and without any obligation on the part of Landlord to perform or pay for any alteration or improvement, except as may be otherwise expressly provided in Section 5.2 of the Third Amendment and this Fourth Amendment.

4.2 **Responsibility for Improvements to the Premises**. Tenant shall be entitled to perform additional improvements to the Premises, and to receive an allowance from Landlord for such improvements, in accordance with the terms and conditions of the Work Letter attached to the Third Amendment as **Exhibit A**; provided that (i) the Allowance referenced in Section 1.1 of the Work Letter shall be $13.89 per rentable square foot of the Premises (for a total Allowance of $390,600.69) and shall be available to Tenant from and after May 31, 2018, (ii) the reference to "March 31, 2019" contained in the last sentence of Section 1.1 of the Work Letter shall be revised to "December 31, 2021," and (iii) the Coordination Fee, referenced in Section 2.3 of the Work Letter shall be 1.5% of the cost of the Tenant Improvement Work.

4.3 **Other Modifications with respect to the Premises**. The reference to March 31, 2019 contained in the last sentence of Section 1.1 of the Work Letter attached to the Third Amendment as **Exhibit A** is hereby replaced with "December 31, 2019" as it applies to the $10.00 per rentable square foot originally provided in **Exhibit A** of the Third Amendment (as opposed to the additional $13.89 per rentable square foot of the Premises provided in Section 4.2 above, which must be used by December 31, 2021 per Section 4.2 above).

5. **Security Deposit**. Tenant has previously deposited with Landlord $89,495.08 as a Security Deposit under the Lease. Landlord shall continue to hold the Security Deposit in accordance with the terms and conditions of Section 21 of the Original Lease.

6. **Extension Option**. Section 6 of the Third Amendment is hereby deleted in its entirety. Tenant shall retain the right to further extend the term of the Lease for the entire Premises for one (1) additional period of three (3) years under the terms and conditions of Section 7 of the First Amendment, provided (a) all references in such Section 7 to the "Modified Expiration Date" shall mean and refer to the Fourth Amendment Expiration Date referenced in Section 1 above, and (b) the reference to "2018" in the last clause of Section 7.2.(B) of the First Amendment shall be modified to "2024".

7. **California Civil Code Section 1938**. Pursuant to California Civil Code § 1938, Landlord hereby states that the Premises have not undergone inspection by a Certified Access Specialist (CASp) (defined in California Civil Code § 55.52) and provides the following notification to Tenant: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction related accessibility standards within the premises." In accordance with the foregoing, Landlord and Tenant agree that if Tenant requests a CASp inspection of the Premises, then Tenant shall pay (i) the fee for such inspection, and (ii) the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises;

provided, that, if Tenant is required to obtain such CASp inspection by applicable Law or to avoid any penalty imposed under applicable Law, then the cost of and obligation of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises shall be governed by the provisions of the Lease.

8. **Package HVAC Units**. In the event Tenant desires to utilize any existing dedicated heating, ventilation and air conditioning units ("**Package Units**") within any portion of the Premises, or installs, as part of the Tenant Improvement Work or as an Alteration, new Package Units within any portion of the Premises, the plans and specifications for any Package Units shall be subject to Landlord's reasonable approval. If Tenant elects to utilize or install Package Units within the Premises, Tenant shall also install, at Tenant's sole cost and expense, separate meters or at Landlord's option, sub-meters, in order to measure the amount of electricity furnished to such Package Units and Tenant shall be responsible for Landlord's actual cost of supplying electricity to such units as reflected by such meters or sub-meters, which amounts shall be payable on a monthly basis as Additional Rent. Tenant shall be responsible for maintenance and repair of the Package Units pursuant to Section 25.5 of the Original Lease and such units may be subject to removal by Tenant upon the expiration or earlier termination of the Lease pursuant to Section 25.5 of the Original Lease.

9. **Surrender**. Except as required under Section 23 of the Original Lease (regarding removal of Lines) and except as required under Section 25.5 of the Original Lease and Section 8 above (regarding Units and Package Units), and except for Tenant's obligation to remove all of Tenant's full floor signage (*i.e.*, any signage in the elevator lobby, hallways, or other areas of any full floor leased by Tenant), upon the expiration or earlier termination of the Lease, as amended hereby, Tenant shall surrender possession of the Premises to Landlord in as good condition and repair as exists as of the date of this Fourth Amendment, except for reasonable wear and tear, casualty, condemnation and repairs that are Landlord's express responsibility hereunder. Notwithstanding the foregoing, (a) in the event any Alterations are installed by Tenant in the Premises after the date of this Fourth Amendment which are not approved by Landlord, Tenant shall remove such non-approved Alterations upon the expiration or earlier termination of the Lease and repair any damage associated with such removal, and (b) in the event Alterations are installed by Tenant in the Premises after the date of this Fourth Amendment (including, without limitation, any Tenant Improvement Work to be installed in the Premises by Tenant in accordance with the Work Letter attached to the Third Amendment as **Exhibit A**), which are approved by Landlord, Tenant shall not be required to remove such Tenant Improvement Work or Alterations upon the expiration or earlier termination of the Lease. For clarity, nothing contained in this Section 10 shall be construed to limit Tenant's obligation to remove the Lines, Units, Package Units upon the expiration or earlier termination of the Lease.

10. **Miscellaneous**.

10.1 This Fourth Amendment and the attached exhibits, which are hereby incorporated into and made a part of this Fourth Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Tenant shall not be entitled, in connection with entering into this Fourth Amendment, to any free rent, allowance, alteration, improvement or similar economic incentive to which Tenant may have been entitled in connection with entering into the Lease, except as may be otherwise expressly provided in this Fourth Amendment.

10.2 Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.

10.3 In the case of any inconsistency between the provisions of the Lease and this Fourth Amendment, the provisions of this Fourth Amendment shall govern and control.

10.4 Submission of this Fourth Amendment by Landlord is not an offer to enter into this Fourth Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Fourth Amendment until Landlord has executed and delivered it to Tenant.

10.5 Capitalized terms used but not defined in this Fourth Amendment shall have the meanings given in the Lease.

10.6 Tenant shall indemnify and hold Landlord, its trustees, members, principals, beneficiaries, partners, officers, directors, employees, mortgagee(s) and agents, and the respective principals and members of any such agents harmless from all claims of any brokers, other than Savills Studley, claiming to have represented Tenant in connection with this Fourth Amendment. Landlord shall indemnify and hold Tenant, its trustees, members, principals, beneficiaries, partners, officers, directors, employees, and agents, and the respective principals and members of any such agents harmless from all claims of any brokers claiming to have represented Landlord in connection with this Fourth Amendment. Tenant acknowledges that any assistance rendered by any agent or employee of any affiliate of Landlord in connection with this Fourth Amendment has been made as an accommodation to Tenant solely in furtherance of consummating the transaction on behalf of Landlord, and not as agent for Tenant.

10.7 Landlord represents and warrants to Tenant that to Landlord's actual knowledge, without any duty of inquiry, no Security Agreement which is secured by the Building exists on the date hereof. Tenant acknowledges and agrees that Landlord leases the land underlying the Project pursuant to a ground lease (the "**Ground Lease**") under which Landlord currently is the lessee and the lessor. Tenant agrees that in the event of any merger of the ground leasehold interest with fee ownership of the Premises or other termination of the Ground Lease relating to the Premises, the Lease (as amended) shall not be terminated or destroyed by the application of the doctrine of merger and the Lease (as amended) shall continue in full force and effect notwithstanding any such merger or other termination.

10.8 This Fourth Amendment may be executed in any number of duplicate originals, all of which shall be of equal legal force and effect. Additionally, this Fourth Amendment may be executed in counterparts, but shall become effective only after each party has executed a counterpart hereof; all said counterparts when taken together, shall constitute the entire single agreement between the parties. This Fourth Amendment may be executed by a party's signature transmitted by portable document format ("pdf") or email or by a party's electronic signature (collectively, "pdf Signatures"), and copies of this Fourth Amendment executed and delivered by electronic means or originals of this Fourth Amendment executed by pdf Signature shall have the same force and effect as copies hereof executed and delivered with original wet signatures. All parties hereto may rely upon emailed or pdf Signatures as if such signatures were original wet signatures. Any party executing and delivering this Fourth Amendment by pdf or email shall promptly thereafter deliver a counterpart signature page of this Fourth Amendment containing said party's original signature. All parties hereto agree that a pdf or emailed signature page or a pdf Signature may be introduced into evidence in any proceeding arising out of or related to this Fourth Amendment as if it were an original wet signature page.

10.9 Tenant and Landlord's affiliate, Hudson Concourse, LLC, a Delaware limited liability company ("**Hudson Concourse**") have concurrently entered into that certain Lease, of even date herewith, whereby Hudson Concourse leases to Tenant Suite 500 and Suite 600 (collectively, the "**Concourse Premises**") of the building located at 1745 Technology Drive, San Jose, California (the "**Concourse**"), contingent upon Hudson Concourse successfully terminating the existing leases for the Concourse Premises (collectively, the "**Existing Leases**") prior to their scheduled expiration dates. In the event Hudson Concourse has not entered into an agreement, within forty-five (45) days after the date of full execution and delivery of this Fourth Amendment, to terminate the Existing Leases effective on or prior to June 1, 2018, Landlord shall so notify Tenant and Tenant may, within five (5) days after such notice, terminate this Fourth Amendment, unless Landlord and Tenant mutually agree in writing to extend the forty-five (45) day period referenced above. In the event Hudson Concourse enters into an agreement, within forty-five (45) days after the date of full execution and delivery of this Fourth Amendment, to terminate the Existing Leases effective as of a date on or prior to June 1, 2018, but fails to deliver the Concourse Premises by June 1, 2018, Tenant may, within five (5) days after such date (but prior to the date Landlord actually delivers the Concourse Premises to Tenant), terminate this Fourth Amendment.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Fourth Amendment as of the day and year first above written.

LANDLORD:

HUDSON 1740 TECHNOLOGY, LLC,
a Delaware limited liability company

By:Hudson Pacific Properties, L.P.,
a Maryland limited partnership,
its sole member

By:Hudson Pacific Properties, Inc.,
a Maryland corporation,
its general partner

By: /s/ Mark T. Lammas
Name: Mark T. Lammas
Title: Chief Operating Officer, Chief Financial Officer & Treasurer

TENANT:

NUTANIX, INC., a Delaware corporation,

By: /s/ Duston Williams
Name: Duston Williams
Title: Chief Financial Officer

Exhibit 10.4

Office Lease

1745 TECHNOLOGY

between

HUDSON CONCOURSE, LLC,

a Delaware limited liability company

as Landlord,

and

NUTANIX, INC.,

a Delaware corporation

as Tenant

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OFFICE LEASE

This Office Lease (this "**Lease**"), dated as of the date set forth in Section 1.1, is made by and between **HUDSON CONCOURSE, LLC,** a Delaware limited liability company ("**Landlord**"), and **NUTANIX INC.,** a Delaware corporation ("**Tenant**"). The following exhibits are incorporated herein and made a part hereof: **Exhibit A** (Outline of Premises); **Exhibit B** (Work Letter); **Exhibit C** (Form of Confirmation Letter); **Exhibit D** (Rules and Regulations); **Exhibit E** (Judicial Reference); and **Exhibit F** (Additional Provisions).

1. **BASIC LEASE INFORMATION.**

1.1 Date:	April 4, 2018
1.2 Premises.	
1.2.1 "**Building**":	1745 Technology Drive, San Jose, California, commonly known as The Concourse VI.
1.2.2 "**Premises**":	Subject to Section 2.1.1, a total of 58,714 rentable square feet of space comprised of (a) the entire fifth (5th) floor of the Building commonly known as "**Suite 500**," and containing approximately 29,357 rentable square feet the outline and location of which is set forth in **Exhibit A-1** and (b) the entire sixth (6th) floor of the Building commonly known as "**Suite 600**" and containing approximately 29,357 rentable square feet the outline and location of which is set forth in **Exhibit A-2**. If the Premises include any floor in its entirety, all corridors and restroom facilities located on such floor shall be considered part of the Premises.
1.2.3 "**Property**":	The Building, the parcel(s) of land upon which it is located, and, at Landlord's discretion, any parking facilities and other improvements serving the Building and the parcel(s) of land upon which such parking facilities and other improvements are located.
1.2.4 "**Project**":	The Property or, at Landlord's discretion, any project containing the Property and any other land, buildings or other improvements.
1.3 Term	
1.3.1 Term:	The term of this Lease (the "**Term**") be seventy-two (72) months and shall begin on the Commencement Date and expire on the Expiration Date (or any earlier date on which this Lease is terminated as provided herein).
1.3.2 "**Commencement Date**":	As to each of Suite 500 and Suite 600, the later of (a) June 1, 2018, and (ii) the Delivery Date for each such full floor of the Premises.
1.3.3"**Expiration Date**":	May 31, 2024.
1.4 "Base Rent"	
"Base Rent"	

Period During Term	Annual Base Rent Per Rentable Square Foot (rounded to the nearest 100th of a dollar)	Monthly Base Rent Per Rentable Square Foot (rounded to the nearest 100th of a dollar)	Monthly Installment of Base Rent
Commencement Date* - 3/31/2019	N/A	$3.00	$176,142.00
4/1/2019 - 3/31/2020	$2,177,115.12	$3.09	$181,426.26
4/1/2020 - 3/31/2021	$2,242,434.00	$3.18	$186,869.05
4/1/4021 - 3/31/2022	$2,309,701.44	$3.28	$192,475.12
4/1/2022 - 3/31/2023	$2,378,992.44	$3.38	$198,249.37
4/1/2023 - 3/31/2024	$2,450,362.20	$3.48	$204,196.85
4/1/2024 - 5/31/2024	N/A	$3.58	$210,322.76

*Notwithstanding the foregoing, Base Rent shall be abated, in the amount of $176,142.00 per month, for the first two (2) full calendar months after the Commencement Date (subject to Section 2.1.1 below); provided, however, that if a Default exists when any such abatement would otherwise apply, such abatement shall be deferred until the date, if any, when such Default is cured. In the event the Commencement Date for Suite 500 occurs on a different date than the Commencement Date for Suite 600, (a) Tenant's obligation to pay Base Rent for the first floor to be delivered shall be 50% of the amount set forth in this Section 1.4 above until such time as the Commencement Date for the entire Premises has occurred, and (b) the abatement referenced in this Section 1.4 above shall apply during the first two (2) full calendar months following the date that the Commencement Date for the entire Premises has occurred.

1.5 **Intentionally Omitted**

1.6 "**Tenant's Share**": 25.7168% (based upon a total of 228,310 rentable square feet in the Building), subject to Section 2.1.1; provided in the event the Commencement Date for Suite 500 occurs on a different date than the Commencement Date for Suite 600, Tenant's Share shall be 12.8784% until such time as the Commencement Date for the entire Premises has occurred.

1.7 "**Permitted Use**": General office and administrative use consistent with a first-class office building.

1.8 "**Security Deposit**": $210,322.76, as more particularly described in Section 21.

Prepaid Base Rent: $176,142.00, as more particularly described in Section 3.

Prepaid Additional Rent: $71,043.94, as more particularly described in Section 3.

1.9 Parking: One Hundred Seventy-Six (176) unreserved parking spaces, at the rate of $0.00 per space per month.

1.10 Address of Tenant: Nutanix, Inc.
1740 Technology Drive, Suite 150
San Jose, CA 95110

1.11 Address of Landlord:	Hudson Concourse, LLC c/o Hudson Pacific Properties 2055 Gateway Place, Suite 200 San Jose, California 95110 Attn: Building Manager with copies to: Hudson Concourse, LLC c/o Hudson Pacific Properties 950 Tower Lane, Suite 1800 Foster City, California 94404 Attn: Managing Counsel and Hudson Concourse, LLC c/o Hudson Pacific Properties 11601 Wilshire Boulevard, Suite 900 Los Angeles, California 90025 Attn: Lease Administration
1.12 Broker(s):	Savills-Studley ("**Tenant's Broker**"), representing Tenant, and Colliers International ("**Landlord's Broker**"), representing Landlord.
1.13 Building HVAC Hours and Holidays:	
1.15 "**Tenant Improvements**":	Defined in **Exhibit B**, if any.
1.16 "**Guarantor**":	***As of the date hereof, there is no Guarantor.***

2. **PREMISES AND COMMON AREAS**.

2.1 **The Premises**.

2.1.1 Subject to the terms hereof, Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord. Landlord and Tenant acknowledge that the rentable square footage of the Premises is as set forth in Section 1.2.2 and the rentable square footage of the Building is as set forth in Section 1.6; provided, however, that Landlord may from time to time re-measure the Premises and/or the Building in accordance with any generally accepted measurement standards selected by Landlord and adjust Tenant's Share based on such re-measurement; provided further, however, that any such re-measurement shall not affect the amount of Base Rent payable for, the determination of Tenant's Share with respect to, or the amount of any tenant allowance applicable to, the initial Term. The "**Delivery Date**" means the date upon which Landlord delivers possession of each floor of the Premises to Tenant free from occupancy by any party and in the condition required by Section 2.1.2 below. If Landlord does not deliver possession of any floor of the Premises to Tenant on or before the anticipated Commencement Date (June 1, 2018), Landlord shall not be subject to any liability for its failure to do so, and such failure shall not affect the validity of this Lease nor the obligations of Tenant hereunder. At any time, Landlord may deliver to Tenant a notice substantially in the form of **Exhibit C**, as a confirmation of the information set forth therein. Tenant shall execute and return (or, by notice to Landlord, reasonably object to) such notice within five (5) days after receiving it, and if Tenant fails to do so, Tenant shall be deemed to have executed and returned it without exception.

2.1.2 Except as expressly provided herein, the Premises are accepted by Tenant in their configuration and condition existing on the date hereof (or in such other configuration and condition as the existing tenant of each portion of the Premises may cause to exist in accordance with its lease), without any obligation of Landlord to perform or pay for any alterations to the Premises, and without any representation or warranty regarding the configuration or

condition of the Premises, the Building or the Project or their suitability for Tenant's business. Landlord shall deliver the Premises to Tenant with the floors cleared of trash and swept and free from occupancy by any other party. The foregoing provisions of this Section 2.1.2 shall not limit Landlord's obligations under Section 7 or Tenant's rights under Section 6.3.

2.2 **Common Areas**. Tenant may use, in common with Landlord and other parties and subject to the Rules and Regulations (defined in **Exhibit D**), any portions of the Property that are designated from time to time by Landlord for such use (the "**Common Areas**").

2.3 **Contingency**.

2.3.1 **Suite 500.** The parties acknowledge and agree that Landlord has previously leased Suite 500 to a third party (such party, and any successor or assignee thereto, the "**Suite 500 Existing Tenant**") for a lease term extending through December 31, 2019, with one (1) five-year renewal option ("**Suite 500 Existing Lease**"). Landlord shall attempt to engage the Suite 500 Existing Tenant in discussions in an effort to terminate the Suite 500 Existing Lease prior to its scheduled expiration date; however, Landlord shall not be obligated to expend any funds to effect such termination and Landlord does not guaranty it will be successful in terminating the Suite 500 Existing Lease prior to the scheduled expiration date. In the event Landlord is successful in terminating the Suite 500 Lease effective as of a date on or prior to June 1, 2018, Landlord will deliver Suite 500 to Tenant as soon as reasonably practicable after the date of such termination. However, in the event Landlord has not entered into an agreement, within forty-five (45) days after the date of full execution and delivery of this Lease, to terminate the Suite 500 Existing Lease effective as of a date on or prior to June 1, 2018, Landlord shall so notify Tenant and Tenant may, within five (5) days after such notice, terminate this Lease (as to the entire Premises), unless Landlord and Tenant mutually agree in writing to extend the forty-five (45) day period referenced above. In the event Landlord enters into an agreement, within forty-five (45) days after the date of full execution and delivery of this Lease, to terminate the Suite 500 Existing Lease effective as of a date on or prior to June 1, 2018, but fails to deliver Suite 500 by June 1, 2018, Tenant may, within five (5) days after such date (but prior to the date Landlord actually delivers Suite 500 to Tenant), terminate this Lease (as to the entire Premises).

2.3.2 **Suite 600.** The parties acknowledge and agree that Landlord has previously leased Suite 600 to a third party (such party, and any successor or assignee thereto, the "**Suite 600 Existing Tenant**") for a lease term extending through March 31, 2019, with two (2) three-year renewal options ("**Suite 600 Existing Lease**"). Landlord shall attempt to engage the Suite 600 Existing Tenant in discussions in an effort to terminate the Suite 600 Existing Lease prior to its scheduled expiration date; however, Landlord shall not be obligated to expend any funds to effect such termination and Landlord does not guaranty it will be successful in terminating the Suite 600 Existing Lease prior to the scheduled expiration date. In the event Landlord is successful in terminating the Suite 500 Lease effective as of a date on or prior to June 1, 2018, Landlord will deliver Suite 500 to Tenant as soon as reasonably practicable after the date of such termination. However, in the event Landlord has not entered into an agreement, within forty-five (45) days after the date of full execution and delivery of this Lease, to terminate the Suite 600 Existing Lease effective as of a date on or prior to June 1, 2018, Landlord shall so notify Tenant and Tenant may, within five (5) days after such notice, terminate this Lease (as to the entire Premises), unless Landlord and Tenant mutually agree in writing to extend the forty-five (45) day period referenced above. In the event Landlord enters into an agreement, within forty-five (45) days after the date of full execution and delivery of this Lease, to terminate the Suite 600 Existing Lease effective as of a date on or prior to June 1, 2018, but fails to deliver Suite 600 by June 1, 2018, Tenant may, within five (5) days after such date (but prior to the date Landlord actually delivers Suite 600 to Tenant), terminate this Lease (as to the entire Premises).

3. **RENT**. Tenant shall pay all Base Rent and Additional Rent (defined below) (collectively, "**Rent**") to Landlord or Landlord's agent, without prior notice or demand or any setoff or deduction, at the place Landlord may designate from time to time, in money of the United States of America that, at the time of payment, is legal tender for the payment of all obligations. As used herein, "**Additional Rent**" means all amounts, other than Base Rent, that Tenant is required to pay Landlord hereunder. Subject to Section 1.4 and Section 2.1.1 above, monthly payments of Base Rent and monthly payments of Additional Rent for Expenses (defined in Section 4.2.2) and Taxes (defined in Section 4.2.3) (collectively, "**Monthly Rent**") shall be paid in advance on or before the first day of each calendar month during the

Term; provided, however, that the installment of Base Rent for the first full calendar month for which Base Rent is payable hereunder and the installment of Additional Rent for Expenses and Taxes for the first full calendar month for which such Additional Rent is payable hereunder shall be paid upon Tenant's execution and delivery hereof. Except as otherwise provided herein, all other items of Additional Rent shall be paid within 30 days after Landlord's request for payment. Rent for any partial calendar month shall be prorated based on the actual number of days in such month. Without limiting Landlord's other rights or remedies, (a) if any installment of Rent is not received by Landlord or its designee within five (5) business days after its due date, Tenant shall pay Landlord a late charge equal to 5% of the overdue amount; and (b) any Rent that is not paid within 10 days after its due date shall bear interest, from its due date until paid, at the lesser of 12% per annum or the highest rate permitted by Law (defined in Section 5). Tenant's covenant to pay Rent is independent of every other covenant herein.

4. **EXPENSES AND TAXES**.

4.1 **General Terms**. In addition to Base Rent, Tenant shall pay, in accordance with Section 4.4, for each Expense Year (defined in Section 4.2.1), an amount equal to the sum of (a) Tenant's Share of Expenses for such Expense Year, plus (b) Tenant's Share of Taxes for such Expense Year. Tenant's Share of the Expenses and Tenant's Share of the Taxes for any partial Expense Year shall be prorated based on the number of days in such Expense Year.

4.2 **Definitions**. As used herein, the following terms have the following meanings:

4.2.1 "**Expense Year**" means each calendar year in which any portion of the Term occurs.

4.2.2 "**Expenses**" means all expenses, costs and amounts that Landlord pays or incurs during any Expense Year because of or in connection with the ownership, management, maintenance, security, repair, replacement, restoration or operation of the Property. Landlord shall act in a reasonable manner in incurring Expenses. Expenses shall include (i) the cost of supplying all utilities, the cost of operating, repairing, maintaining and renovating the utility, telephone, mechanical, sanitary, storm-drainage, and elevator systems, and the cost of maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections, the cost of contesting any Laws that may affect Expenses, and the costs of complying with any governmentally-mandated transportation-management or similar program; (iii) the cost of all commercially reasonable insurance premiums and deductibles; (iv) the cost of landscaping and relamping; (v) the cost of parking-area operation, repair, restoration, and maintenance; (vi) a management fee in the amount (which is hereby acknowledged to be reasonable) of 3% of gross annual receipts from the Building (excluding the management fee), together with other fees and costs, including consulting fees, legal fees and accounting fees, of all contractors and consultants in connection with the management, operation, maintenance and repair of the Property; (vii) the fair rental value of any management office space; (viii) wages, salaries and other compensation, expenses and benefits, including taxes levied thereon, of all persons to the extent engaged in the operation, maintenance and security of the Property, and costs of training, uniforms, and employee enrichment for such persons; (ix) the costs of operation, repair, maintenance and replacement of all systems and equipment (and components thereof) of the Property; (x) the cost of janitorial, alarm, security and other services, replacement of wall and floor coverings, ceiling tiles and fixtures in Common Areas, maintenance and replacement of curbs and walkways, repair to roofs and re-roofing; (xi) rental or acquisition costs of supplies, tools, equipment, materials and personal property used in the maintenance, operation and repair of the Property; (xii) the cost of capital improvements or any other items that are (A) intended to reduce current or future Expenses, enhance the safety or security of the Property or its occupants, or enhance the environmental sustainability of the Property's operations, or (B) required under any Law (except to the extent that such Law was in effect and required such capital expenditure(s) before the date hereof); (xiii) the cost of tenant-relation programs reasonably established by Landlord; and (xiv) payments under any existing or future reciprocal easement agreement, transportation management agreement, cost-sharing agreement or other covenant, condition, restriction or similar instrument affecting the Property.

Notwithstanding the foregoing, Expenses shall not include:

a. capital expenditures not described in clauses (xi) or (xii) above (in addition, any capital expenditure shall be amortized (including actual or imputed interest on the amortized cost) over the lesser of (i) the useful life of the item purchased through such capital expenditure, as reasonably determined by Landlord, or (ii) the

period of time as Landlord reasonably estimates will be required for any Expense savings resulting from such capital expenditure to equal such capital expenditure; provided, however, that any capital expenditure that is included in Expenses solely on the grounds that it is intended to reduce current or future Expenses shall be so amortized over the period of time described in the preceding clause (ii));

b. depreciation;

c. payments of mortgage or other non-operating debts of Landlord;

d. costs of repairs to the extent Landlord is reimbursed by insurance or condemnation proceeds;

e. except as provided in clause (xiii) above, costs of leasing space in the Building, including brokerage commissions, lease concessions, rental abatements and construction allowances granted to specific tenants, and costs of constructing (as distinguished from repairing) tenant improvements for specific tenants;

f. costs of selling, financing or refinancing the Building;

g. fines, penalties or interest resulting from late payment of Taxes or Expenses;

h. organizational expenses of creating or operating the entity that constitutes Landlord;

i. damages paid to Tenant hereunder or to other tenants of the Building under their respective leases;

j. reserves;

k. costs of cleaning up Hazardous Materials, except for routine cleanup performed as part of the ordinary operation and maintenance of the Property, and costs resulting from the presence of Hazardous Materials at the Property in amounts or conditions that violate applicable Laws (as used herein, "**Hazardous Materials**" means any material now or hereafter defined or regulated by any Law or governmental authority as radioactive, toxic, hazardous, or waste, or a chemical known to the state of California to cause cancer or reproductive toxicity, including (1) petroleum and any of its constituents or byproducts, (2) radioactive materials, (3) asbestos in any form or condition, and (4) materials regulated by any of the following, as amended from time to time, and any rules promulgated thereunder: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §§9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. §§6901, et seq.; the Toxic Substances Control Act, 15 U.S.C. §§2601, et seq.; the Clean Water Act, 33 U.S.C. §§1251 et seq.; the Clean Air Act, 42 U.S.C. §§7401 et seq.; The California Health and Safety Code; The California Water Code; The California Labor Code; The California Public Resources Code; and The California Fish and Game Code.);

l. insurance deductibles other than (a) earthquake insurance deductibles up to the amount (the "**Annual Limit**") of 0.5% of the total insurable value of the Property per occurrence (provided, however, that, notwithstanding any contrary provision hereof, if, for any occurrence, the earthquake insurance deductible exceeds the Annual Limit, then, after such deductible is included (up to the Annual Limit) in Expenses for the applicable Expense Year, such excess may be included (up to the Annual Limit) in Expenses for the immediately succeeding Expense Year, and any portion of such excess that is not so included in Expenses for such immediately succeeding Expense Year may be included (up to the Annual Limit) in Expenses for the next succeeding Expense Year, and so on with respect to each succeeding Expense Year; provided further, however, that in no event shall the portions of such deductible that are included in Expenses for any one or more Expense Years exceed, in the aggregate, 5.0% of the total insurable value of the Property), and (b) any other insurance deductibles up to $50,000.00 per occurrence;

m. any cost of repairing damage resulting from a Casualty (defined in Section 11), other than (i) any insurance deductible (subject to clause (l) above), and (ii) if such damage is not covered by Landlord's insurance (as determined without regard to any deductible), any portion of such cost that does not exceed the maximum amount of the insurance deductible for such damage that would not have been excluded from Expenses under clause (l) above if such damage had been covered by Landlord's insurance;

n. costs of services or benefits made available to other tenants of the Building but not to Tenant;

o. any cost of repairing damage resulting from a Taking (defined in Section 13);

p. co-insurance payments;

q. fines or penalties resulting from any violations of Law, negligence or willful misconduct of Landlord or its employees, agents or contractors; or

r. costs of curing defects in design or original construction of the Property.

If, during any portion of any Expense Year, the Building is not 100% occupied (or a service provided by Landlord to Tenant is not provided by Landlord to a tenant that provides such service itself, or any tenant of the Building is entitled to free rent, rent abatement or the like), Expenses for such year shall be determined as if the Building had been 100% occupied (and all services provided by Landlord to Tenant had been provided by Landlord to all tenants, and no tenant of the Building had been entitled to free rent, rent abatement or the like) during such portion of such year.

4.2.3 "**Taxes**" means all federal, state, county or local governmental or municipal taxes, fees, charges, assessments, levies, licenses or other impositions, whether general, special, ordinary or extraordinary, that are paid or accrued during any Expense Year (without regard to any different fiscal year used by such governmental or municipal authority) because of or in connection with the ownership, leasing or operation of the Property. Taxes shall include (a) real estate taxes; (b) general and special assessments; (c) transit taxes; (d) leasehold taxes; (e) personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems, appurtenances, furniture and other personal property used in connection with the Property; (f) any tax on the rent, right to rent or other income from any portion of the Property or as against the business of leasing any portion of the Property; and (g) any assessment, tax, fee, levy or charge imposed by any governmental agency, or by any non-governmental entity pursuant to any private cost-sharing agreement, in order to fund the provision or enhancement of any fire-protection, street-, sidewalk- or road-maintenance, refuse-removal or other service that is (or, before the enactment of Proposition 13, was) normally provided by governmental agencies to property owners or occupants without charge (other than through real property taxes). Any costs and expenses (including reasonable attorneys' and consultants' fees) incurred in attempting to protest, reduce or minimize Taxes shall be included in Taxes for the year in which they are incurred. Notwithstanding any contrary provision hereof, Taxes shall be determined without regard to any "green building" credit and shall exclude (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, transfer taxes, estate taxes, federal and state income taxes, and other taxes to the extent (x) applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Property), or (y) measured solely by the square footage, rent, fees, services, tenant allowances or similar amounts, rights or obligations described or provided in or under any particular lease, license or similar agreement or transaction at the Building; (ii) any Expenses, and (iii) any items required to be paid or reimbursed by Tenant under Section 4.5. Notwithstanding the foregoing, if Landlord receives a "green building" credit against Taxes for any Expense Year as a result, in whole or in part, of Tenant's incurrence of any amount(s) included in Expenses for any Expense Year(s) (for purposes of this sentence, collectively, the "**Tenant-Paid Cost**"), then, to the extent such credit is fairly attributable to the Tenant-Paid Cost, Taxes for such Expense Year shall be reduced by the lesser of (x) the amount of such credit, or (y) the Tenant-Paid Cost. If any assessment included in Taxes can be paid by Landlord in installments, such assessment shall not be included in Taxes in any calendar year in an amount exceeding that which would be included in Taxes in such calendar year if such assessment were paid in the maximum number of installments permitted by Law.

4.3 **Allocation**. Landlord, in its reasonable discretion, may equitably allocate Expenses among office, retail or other portions or occupants of the Property. If Landlord incurs Expenses or Taxes for the Property together with another property, Landlord, in its reasonable discretion, shall equitably allocate such shared amounts between the Property and such other property.

4.4 **Calculation and Payment of Expenses and Taxes**.

4.4.1 **Statement of Actual Expenses and Taxes; Payment by Tenant.** Landlord shall give to Tenant, after the end of each Expense Year, a statement (the "Statement") setting forth the actual Expenses and Taxes for such Expense Year. If the amount paid by Tenant for such Expense Year pursuant to Section 4.4.2 is less or more than the sum of Tenant's Share of the actual Expenses plus Tenant's Share of the actual Taxes (as such amounts are set forth in such Statement), Tenant shall pay Landlord the amount of such underpayment, or receive a credit in the amount of such overpayment, with or against the Rent then or next due hereunder; provided, however, that if this Lease has expired or terminated and Tenant has vacated the Premises, Tenant shall pay Landlord the amount of such underpayment, or Landlord shall pay Tenant the amount of such overpayment (less any Rent due), within 30 days after delivery of such Statement. Any failure of Landlord to timely deliver the Statement for any Expense Year shall not diminish either party's rights under this Section 4.

4.4.2 **Statement of Estimated Expenses and Taxes.** Landlord shall give to Tenant, for each Expense Year, a statement (the "Estimate Statement") setting forth Landlord's reasonable estimates of the Expenses and Taxes (the "Estimated Expenses") and Taxes (the "Estimated Taxes") for such Expense Year. Upon receiving an Estimate Statement, Tenant shall pay, with its next installment of Base Rent, an amount equal to the excess of (a) the amount obtained by multiplying (i) the sum of Tenant's Share of the Estimated Expenses plus Tenant's Share of the Estimated Taxes (as such amounts are set forth in such Estimate Statement), by (ii) a fraction, the numerator of which is the number of months that have elapsed in the applicable Expense Year (including the month of such payment) and the denominator of which is 12, over (b) any amount previously paid by Tenant for such Expense Year pursuant to this Section 4.4.2. Until Landlord delivers a new Estimate Statement (which Landlord may do at any time), Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the sum of Tenant's Share of the Estimated Expenses plus Tenant's Share of the Estimated Taxes, as such amounts are set forth in the previous Estimate Statement. Any failure of Landlord to timely deliver any Estimate Statement shall not diminish Landlord's rights to receive payments and revise any previous Estimate Statement under this Section 4.

4.4.3 **Retroactive Adjustment of Taxes.** Notwithstanding any contrary provision hereof, if, after Landlord's delivery of any Statement, an increase or decrease in Taxes occurs for the applicable Expense Year (whether by reason of reassessment, error, or otherwise), Taxes for such Expense Year shall be retroactively adjusted. If, as a result of such adjustment, it is determined that Tenant has under- or overpaid Tenant's Share of Taxes, Tenant shall pay Landlord the amount of such underpayment, or receive a credit in the amount of such overpayment, with or against the Rent then or next due hereunder; provided, however, that if this Lease has expired or terminated and Tenant has vacated the Premises, Tenant shall pay Landlord the amount of such underpayment, or Landlord shall pay Tenant the amount of such overpayment (less any Rent due), within 30 days after such adjustment is made.

4.5 **Charges for Which Tenant Is Directly Responsible**. Notwithstanding any contrary provision hereof, Tenant, promptly upon demand, shall pay (or if paid by Landlord, reimburse Landlord for) each of the following to the extent levied against Landlord or Landlord's property: (a) any tax based upon or measured by (i) the cost or value of Tenant's trade fixtures, equipment, furniture or other personal property, or (ii) the cost or value of the Leasehold Improvements (defined in Section 7.1) to the extent such cost or value exceeds that of a Building-standard build-out, as determined by Landlord; (b) any rent tax, sales tax, service tax, transfer tax, value added tax, use tax, business tax, gross income tax, gross receipts tax, or other tax, assessment, fee, levy or charge measured solely by the square footage, Rent, services, tenant allowances or similar amounts, rights or obligations described or provided in or under this Lease; (c) any tax assessed upon the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of any portion of the Property; and (d) any tax assessed on this transaction or on any document to which Tenant is a party that creates an interest or estate in the Premises.

4.6 **Books and Records**. Within 60 days after receiving any Statement (the "**Review Notice Period**"), Tenant may give Landlord notice ("**Review Notice**") stating that Tenant elects to review Landlord's calculation of the Expenses and/or Taxes for the Expense Year to which such Statement applies and identifying with reasonable specificity the records of Landlord reasonably relating to such matters that Tenant desires to review. Within a reasonable time after receiving a timely Review Notice (and, at Landlord's option, an executed confidentiality agreement as described below), Landlord shall deliver to Tenant, or make available for inspection at a location reasonably designated by

Landlord, copies of such records. Within 60 days after such records are made available to Tenant (the "**Objection Period**"), Tenant may deliver to Landlord notice (an "**Objection Notice**") stating with reasonable specificity any objections to the Statement, in which event Landlord and Tenant shall work together in good faith to resolve Tenant's objections. Tenant may not deliver more than one Review Notice or more than one Objection Notice with respect to any Statement. If Tenant fails to give Landlord a Review Notice before the expiration of the Review Notice Period or fails to give Landlord an Objection Notice before the expiration of the Objection Period, Tenant shall be deemed to have approved the Statement. If Tenant retains an agent to review Landlord's records, the agent must be with a CPA firm licensed to do business in the State of California and its fees shall not be contingent, in whole or in part, upon the outcome of the review. Tenant shall be responsible for all costs of such review. The records and any related information obtained from Landlord shall be treated as confidential, and as applicable only to the Premises, by Tenant, its auditors, consultants, and any other parties reviewing the same on behalf of Tenant (collectively, "**Tenant's Auditors**"). Before making any records available for review, Landlord may require Tenant and Tenant's Auditors to execute a reasonable confidentiality agreement, in which event Tenant shall cause the same to be executed and delivered to Landlord within 30 days after receiving it from Landlord, and if Tenant fails to do so, the Objection Period shall be reduced by one day for each day by which such execution and delivery follows the expiration of such 30-day period. Notwithstanding any contrary provision hereof, Tenant may not examine Landlord's records or dispute any Statement if any Rent remains unpaid past its due date. If, for any Expense Year, Landlord and Tenant determine that the sum of Tenant's Share of the actual Expenses plus Tenant's Share of the actual Taxes is less or more than the amount reported, Tenant shall receive a credit in the amount of its overpayment against Rent then or next due hereunder, or pay Landlord the amount of its underpayment with the Rent next due hereunder; provided, however, that if this Lease has expired or terminated and Tenant has vacated the Premises, Landlord shall pay Tenant the amount of its overpayment (less any Rent due), or Tenant shall pay Landlord the amount of its underpayment, within 30 days after such determination.

5. **USE; COMPLIANCE WITH LAWS**.

5.1 Tenant shall not (a) use the Premises for any purpose other than the Permitted Use, or (b) do anything in or about the Premises that violates any of the Rules and Regulations, damages the reputation of the Project, interferes with, injures or unreasonably annoys other occupants of the Project, or constitutes a nuisance. Tenant, at its expense, shall comply with all Laws relating to (i) the operation of its business at the Project, (ii) the use, condition, configuration or occupancy of the Premises, (iii) any Supplemental Systems (defined below) serving the Premises, whether located inside or outside of the Premises, or (iv) the portions of Base Building Systems (defined below) located in the Premises; provided, however, that nothing in this sentence shall be deemed to require Tenant to make any change to any Common Area or the Base Building (other than portions of Base Building Systems located in the Premises). If, in order to comply with any such Law, Tenant must obtain or deliver any permit, certificate or other document evidencing such compliance, Tenant shall provide a copy of such document to Landlord promptly after obtaining or delivering it. If a change to any Common Area or the Base Building (other than any portion of a Base Building System located in the Premises) becomes required under Law (or if any such requirement is enforced) as a result of any Tenant-Insured Improvement (defined in Section 10.2.2), the installation of any trade fixture, or any particular use of the Premises (as distinguished from general office use), then Tenant, upon demand, shall (x) at Landlord's option, either make such change at Tenant's cost or pay Landlord the cost of making such change, and (y) pay Landlord a coordination fee equal to 10% of the cost of such change. As used herein, "Law" means any existing or future law, ordinance, regulation or requirement of any governmental authority having jurisdiction over the Project or the parties. As used herein, "Supplemental System" means any Unit (defined in Section 25.5), supplemental fire-suppression system, kitchen (including any hot water heater, dishwasher, garbage disposal, insta-hot dispenser, or plumbing), shower or similar facility, or any other system that would not customarily be considered part of the base building of a first-class multi-tenant office building. As used herein, "Base Building System" means any mechanical (including HVAC), electrical, plumbing or fire/life-safety system serving the Building, other than a Supplemental System. As used herein, "Base Building" means the structural portions of the Building, together with the Base Building Systems.

5.2 Landlord, at its expense (subject to Section 4), shall cause the Base Building and the Common Areas to comply with all Laws (including the Americans with Disabilities Act ("**ADA**")) to the extent that (a) such compliance is necessary for Tenant to use the Premises for general office use in a normal and customary manner and for Tenant's employees and visitors to have reasonably safe access to and from the Premises, or (b) Landlord's failure to cause such compliance would impose liability upon Tenant under Law; provided, however, that Landlord shall not be required to

cause such compliance to the extent non-compliance (x) is triggered by any matter that is Tenant's responsibility under Section 5.1 or 7.3 or any other provision hereof, or (y) arises under any provision of the ADA other than Title III thereof. Notwithstanding the foregoing, Landlord may contest any alleged violation in good faith, including by applying for and obtaining a waiver or deferment of compliance, asserting any defense allowed by Law, and appealing any order or judgment to the extent permitted by Law; provided, however, that after exhausting any rights to contest or appeal, Landlord shall perform any work necessary to comply with any final order or judgment.

6. **SERVICES.**

6.1 **Standard Services**. Landlord shall provide the following services on all days (unless otherwise stated below): (a) subject to limitations imposed by Law, customary heating, ventilation and air conditioning ("**HVAC**") in season during Building HVAC Hours, stubbed to the Premises; (b) electricity supplied by the applicable public utility, stubbed to the Premises; (c) water supplied by the applicable public utility (i) for use in lavatories and any drinking facilities located in Common Areas within the Building, and (ii) stubbed to the Building core for use in any plumbing fixtures located in the Premises; (d) janitorial services to the Premises, except on weekends and Holidays; (e) elevator service (subject to scheduling by Landlord, and payment of Landlord's standard usage fee, for any freight service); and (f) access to the Building for Tenant and its employees, 24 hours per day/7 days per week, subject to the terms hereof and such security or monitoring systems as Landlord may reasonably impose, including sign-in procedures and/or presentation of identification cards.

6.2 **Above-Standard Use**. Landlord shall provide HVAC service outside Building HVAC Hours if Tenant gives Landlord such prior notice and pays Landlord such hourly cost per zone as Landlord may require. The parties acknowledge that, as of the date hereof, Landlord's charge for HVAC service outside Building Hours is $60.00 per hour, for a minimum of four (4) hours, subject to change from time to time. Tenant shall not, without Landlord's prior consent, use equipment that may affect the temperature maintained by the air conditioning system or consume above-Building-standard amounts of any water furnished for the Premises by Landlord pursuant to Section 6.1. If Tenant's consumption of electricity or water exceeds the rate Landlord reasonably deems to be standard for the Building, Tenant shall pay Landlord, upon billing, the cost of such excess consumption, including any costs of installing, operating and maintaining any equipment that is installed in order to supply or measure such excess electricity or water. The connected electrical load of Tenant's incidental-use equipment shall not exceed the Building-standard electrical design load, and Tenant's electrical usage shall not exceed the capacity of the feeders to the Project or the risers or wiring installation.

6.3 **Interruption**. Subject to Section 11, any failure to furnish, delay in furnishing, or diminution in the quality or quantity of any service resulting from any application of Law, failure of equipment, performance of maintenance, repairs, improvements or alterations, utility interruption, or event of Force Majeure (each, a "**Service Interruption**") shall not render Landlord liable to Tenant, constitute a constructive eviction, or excuse Tenant from any obligation hereunder. Notwithstanding the foregoing, if all or a material portion of the Premises is made untenantable or inaccessible for more than three (3) consecutive business days after notice from Tenant to Landlord by a Service Interruption that (a) does not result from a Casualty (defined in Section 11), a Taking (defined in Section 13) or an Act of Tenant (defined in Section 10.1), and (b) can be corrected through Landlord's reasonable efforts, then, as Tenant's sole remedy, Monthly Rent shall abate for the period beginning on the day immediately following such 3-business-day period and ending on the day such Service Interruption ends, but only in proportion to the percentage of the rentable square footage of the Premises made untenantable or inaccessible and not occupied by Tenant.

7. **REPAIRS AND ALTERATIONS**.

7.1 **Repairs**. Subject to Section 11, Tenant, at its expense, shall perform all maintenance and repairs (including replacements) to the Premises, and keep the Premises in as good condition and repair as existed when Tenant took possession and as thereafter improved, except for reasonable wear and tear and repairs that are Landlord's express responsibility hereunder. Tenant's maintenance and repair obligations shall include (a) all leasehold improvements in the Premises, including any Tenant Improvements, any Alterations (defined in Section 7.2), and any leasehold improvements installed pursuant to any prior lease (the "**Leasehold Improvements**"), but excluding the Base Building; (b) any Supplemental Systems serving the Premises, whether located inside or outside of the Premises; and (c) all Lines (defined in Section 23) and trade fixtures. Notwithstanding the foregoing, if a Default (defined in Section 19.1)

or an emergency exists, Landlord may, at its option, perform such maintenance and repairs on Tenant's behalf, in which case Tenant shall pay Landlord, upon demand, the cost of such work plus a coordination fee equal to 10% of such cost. Landlord shall perform all maintenance and repairs to (i) the roof and exterior walls and windows of the Building, (ii) the Base Building, and (iii) the Common Areas.

7.2 **Alterations**. Tenant may not make any improvement, alteration, addition or change to the Premises or to any mechanical, plumbing or HVAC facility or other system serving the Premises (an "**Alteration**") without Landlord's prior consent, which consent shall be requested by Tenant not less than 30 days before commencement of work and shall not be unreasonably withheld by Landlord. Notwithstanding the foregoing, provided that Landlord receives 10 business days' prior notice, Landlord's prior consent shall not be required for any Alteration that is decorative only (*e.g.*, carpet installation or painting) or that (i) is reasonably estimated (together with any other Alterations performed without Landlord's consent pursuant to this sentence during the 12-month period ending on the date of such notice) to cost less than $15,000.00; (ii) is not visible from outside the Premises; (iii) does not affect any system or structural component of the Building; and (iv) does not require work to be performed inside the walls or above the ceiling of the Premises. For any Alteration, (a) Tenant, before beginning work, shall deliver to Landlord, and obtain Landlord's approval of, plans and specifications; (b) Landlord, in its discretion, may require Tenant to obtain security for performance satisfactory to Landlord; (c) Tenant shall deliver to Landlord "as built" drawings (in CAD format, if requested by Landlord), completion affidavits, full and final lien waivers, and all governmental approvals; and (d) Tenant shall pay Landlord upon demand (i) Landlord's reasonable out-of-pocket expenses incurred in reviewing the work, and (ii) a coordination fee equal to 10% of the cost of the work; provided, however, that this clause (d) shall not apply to any Tenant Improvements.

7.3 **Tenant Work**. Before beginning any repair or Alteration or any work affecting Lines (collectively, "**Tenant Work**"), Tenant shall deliver to Landlord, and obtain Landlord's approval of, (a) names of contractors, subcontractors, mechanics, laborers and materialmen; (b) evidence of contractors' and subcontractors' insurance; and (c) any required governmental permits. Tenant shall perform all Tenant Work (i) in a good and workmanlike manner using materials of a quality reasonably approved by Landlord; (ii) in compliance with any approved plans and specifications, all Laws, the National Electric Code, and Landlord's construction rules and regulations; and (iii) in a manner that does not impair the Base Building. If, as a result of any Tenant Work, Landlord becomes required under Law to perform any inspection, give any notice, or cause such Tenant Work to be performed in any particular manner, Tenant shall comply with such requirement and promptly provide Landlord with reasonable documentation of such compliance. Landlord's approval of Tenant's plans and specifications shall not relieve Tenant from any obligation under this Section 7.3. In performing any Tenant Work, Tenant shall not use contractors, services, labor, materials or equipment that, in Landlord's reasonable judgment, would disturb labor harmony with any workforce or trades engaged in performing other work or services at the Project.

8. **LANDLORD'S PROPERTY**. All Leasehold Improvements shall become Landlord's property upon installation and without compensation to Tenant. Notwithstanding the foregoing, Tenant, before the expiration or earlier termination hereof, at its expense, and except as otherwise notified by Landlord, shall remove any Tenant-Insured Improvements (other than any Unit, which shall be governed by Section 25.5), repair any resulting damage to the Premises or Building, and restore the affected portion of the Premises to its configuration and condition existing before the installation of such Tenant-Insured Improvements. If Tenant fails to timely perform any work required to be performed by Tenant under the preceding sentence, Landlord may perform such work at Tenant's expense. If, when it requests Landlord's approval of any Tenant Improvements or Alterations, Tenant specifically requests that Landlord identify any such Tenant Improvements or Alterations that Landlord will require to be removed pursuant to this Section 8, Landlord shall do so when it provides such approval. Nothing herein shall be deemed to (a) transfer to Landlord ownership of any of Tenant's trade fixtures, furniture, equipment or other personal property installed in the Premises ("**Tenant's Property**"), or (b) prohibit Tenant from removing Tenant's Property from the Premises, provided that Tenant repairs all damage caused by its installation or removal.

9. **LIENS**. Tenant shall keep the Project free from any lien arising out of any work performed, material furnished or obligation incurred by or on behalf of Tenant. Tenant shall remove any such lien within 10 business days after notice from Landlord, and if Tenant fails to do so, Landlord, without limiting its remedies, may pay the amount necessary

to cause such removal, whether or not such lien is valid. The amount so paid, together with reasonable attorneys' fees and expenses, shall be reimbursed by Tenant upon demand.

10. **INDEMNIFICATION; INSURANCE**.

10.1 **Waiver and Indemnification**. Tenant waives all claims against Landlord, its Security Holders (defined in Section 17), Landlord's managing agent(s), their (direct or indirect) owners, and the beneficiaries, trustees, officers, directors, employees and agents of each of the foregoing (including Landlord, the "**Landlord Parties**") for (i) any damage to person or property (or resulting from the loss of use thereof), except to the extent such damage is caused by any negligence, willful misconduct or breach of this Lease of or by any Landlord Party, or (ii) any failure to prevent or control any criminal or otherwise wrongful conduct by any third party or to apprehend any third party who has engaged in such conduct. Tenant shall indemnify, defend, protect, and hold the Landlord Parties harmless from any obligation, loss, claim, action, liability, penalty, damage, cost or expense (including reasonable attorneys' and consultants' fees and expenses) (each, a "Claim") that is imposed or asserted by any third party and arises from any negligence, willful misconduct or breach of this Lease of or by Tenant, any party claiming by, through or under Tenant, their (direct or indirect) owners, or any of their respective beneficiaries, trustees, officers, directors, employees, agents, contractors, licensees or invitees (each, an "**Act of Tenant**"), except to the extent such Claim arises from any negligence, willful misconduct or breach of this Lease of or by any Landlord Party. Landlord shall indemnify, defend, protect, and hold Tenant, its (direct or indirect) owners, and their respective beneficiaries, trustees, officers, directors, employees and agents (including Tenant, the "**Tenant Parties**") harmless from any Claim that is imposed or asserted by any third party and arises from any negligence, willful misconduct or breach of this Lease of or by any Landlord Party, except to the extent such Claim arises from an Act of Tenant.

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

10.2.1 Commercial General Liability Insurance covering claims of bodily injury, personal injury and property damage arising out of Tenant's operations and contractual liabilities, including coverage formerly known as broad form, on an occurrence basis, with combined primary and excess/umbrella limits of at least $3,000,000 each occurrence and $4,000,000 annual aggregate.

10.2.2 Property Insurance covering (i) all office furniture, trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property in the Premises installed by, for, or at the expense of Tenant, and (ii) any Leasehold Improvements installed by or for the benefit of Tenant pursuant to this Lease ("**Tenant-Insured Improvements**"). Such insurance shall be written on a special cause of loss or all risk form for physical loss or damage, for the full replacement cost value (subject to reasonable deductible amounts) new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance, and shall include coverage for damage or other loss caused by fire or other peril, including vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes, and explosion, and providing business interruption coverage for a period of one year.

10.2.3 Workers' Compensation statutory limits and Employers' Liability limits of $1,000,000.

10.3 **Form of Policies**. The minimum limits of insurance required to be carried by Tenant shall not limit Tenant's liability. Such insurance shall be issued by an insurance company that has an A.M. Best rating of not less than A-VIII. Tenant's Commercial General Liability Insurance shall (a) name the Landlord Parties and any other party designated by Landlord ("**Additional Insured Parties**") as additional insureds; and (b) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and non-contributing with Tenant's insurance. Landlord shall be designated as a loss payee with respect to Tenant's Property Insurance on any Tenant-Insured Improvements. Tenant shall deliver to Landlord, on or before the Commencement Date and at least 15 days before the expiration dates thereof, certificates from Tenant's insurance company on the forms currently designated "ACORD 25" (Certificate of Liability Insurance) and "ACORD 28" (Evidence of Commercial Property Insurance) or the equivalent. Attached to the ACORD 25 (or equivalent) there shall be an endorsement (or an excerpt from the policy) naming the Additional Insured Parties as additional insureds, and attached to the ACORD 28 (or equivalent) there shall be an endorsement (or an excerpt from the policy) designating Landlord as a loss payee with respect to

Tenant's Property Insurance on any Tenant-Insured Improvements, and each such endorsement (or policy excerpt) shall be binding on Tenant's insurance company.

10.4 **Subrogation**. Notwithstanding any contrary provision hereof (but subject to Section 11 hereof and Sections 4 and 8 of **Exhibit D**), each party waives, and shall cause its insurance carrier to waive, any right of recovery against the other party, any of its (direct or indirect) owners, or any of their respective beneficiaries, trustees, officers, directors, employees or agents for any loss of or damage to property which loss or damage is (or, if the insurance required hereunder had been carried, would have been) covered by the waiving party's property insurance, without regard to any negligence of any party so released. For purposes of this Section 10.4 only, (a) 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, and (b) any contractor retained by Landlord to install, maintain or monitor a fire or security alarm for the Building shall be deemed an agent of Landlord.

10.5 **Additional Insurance Obligations**. Tenant shall maintain such increased amounts of the insurance required to be carried by Tenant under this Section 10, and such other types and amounts of insurance covering the Premises and Tenant's operations therein, as may be reasonably requested by Landlord, but not in excess of the amounts and types of insurance then being required by landlords of Comparable Buildings.

10.6 **Landlord's Insurance**. Landlord shall maintain the following insurance, together with such other insurance coverage as Landlord, in its reasonable judgment, may elect to maintain, the premiums of which shall be included in Expenses: (a) Commercial General Liability insurance applicable to the Property, Building and Common Areas providing, on an occurrence basis, a minimum combined single limit of at least $3,000,000.00; (b) Special Cause of Loss Insurance on the Building at replacement cost value as reasonably estimated by Landlord; (c) Worker's Compensation insurance to the extent required by Law; and (d) Employers Liability Coverage to the extent required by Law.

11. **CASUALTY DAMAGE**. With reasonable promptness after discovering any damage to the Premises (other than trade fixtures), or to any Common Area or portion of the Base Building necessary for access to or tenantability of the Premises, resulting from any fire or other casualty (a "Casualty"), Landlord shall notify Tenant of Landlord's reasonable estimate of the time required to substantially complete repair of such damage (the "Landlord Repairs"). If, according to such estimate, the Landlord Repairs cannot be substantially completed within 180 days after they are commenced, either party may terminate this Lease upon 60 days' notice to the other party delivered within 10 days after Landlord's delivery of such estimate. Within 90 days after discovering any damage to the Project resulting from any Casualty, Landlord may, whether or not the Premises are affected, terminate this Lease by notifying Tenant if (i) any Security Holder terminates any ground lease or requires that any insurance proceeds be used to pay any mortgage debt; (ii) any damage to Landlord's property is not fully covered by Landlord's insurance policies; (iii) Landlord decides to rebuild the Building or Common Areas so that it or they will be substantially different structurally or architecturally; (iv) the damage occurs during the last 12 months of the Term; or (v) any owner, other than Landlord, of any damaged portion of the Project does not intend to repair such damage; provided, however, that (x) Landlord may not terminate this Lease pursuant to the preceding clauses (i), (ii), (iii) or (v) unless the Premises have been materially damaged or Landlord also exercises all rights it may have acquired as a result of the Casualty to terminate any other leases of space in the Building, and (y) Landlord may not terminate this Lease pursuant to the preceding clause (iv) unless the Premises have been materially damaged or Landlord also exercises all rights it may have acquired as a result of the Casualty to terminate any other leases of space in the Building that have less than 12 months remaining in their terms when the Casualty occurs. If this Lease is not terminated pursuant to this Section 11, Landlord shall promptly and diligently perform the Landlord Repairs, subject to reasonable delays for insurance adjustment and other events of Force Majeure. The Landlord Repairs shall restore the Premises (other than trade fixtures) and any Common Area or portion of the Base Building necessary for access to or tenantability of the Premises to substantially the same condition that existed when the Casualty occurred, except for (a) any modifications required by Law or any Security Holder, and (b) any modifications to the Common Areas that are deemed desirable by Landlord, are consistent with the character of the Project, and do not materially impair access to or tenantability of the Premises. Notwithstanding Section 10.4, Tenant shall assign to Landlord (or its designee) all insurance proceeds payable to Tenant under Tenant's insurance required under Section 10.2 with respect to any Tenant-Insured Improvements, and if the estimated or actual cost of restoring any Tenant-Insured Improvements exceeds the insurance proceeds received by Landlord from Tenant's insurance

carrier, Tenant shall pay such excess to Landlord within 15 days after Landlord's demand. No Casualty and no restoration performed as required hereunder shall render Landlord liable to Tenant, constitute a constructive eviction, or excuse Tenant from any obligation hereunder; provided, however, that if the Premises (other than trade fixtures) or any Common Area or portion of the Base Building necessary for access to or tenantability of the Premises is damaged by a Casualty, then, during any time that, as a result of such damage, any portion of the Premises is inaccessible or untenantable and is not occupied by Tenant, Monthly Rent shall be abated in proportion to the rentable square footage of such portion of the Premises.

12. **NONWAIVER**. No provision hereof shall be deemed waived by either party unless it is waived by such party expressly and in writing, and no waiver of any breach of any provision hereof shall be deemed a waiver of any subsequent breach of such provision or any other provision hereof. Landlord's acceptance of Rent shall not be deemed a waiver of any preceding breach of any provision hereof, other than Tenant's failure to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of such acceptance. No acceptance of payment of an amount less than the Rent due hereunder shall be deemed a waiver of Landlord's right to receive the full amount of Rent due, whether or not any endorsement or statement accompanying such payment purports to effect an accord and satisfaction. No receipt of monies by Landlord from Tenant after the giving of any notice, the commencement of any suit, the issuance of any final judgment, or the termination hereof shall affect such notice, suit or judgment, or reinstate or extend the Term or Tenant's right of possession hereunder.

13. **CONDEMNATION**. If any part of the Premises, Building or Project is taken for any public or quasi-public use by power of eminent domain or by private purchase in lieu thereof (a "Taking") for more than 90 consecutive days, Landlord may terminate this Lease. If more than 15% of the rentable square footage of the Premises, or any Common Area or portion of the Base Building necessary for access to or tenantability of the Premises, is Taken for more than 180 consecutive days, Tenant may terminate this Lease. Any such termination shall be effective as of the date possession must be surrendered to the authority, and the terminating party shall provide termination notice to the other party within 45 days after receiving written notice of such surrender date. Except as provided above in this Section 13, neither party may terminate this Lease as a result of a Taking. Tenant shall not assert, and hereby assigns to Landlord, any claim it may have for compensation because of any Taking; provided, however, that Tenant may file a separate claim for any Taking of Tenant's personal property or any trade fixtures that Tenant is entitled to remove upon the expiration hereof, and for moving expenses, so long as such claim does not diminish the award available to Landlord or any Security Holder and is payable separately to Tenant. If this Lease is terminated pursuant to this Section 13, all Rent shall be apportioned as of the date of such termination. If a Taking occurs and this Lease is not so terminated, Monthly Rent shall be abated for the period of such Taking in proportion to the percentage of the rentable square footage of the Premises, if any, that is subject to, or rendered inaccessible or untenantable by, such Taking and not occupied by Tenant.

14. **ASSIGNMENT AND SUBLETTING.**

14.1 **Transfers**. Tenant shall not, without Landlord's prior consent, assign, mortgage, pledge, hypothecate, encumber, permit any lien to attach to, or otherwise transfer this Lease or any interest hereunder, permit any assignment or other transfer hereof or any interest hereunder by operation of law, enter into any sublease or license agreement, otherwise permit the occupancy or use of any part of the Premises by any persons other than Tenant and its employees and contractors, or permit a Change of Control (defined in Section 14.6) to occur (each, a "**Transfer**"). If Tenant desires Landlord's consent to any Transfer, Tenant shall provide Landlord with (i) notice of the terms of the proposed Transfer, including its proposed effective date (the "**Contemplated Effective Date**"), a description of the portion of the Premises to be transferred (the "**Contemplated Transfer Space**"), a calculation of the Transfer Premium (defined in Section 14.3), and a copy of all existing executed and/or proposed documentation pertaining to the proposed Transfer, and (ii) current financial statements of the proposed transferee (or, in the case of a Change of Control, of the proposed new controlling party(ies)) certified by an officer or owner thereof and any other information reasonably required by Landlord in order to evaluate the proposed Transfer (collectively, the "**Transfer Notice**"). Within 15 business days after receiving the Transfer Notice, Landlord shall notify Tenant of (a) its consent to the proposed Transfer, (b) its refusal to consent to the proposed Transfer, or (c) its exercise of its rights under Section 14.4. Any Transfer made without Landlord's prior consent shall, at Landlord's option, be void and shall, at Landlord's option, constitute a Default. Tenant shall pay Landlord a fee of $1,500.00 for Landlord's review of any proposed Transfer, whether or not Landlord consents to it.

14.2 **Landlord's Consent**. Subject to Section 14.4, Landlord shall not unreasonably withhold its consent to any proposed Transfer. Without limiting other reasonable grounds for withholding consent, it shall be deemed reasonable for Landlord to withhold its consent to a proposed Transfer if:

14.2.1 The proposed transferee is not a party of reasonable financial strength in light of the responsibilities to be undertaken in connection with the Transfer on the date the Transfer Notice is received; or

14.2.2 The proposed transferee has a character or reputation or is engaged in a business that is not consistent with the quality of the Building or the Project; or

14.2.3 The proposed transferee is a governmental entity or a nonprofit organization; or

14.2.4 In the case of a proposed sublease, license or other occupancy agreement, the rent or occupancy fee charged by Tenant to the transferee during the term of such agreement, calculated using a present value analysis, is less than 75% of the rent being quoted by Landlord or its Affiliate (defined in Section 14.6) at the time of such Transfer for comparable space in the Project for a comparable term, calculated using a present value analysis; or

14.2.5 The proposed transferee or any of its Affiliates, on the date the Transfer Notice is received, leases or occupies (or, at any time during the 3-month period ending on the date the Transfer Notice is received, has negotiated with Landlord to lease) space in the Project.

Notwithstanding any contrary provision hereof, (a) if Landlord consents to any Transfer pursuant to this Section 14.2 but Tenant does not enter into such Transfer within six (6) months thereafter, such consent shall no longer apply and such Transfer shall not be permitted unless Tenant again obtains Landlord's consent thereto pursuant and subject to the terms of this Section 14; and (b) if Landlord withholds its consent in breach of this Section 14.2, Tenant's sole remedies shall be contract damages (subject to Section 20) or specific performance, and Tenant waives all other remedies, including any right to terminate this Lease.

14.3 **Transfer Premium**. If Landlord consents to a Transfer (other than a Permitted Transfer or a Change of Control), Tenant shall pay Landlord an amount equal to 50% of any Transfer Premium (defined below). As used herein, "**Transfer Premium**" means (a) in the case of an assignment, any consideration (including payment for Leasehold Improvements) paid by the assignee for such assignment, less any reasonable and customary expenses directly incurred by Tenant on account of such assignment, including brokerage fees, legal fees, and Landlord's review fee, and (b) in the case of a sublease, license or other occupancy agreement, for each month of the term of such agreement, the amount by which all rent and other consideration paid by the transferee to Tenant pursuant to such agreement (less all reasonable and customary expenses directly incurred by Tenant on account of such agreement, including brokerage fees, legal fees, construction costs and Landlord's review fee, as amortized on a monthly, straight-line basis over the term of such agreement) exceeds the Monthly Rent payable by Tenant hereunder with respect to the Contemplated Transfer Space. Payment of Landlord's share of the Transfer Premium shall be made (x) in the case of an assignment, within 10 days after Tenant receives the consideration described above, and (y) in the case of a sublease, license or other occupancy agreement, for each month of the term of such agreement, within five (5) business days after Tenant receives the rent and other consideration described above.

14.4 **Landlord's Right to Recapture**. Notwithstanding any contrary provision hereof, except in the case of a Permitted Transfer (defined in Section 14.8), a sublease (including any expansion rights) of less than 75% of the rentable square footage of the then existing Premises, or a sublease for a term (including any extension options) of less than 75% of the balance of the Term remaining on the Contemplated Effective Date (excluding any unexercised extension options), or a Change of Control, Landlord, by notifying Tenant within 15 business days after receiving the Transfer Notice, may terminate this Lease with respect to the Contemplated Transfer Space as of the Contemplated Effective Date. If the Contemplated Transfer Space is less than the entire Premises, then Base Rent, Tenant's Share, the amount of any Security Deposit and the number of parking spaces to which Tenant is entitled under Section 1.9 shall be deemed adjusted on the basis of the percentage of the rentable square footage of the portion of the Premises retained by Tenant. Upon request of either party, the parties shall execute a written agreement prepared by Landlord memorializing such termination.

14.5 **Effect of Consent**. If Landlord consents to a Transfer, (i) such consent shall not be deemed a consent to any further Transfer, (ii) Tenant shall deliver to Landlord, promptly after execution, an executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord, and (iii) Tenant shall deliver to Landlord, upon Landlord's request, a complete statement, certified by an independent CPA or Tenant's chief financial officer, setting forth in detail the computation of any Transfer Premium. In the case of an assignment, the assignee shall assume in writing, for Landlord's benefit, all of Tenant's obligations hereunder. No Transfer, with or without Landlord's consent, shall relieve Tenant or any guarantor hereof from any liability hereunder. Notwithstanding any contrary provision hereof, Tenant, with or without Landlord's consent, shall not enter into, or permit any party claiming by, through or under Tenant to enter into, any sublease, license or other occupancy agreement that provides for payment based in whole or in part on the net income or profit of the subtenant, licensee or other occupant thereunder.

14.6 **Change of Control**. As used herein, "**Change of Control**" means (a) if Tenant is a closely held professional service firm, the withdrawal or change (whether voluntary, involuntary or by operation of law) of more than 50% of its equity owners within a 12-month period; and (b) in all other cases, any transaction(s) resulting in the acquisition of a Controlling Interest (defined below) in Tenant by one or more parties that neither owned, nor are Affiliates (defined below) of one or more parties that owned, a Controlling Interest in Tenant immediately before such transaction(s). As used herein, "**Controlling Interest**" means control over an entity, other than control arising from the ownership of voting securities listed on a recognized securities exchange. As used herein, "**control**" means the direct or indirect power to direct the ordinary management and policies of an entity, whether through the ownership of voting securities, by contract or otherwise. As used herein, "**Affiliate**" means, with respect to any party, a person or entity that controls, is under common control with, or is controlled by such party. (Landlord acknowledges that, by operation of the definitions of "Transfer," "Change of Control" and "Controlling Interest," no stock of Tenant listed on a recognized securities exchange shall be deemed a Controlling Interest, and, therefore, no issuance of Tenant's stock in an offering or sale on a recognized securities exchange shall be deemed a Change of Control or a Transfer.)

14.7 **Effect of Default**. If Tenant is in Default, Landlord is irrevocably authorized, as Tenant's agent and attorney-in-fact, to direct any transferee under any sublease, license or other occupancy agreement to make all payments under such agreement directly to Landlord (which Landlord shall apply towards Tenant's obligations hereunder) until such Default is cured. Such transferee shall rely upon any representation by Landlord that Tenant is in Default, whether or not confirmed by Tenant.

14.8 **Permitted Transfers**. Notwithstanding any contrary provision hereof, if Tenant is not in Default, Tenant may, without Landlord's consent pursuant to Section 14.1, (i) assign this Lease to (a) an Affiliate of Tenant (other than pursuant to a merger or consolidation), (b) a successor to Tenant by merger or consolidation, or (c) a successor to Tenant by purchase of all or substantially all of Tenant's assets, or (ii) permit a "Change of Control to occur (a "**Permitted Transfer**"), provided that (i) at least 10 business days before the Transfer, Tenant notifies Landlord of the Transfer and delivers to Landlord any documents or information reasonably requested by Landlord relating thereto, including reasonable documentation that the Transfer satisfies the requirements of this Section 14.8; (ii) in the case of an assignment pursuant to clause (a) or (c) above, the assignee executes and delivers to Landlord, at least 10 business days before the assignment, a commercially reasonable instrument pursuant to which the assignee assumes, for Landlord's benefit, all of Tenant's obligations hereunder; (iii) in the case of an assignment pursuant to clause (b) above, (A) the successor entity has a net worth (as determined in accordance with GAAP, but excluding intellectual property and any other intangible assets ("**Net Worth**")) immediately after the Transfer that is not less than Tenant's Net Worth immediately before the Transfer, and (B) if Tenant is a closely held professional service firm, at least 50% of its equity owners existing 12 months before the Transfer are also equity owners of the successor entity; (iv) except in the case of a Change of Control, the transferee is qualified to conduct business in the State of California; (v) in the case of a Change of Control, (A) Tenant is not a closely held professional service firm, and (B) Tenant's Net Worth immediately after the Change of Control is not less than its Net Worth immediately before the Change of Control; and (vi) the Transfer is made for a good faith operating business purpose and not in order to evade the requirements of this Section 14.

15. **SURRENDER**. Upon the expiration or earlier termination hereof, and subject to Sections 8 and 11 and this Section 15, Tenant shall surrender possession of the Premises to Landlord in as good condition and repair as existed when Tenant took possession and as thereafter improved, except for reasonable wear and tear and repairs that are

Landlord's express responsibility hereunder. Before such expiration or termination, Tenant, without expense to Landlord, shall (a) remove from the Premises all debris and rubbish and all furniture, equipment, trade fixtures, Lines, free-standing cabinet work, movable partitions and other articles of personal property that are owned or placed in the Premises by Tenant or any party claiming by, through or under Tenant (except for any Lines not required to be removed under Section 23), and (b) repair all damage to the Premises and Building resulting from such removal. If Tenant fails to timely perform such removal and repair, Landlord may do so at Tenant's expense (including storage costs). If Tenant fails to remove such property from the Premises, or from storage, within 30 days after notice from Landlord, any part of such property shall be deemed, at Landlord's option, either (x) conveyed to Landlord without compensation, or (y) abandoned.

16. **HOLDOVER**. If Tenant fails to surrender the Premises upon the expiration or earlier termination hereof, Tenant's tenancy shall be subject to the terms and conditions hereof; provided, however, that such tenancy shall be a tenancy at sufferance only, for the entire Premises, and Tenant shall pay Monthly Rent (on a per-month basis without reduction for any partial month) at a rate equal to 150% of the Monthly Rent applicable during the last calendar month of the Term. Nothing in this Section 16 shall limit Landlord's rights or remedies or be deemed a consent to any holdover. If Landlord is unable to deliver possession of the Premises to, or perform improvements for, a new tenant as a result of Tenant's holdover, Tenant shall be liable for all resulting damages, including lost profits, incurred by Landlord.

17. **SUBORDINATION; ESTOPPEL CERTIFICATES**. This Lease shall be subject and subordinate to all existing and future ground or underlying leases, mortgages, trust deeds and other encumbrances against the Building or Project, all renewals, extensions, modifications, consolidations and replacements thereof (each, a "Security Agreement"), and all advances made upon the security of such mortgages or trust deeds, unless in each case the holder of such Security Agreement (each, a "Security Holder") requires in writing that this Lease be superior thereto. Upon any termination or foreclosure (or any delivery of a deed in lieu of foreclosure) of any Security Agreement, Tenant, upon request, shall attorn, without deduction or set-off, to the Security Holder or purchaser or any successor thereto and shall recognize such party as the lessor hereunder provided that such party agrees not to disturb Tenant's occupancy so long as Tenant timely pays the Rent and otherwise performs its obligations hereunder. Within 10 business days after Landlord's request, Tenant shall execute such further instruments as Landlord may reasonably deem necessary to evidence the subordination or superiority of this Lease to any Security Agreement. Tenant waives any right it may have under Law to terminate or otherwise adversely affect this Lease or Tenant's obligations hereunder upon a foreclosure. Within 10 business days after Landlord's request, Tenant shall execute and deliver to Landlord a commercially reasonable estoppel certificate in favor of such parties as Landlord may reasonably designate, including current and prospective Security Holders and prospective purchasers.

18. **ENTRY BY LANDLORD**. At all reasonable times and upon reasonable notice to Tenant, or in an emergency, Landlord may enter the Premises to (i) inspect the Premises; (ii) show the Premises to prospective purchasers, current or prospective Security Holders or insurers, or, during the last 12 months of the Term (or while an uncured Default exists), prospective tenants; (iii) post notices of non-responsibility; or (iv) perform maintenance, repairs or alterations. At any time and without notice to Tenant, Landlord may enter the Premises to perform required services. If reasonably necessary, Landlord may temporarily close any portion of the Premises to perform maintenance, repairs or alterations. In an emergency, Landlord may use any means it deems proper to open doors to and in the Premises. Except in an emergency, Landlord shall use reasonable efforts to minimize interference with Tenant's use of the Premises. No entry into or closure of any portion of the Premises pursuant to this Section 18 shall render Landlord liable to Tenant, constitute a constructive eviction, or excuse Tenant from any obligation hereunder.

19. **DEFAULTS; REMEDIES.**

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

19.1.1 Any failure by Tenant to pay any Rent (or deliver any Security Deposit, Letter of Credit, or similar credit enhancement required hereunder) when due unless such failure is cured within five (5) business days after notice from Landlord of such failure; or

19.1.2 Except where a specific time period is otherwise set forth for Tenant's cure herein (in which event Tenant's failure to cure within such time period shall be a Default), and except as otherwise provided in this Section 19.1, any breach by Tenant of any other provision hereof where such breach continues for 30 days after notice from Landlord; provided that if such breach cannot reasonably be cured within such 30-day period, Tenant shall not be in Default as a result of such breach if Tenant diligently commences such cure within such period, thereafter diligently pursues such cure, and completes such cure within 60 days after Landlord's notice; or

19.1.3 Abandonment of the Premises by Tenant; or

19.1.4 Any breach by Tenant of Section 17 or 18 where such breach continues for more than two (2) business days after notice from Landlord; or

19.1.5 Tenant becomes in breach of Section 25.3(c) or (d).

If Tenant breaches a particular provision hereof (other than a provision requiring payment of Rent), and Landlord notifies Tenant of such breach, on three (3) separate occasions during any 12-month period, and if such breaches are collectively material, then Tenant's subsequent breach of such provision shall be, at Landlord's option, an incurable Default. To the extent the notice periods provided herein satisfy any notice periods provided by Law, Landlord shall not be required to give any additional notice in order to be entitled to commence an unlawful detainer proceeding.

19.2 **Remedies Upon Default**. Upon any Default, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity (which shall be cumulative and nonexclusive), the option to pursue any one or more of the following remedies (which shall be cumulative and nonexclusive) without any notice or demand:

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

a. The worth at the time of award of the unpaid Rent which had been earned at the time of such termination; plus

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

c. The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that Tenant proves could be reasonably avoided; plus

d. Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations hereunder or which in the ordinary course of things would be likely to result therefrom, including (but only to the extent reasonably attributable to the remaining Term) brokerage commissions, advertising expenses, expenses of remodeling any portion of the Premises for a new tenant (whether for the same or a different use), and any special concessions made to obtain a new tenant; plus

e. At Landlord's option, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by Law.

As used in Sections 19.2.1(a) and (b), the "worth at the time of award" shall be computed by allowing interest at a rate per annum equal to the lesser of (i) the annual "Bank Prime Loan" rate cited in the Federal Reserve Statistical Release Publication G.13(415), published on the first Tuesday of each calendar month (or such other comparable index

as Landlord shall reasonably designate if such rate ceases to be published) plus two (2) percentage points, or (ii) the highest rate permitted by Law. As used in Section 19.2.1(c), the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

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

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

19.3 **Efforts to Relet**. Unless Landlord provides Tenant with express notice to the contrary, no re-entry, repossession, repair, maintenance, change, alteration, addition, reletting, appointment of a receiver or other action or omission by Landlord shall (a) be construed as an election by Landlord to terminate this Lease or Tenant's right to possession, or to accept a surrender of the Premises, or (b) operate to release Tenant from any of its obligations hereunder. Tenant waives, for Tenant and for all those claiming by, through or under Tenant, California Civil Code § 3275, California Code of Civil Procedure §§ 1174(c) and 1179, and any existing or future rights to redeem or reinstate, by order or judgment of any court or by any legal process or writ, this Lease or Tenant's right of occupancy of the Premises after any termination hereof.

19.4 **Landlord Default**. Landlord shall not be in default hereunder unless it fails to begin within 30 days after notice from Tenant, or fails to pursue with reasonable diligence thereafter, the cure of any breach by Landlord of its obligations hereunder. Before exercising any remedies for a default by Landlord, Tenant shall give notice and a reasonable time to cure to any Security Holder of which Tenant has been notified.

20. **LANDLORD EXCULPATION**. Notwithstanding any contrary provision hereof, (a) the liability of the Landlord Parties to Tenant shall be limited to an amount equal to the lesser of (i) Landlord's interest in the Building, or (ii) the equity interest Landlord would have in the Building if the Building were encumbered by third-party debt in an amount equal to 80% of the value of the Building (as such value is determined by Landlord); (b) Tenant shall look solely to Landlord's interest in the Building for the recovery of any judgment or award against any Landlord Party; (c) no Landlord Party shall have any personal liability for any judgment or deficiency, and Tenant waives and releases such personal liability on behalf of itself and all parties claiming by, through or under Tenant; and (d) no Landlord Party shall be liable for any injury or damage to, or interference with, Tenant's business, including loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, or for any form of special or consequential damage. For purposes of this Section 20, "Landlord's interest in the Building" shall include rents paid by tenants, insurance proceeds, condemnation proceeds, and proceeds from the sale of the Building (collectively, "**Owner Proceeds**"); provided, however, that Tenant shall not be entitled to recover Owner Proceeds from any Landlord Party (other than Landlord) or any other third party after they have been distributed or paid to such party; provided further, however, that nothing in this sentence shall diminish any right Tenant may have under Law, as a creditor of Landlord, to initiate or participate in an action to recover Owner Proceeds from a third party on the grounds that such third party obtained such Owner Proceeds when Landlord was, or could reasonably be expected to become, insolvent or in a transfer that was preferential or fraudulent as to Landlord's creditors.

21. **SECURITY DEPOSIT**. Concurrently with its execution and delivery hereof, Tenant shall deposit with Landlord the Security Deposit, if any, as security for Tenant's performance of its obligations hereunder. If Tenant breaches any provision hereof and either (i) such breach continues beyond any applicable notice and cure period, or (ii) this Lease expires or terminates, Landlord may, at its option, without limiting its remedies and without notice to Tenant, apply all or part of the Security Deposit to cure such breach and compensate Landlord for any loss or damage

caused by such breach, including any damage for which recovery may be made under California Civil Code § 1951.2. If Landlord so applies any portion of the Security Deposit, Tenant, within three (3) days after demand therefor, shall restore the Security Deposit to its original amount. The Security Deposit is not an advance payment of Rent or measure of damages. Any unapplied portion of the Security Deposit shall be returned to Tenant within 45 days after the latest to occur of (a) the expiration of the Term, (b) Tenant's surrender of the Premises as required hereunder, or (c) Landlord's cure of any existing breach by Tenant of any provision hereof; provided, however, that if Landlord estimates in good faith that Tenant may be required to make a payment to Landlord under Section 4.4.1, Landlord may retain such unapplied portion of the Security Deposit, to the extent of the estimated amount of such payment, until the date occurring 45 days after determination of the final Rent due from Tenant. Landlord shall not be required to keep the Security Deposit separate from its other accounts.

22. **INTENTIONALLY OMITTED**.

23. **COMMUNICATIONS AND COMPUTER LINES**. All Lines installed pursuant to this Lease shall be (a) installed in accordance with Section 7; and (b) clearly marked with adhesive plastic labels (or plastic tags attached to such Lines with wire) to show Tenant's name, suite number, and the purpose of such Lines (i) every six (6) feet outside the Premises (including the electrical room risers and any Common Areas), and (ii) at their termination points. Landlord may designate specific contractors for work relating to vertical Lines. Sufficient space for additional cables shall be maintained for other occupants, as reasonably determined by Landlord. Unless otherwise notified by Landlord, Tenant, at its expense and before the expiration or earlier termination hereof, shall remove all Lines and repair any resulting damage. As used herein, "Lines" means all communications or computer wires and cables serving the Premises installed by Tenant or any party claiming by, through or under Tenant. Landlord shall grant to Tenant such access to the risers and other Common Areas of the Building as may be necessary for Tenant to install, maintain and remove its Lines, subject to such reasonable rules and procedures as Landlord may impose from time to time.

24. **PARKING**. Tenant may park in the Building's parking facilities (the "Parking Facility"), in common with other tenants of the Building, upon the following terms and conditions. Tenant shall not use more than the number of unreserved and/or reserved parking spaces set forth in Section 1.9. Tenant shall pay Landlord, in accordance with Section 3, any fees for the parking spaces described in Section 1.9. Tenant shall pay Landlord any fees, taxes or other charges imposed by any governmental or quasi-governmental agency in connection with the Parking Facility, to the extent such amounts are allocated to Tenant by Landlord based on the number and type of parking spaces Tenant is entitled to use. Tenant shall comply with all rules and regulations established by Landlord from time to time for the orderly operation and use of the Parking Facility, including any sticker or other identification system and the prohibition of vehicle repair and maintenance activities in the Parking Facility. Landlord may, in its discretion, allocate and assign parking passes among Tenant and the other tenants in the Building. Tenant's use of the Parking Facility shall be at Tenant's sole risk, and Landlord shall have no liability for any personal injury or damage to or theft of any vehicles or other property occurring in the Parking Facility or otherwise in connection with any use of the Parking Facility by Tenant or its employees or invitees. Landlord may alter the size, configuration, design, layout or any other aspect of the Parking Facility, and, in connection therewith, temporarily deny or restrict access to the Parking Facility, in each case without abatement of Rent or liability to Tenant. Landlord may delegate its responsibilities hereunder to a parking operator, in which case (i) such parking operator shall have all the rights of control reserved herein by Landlord, (ii) Tenant shall enter into a parking agreement with such parking operator, (iii) Tenant shall pay such parking operator, rather than Landlord, any charge established hereunder for the parking spaces, and (iv) Landlord shall have no liability for claims arising through acts or omissions of such parking operator except to the extent caused by Landlord's negligence or willful misconduct. Tenant's parking rights under this Section 24 are solely for the benefit of Tenant's employees and invitees and such rights may not be transferred without Landlord's prior consent, except pursuant to a Transfer permitted under Section 14.

25. **MISCELLANEOUS.**

25.1 **Notices**. No notice, demand, statement, designation, request, consent, approval, election or other communication given hereunder ("**Notice**") shall be binding upon either party unless (a) it is in writing; (b) it is (i) sent by certified or registered mail, postage prepaid, return receipt requested, (ii) delivered by a nationally recognized courier service, or (iii) delivered personally; and (c) it is sent or delivered to the address set forth in Section 1.10 or

1.11, as applicable, or to such other place (other than a P.O. box) as the recipient may from time to time designate in a Notice to the other party. Any Notice shall be deemed received on the earlier of the date of actual delivery or the date on which delivery is refused, or, if Tenant is the recipient and has vacated its notice address without providing a new notice address, three (3) business days after the date the Notice is deposited in the U.S. mail or with a courier service as described above. No provision of this Lease requiring a particular Notice to be in writing shall limit the generality of clause (a) of the first sentence of this Section 25.1.

25.2 **Force Majeure**. If either party is prevented from performing any obligation hereunder by any strike, act of God, war, terrorist act, shortage of labor or materials, governmental action, civil commotion or other cause beyond such party's reasonable control ("Force Majeure"), such obligation shall be excused during (and any time period for the performance of such obligation shall be extended by) the period of such prevention; provided, however, that this Section 25.2 shall not (a) permit Tenant to hold over in the Premises after the expiration or earlier termination hereof, or (b) excuse (or extend any time period for the performance of) (i) any obligation to remit money or deliver credit enhancement, (ii) any obligation under Section 10 or 25.3, or (iii) any of Tenant's obligations whose breach would interfere with another occupant's use, occupancy or enjoyment of its premises or the Project or result in any liability on the part of any Landlord Party.

25.3 **Representations and Covenants**. Tenant represents, warrants and covenants that (a) Tenant is, and at all times during the Term will remain, duly organized, validly existing and in good standing under the Laws of the state of its formation and qualified to do business in the state of California; (b) neither Tenant's execution of nor its performance under this Lease will cause Tenant to be in violation of any agreement or Law; (c) Tenant (and any guarantor hereof) has not, and at no time during the Term will have, (i) made a general assignment for the benefit of creditors, (ii) filed a voluntary petition in bankruptcy, (iii) suffered (A) the filing by creditors of an involuntary petition in bankruptcy that is not dismissed within 30 days, (B) the appointment of a receiver to take possession of all or substantially all of its assets, or (C) the attachment or other judicial seizure of all or substantially all of its assets, (iv) admitted in writing its inability to pay its debts as they come due, or (v) made an offer of settlement, extension or composition to its creditors generally; and (d) no party that (other than through the passive ownership of interests traded on a recognized securities exchange) constitutes, owns, controls, or is owned or controlled by Tenant, any guarantor hereof or any subtenant of Tenant is, or at any time during the Term will be, (i) in violation of any Laws relating to terrorism or money laundering, or (ii) among the parties identified on any list compiled pursuant to Executive Order 13224 for the purpose of identifying suspected terrorists or on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, http://www.treas.gov/ofac/tllsdn.pdf or any replacement website or other replacement official publication of such list.

25.4 **Signs**.

25.4.1 Landlord shall include Tenant's name in any tenant directory located in the lobby on the first floor of the Building and shall install a Building-standard suite entry signage plaque on each floor of the Premises. Tenant may not install (a) any signs outside the Premises, or (b) without Landlord's prior consent in its sole and absolute discretion, any signs, window coverings, blinds or similar items that are visible from outside the Premises (except as provided in Section 25.4.2 below).

25.4.2 Subject to this Section 25.4.2, and so long as Tenant leases 58,714 rentable square feet in the Building, Tenant may, at Tenant's sole cost and expense, install a building-top sign on the top of the Building ("**Tenant's Building-Top Signage**"). The exact location of Tenant's Building-Top Signage shall be either (a) on the top of the Building facing CA-87, if such location is approved the applicable governmental authority (the "**Preferred Building-Top Sign Location**"), or (b) if the Preferred Building-Top Sign Location is not approved by the applicable governmental authority, at a location (i) mutually agreed upon between Landlord and Tenant, and (ii) subject to the approval of the applicable governmental authority (and Landlord makes no representation or warranty with respect to the probability of obtaining such approvals permitting Tenant to install Tenant's Building-Top Signage in any particular location). The graphics, materials, size, color, design, lettering, lighting (if any), and specifications of Tenant's Building-Top Signage (collectively, the "**Signage Specifications**") shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed. In addition, the Tenant's Building-Top Signage and all Signage Specifications therefor shall be subject to Tenant's receipt of all required governmental permits and

approvals, shall be subject to all applicable governmental laws and ordinances, and all covenants, conditions and restrictions affecting the Building. Tenant hereby acknowledges that, notwithstanding Landlord's approval of the Tenant's Building-Top Signage and/or the Signage Specifications therefor, Landlord has made no representations or warranty to Tenant with respect to the probability of obtaining such approvals and permits. In the event Tenant does not receive the necessary permits and approvals for Tenant's Building-Top Signage, Tenant's and Landlord's rights and obligations under the remaining provisions of the Lease, as amended hereby, shall not be affected. The cost of installation of Tenant's Building-Top Signage, as well as all costs of design and construction of Tenant's Building-Top Signage and all other costs associated with Tenant's Building-Top Signage, including, without limitation, permits, maintenance and repair, shall be the sole responsibility of Tenant. Notwithstanding anything to the contrary contained herein, in the event that at any time during the Term (or the Extension Term, if applicable), Tenant fails to lease at least 58,714 rentable square feet in the Building, Tenant's right to Tenant's Building-Top Signage shall thereupon terminate and Tenant shall remove Tenant's Building-Top Signage as provided in this Section 25.4.2 below. The rights to Tenant's Building-Top Signage shall be personal to the originally named Tenant (the "**Original Tenant**") and may not be transferred to any assignee or used by any subtenant of Tenant; provided that the rights to Tenant's Building-Top Signage may be transferred to an assignee of the Original Tenant's interest in the Lease that acquires its interest solely by means of one or more Permitted Transfers originating with the Original Tenant, so long as the name of such assignee is not an "Objectionable Name," as that term is defined below. In addition, should the name of the Original Tenant change, Tenant shall be entitled to modify, at Tenant's sole cost and expense, Tenant's Building-Top Signage to reflect Tenant's new name, but only if Tenant's new name is not an "Objectionable Name." The term "**Objectionable Name**" shall mean any name that (i) relates to an entity that is of a character or reputation, or is associated with a political orientation or faction that is materially inconsistent with the quality of the Project, or which would otherwise reasonably offend a landlord of a building comparable to the Project, or (ii) conflicts with any covenants in other leases of space in the Project. Should the Signage require maintenance or repairs as determined in Landlord's reasonable judgment, Landlord shall have the right to provide written notice thereof to Tenant and Tenant shall cause such repairs and/or maintenance to be performed within thirty (30) days after receipt of such notice from Landlord (or such longer period as may be reasonably required so long as Tenant is diligently pursuing such repairs) at Tenant's sole cost and expense. Should Tenant fail to perform such maintenance and repairs within the period described in the immediately preceding sentence, Landlord shall have the right to cause such work to be performed and to charge Tenant, as Additional Rent, for the cost of such work. Upon the expiration or earlier termination of the Lease (or the termination of Tenant's Signage right as described above), Tenant shall, at Tenant's sole cost and expense, cause Tenant's Building-Top Signage to be removed from the exterior of the Building and shall cause the exterior of the Building to be restored to the condition existing prior to the placement of Tenant's Building-Top Signage. If Tenant fails to remove Tenant's Building-Top Signage and to restore the exterior of the Building as provided in the immediately preceding sentence within thirty (30) days following the expiration or earlier termination of this Lease (or the termination of Tenant's right to Tenant's Building-Top Signage as provided above), then Landlord may perform such work, and all costs and expenses incurred by Landlord in so performing such work shall be reimbursed by Tenant to Landlord within ten (10) days after Tenant's receipt of invoice therefor. The immediately preceding sentence shall survive the expiration or earlier termination of the Lease.

25.5 **Supplemental HVAC**. If the Premises are served by any supplemental HVAC unit (a "**Unit**"), then (a) Tenant shall pay the costs of all electricity consumed in the Unit's operation, together with the cost of installing a meter to measure such consumption; (b) Tenant, at its expense, shall (i) operate and maintain the Unit in compliance with all applicable Laws and such reasonable rules and procedures as Landlord may impose; (ii) keep the Unit in as good working order and condition as existed upon installation (or, if later, when Tenant took possession of the Premises), subject to normal wear and tear and damage resulting from Casualty; (iii) maintain in effect, with a contractor reasonably approved by Landlord, a contract for the maintenance and repair of the Unit, which contract shall require the contractor, at least once every three (3) months, to inspect the Unit and provide to Tenant a report of any defective conditions, together with any recommendations for maintenance, repair or parts-replacement; (iv) follow all reasonable recommendations of such contractor; and (v) promptly provide to Landlord a copy of such contract and each report issued thereunder; (c) the Unit shall become Landlord's property upon installation and without compensation to Tenant; provided, however, that, then upon Landlord's request at the expiration or earlier termination hereof, Tenant, at its expense, shall remove the Unit and repair any resulting damage (and if Tenant fails to timely perform such work, Landlord may do so at Tenant's expense); (d) the Unit shall be deemed (i) a Leasehold Improvement (except for purposes

of Section 8), and (ii) for purposes of Section 11, part of the Premises; (e) if the Unit exists on the date of mutual execution and delivery hereof, Tenant accepts the Unit in its "as is" condition, without representation or warranty as to quality, condition, fitness for use or any other matter; (f) if the Unit connects to the Building's condenser water loop (if any), then Tenant shall pay to Landlord, as Additional Rent, Landlord's standard one-time fee for such connection and Landlord's standard monthly per-ton usage fee; and (g) if any portion of the Unit is located on the roof, then (i) Tenant's access to the roof shall be subject to such reasonable rules and procedures as Landlord may impose; (ii) Tenant shall maintain the affected portion of the roof in a clean and orderly condition and shall not interfere with use of the roof by Landlord or any other tenants or licensees; and (iii) Landlord may relocate the Unit and/or temporarily interrupt its operation, without liability to Tenant, as reasonably necessary to maintain and repair the roof or otherwise operate the Building.

25.6 **Attorneys' Fees**. In any action or proceeding between the parties, including any appellate or alternative dispute resolution proceeding, the prevailing party may recover from the other party all of its costs and expenses in connection therewith, including reasonable attorneys' fees and costs. Tenant shall pay all reasonable attorneys' fees and other fees and costs that Landlord incurs in enforcing this Lease (a) where Tenant has failed to pay Rent when due, or (b) in any bankruptcy case, assignment for the benefit of creditors, or other insolvency, liquidation or reorganization proceeding involving Tenant or this Lease.

25.7 **Brokers**. Tenant represents to Landlord that it has dealt only with Tenant's Broker as its broker in connection with this Lease. Tenant shall indemnify, defend, and hold Landlord harmless from all claims of any brokers, other than Tenant's Broker, claiming to have represented Tenant in connection with this Lease. Landlord shall indemnify, defend and hold Tenant harmless from all claims of any brokers, including Landlord's Broker, claiming to have represented Landlord in connection with this Lease.

25.8 **Governing Law; WAIVER OF TRIAL BY JURY**. This Lease shall be construed and enforced in accordance with the Laws of the State of California. THE PARTIES WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATING TO THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE OR ANY EMERGENCY OR STATUTORY REMEDY.

25.9 **Waiver of Statutory Provisions**. Each party waives California Civil Code §§ 1932(2), 1933(4) and 1945. Tenant waives (a) any rights under (i) California Civil Code §§ 1932(1), 1941, 1942, 1950.7 or any similar Law, or (ii) California Code of Civil Procedure §§ 1263.260 or 1265.130; and (b) any right to terminate this Lease under California Civil Code § 1995.310.

25.10 **Interpretation**. As used herein, the capitalized term "Section" refers to a section hereof unless otherwise specifically provided herein. As used in this Lease, the terms "herein," "hereof," "hereto" and "hereunder" refer to this Lease and the term "include" and its derivatives are not limiting. Any reference herein to "any part" or "any portion" of the Premises, the Property or any other property shall be construed to refer to all or any part of such property. As used herein in connection with insurance, the term "deductible" includes self-insured retention. Wherever this Lease prohibits either party from engaging in any particular conduct, this Lease shall be deemed also to require such party to cause each of its employees and agents (and, in the case of Tenant, each of its licensees, invitees and subtenants, and any other party claiming by, through or under Tenant) to refrain from engaging in such conduct. Wherever this Lease requires Landlord to provide a customary service or to act in a reasonable manner (whether in incurring an expense, establishing a rule or regulation, providing an approval or consent, or performing any other act), this Lease shall be deemed also to provide that whether such service is customary or such conduct is reasonable shall be determined by reference to the practices of owners of buildings ("**Comparable Buildings**") that (i) are comparable to the Building in size, age, class, quality and location, and (ii) at Landlord's option, have been, or are being prepared to be, certified under the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system or a similar rating system. Tenant waives the benefit of any rule that a written agreement shall be construed against the drafting party.

25.11 **Entire Agreement**. This Lease sets forth the entire agreement between the parties relating to the subject matter hereof and supersedes any previous agreements (none of which shall be used to interpret this Lease). Tenant acknowledges that in entering into this Lease it has not relied upon any representation, warranty or statement, whether oral or written, not expressly set forth herein. This Lease can be modified only by a written agreement signed by both parties.

25.12 **Other**. Landlord, at its option, may cure any Default, without waiving any right or remedy or releasing Tenant from any obligation, in which event Tenant shall pay Landlord, upon demand, the cost of such cure. If any provision hereof is void or unenforceable, no other provision shall be affected. Submission of this instrument for examination or signature by Tenant does not constitute an option or offer to lease, and this instrument is not binding until it has been executed and delivered by both parties. If Tenant is comprised of two or more parties, their obligations shall be joint and several. Time is of the essence with respect to the performance of every provision hereof in which time of performance is a factor. So long as Tenant performs its obligations hereunder, Tenant shall have peaceful and quiet possession of the Premises against any party claiming by, through or under Landlord, subject to the terms hereof. Landlord may transfer its interest herein, in which event (a) to the extent the transferee assumes in writing Landlord's obligations arising hereunder after the date of such transfer (including the return of any Security Deposit), Landlord shall be released from, and Tenant shall look solely to the transferee for the performance of, such obligations; and (b) Tenant shall attorn to the transferee. If Tenant (or any party claiming by, through or under Tenant) pays directly to the provider for any energy consumed at the Property, Tenant, promptly upon request, shall deliver to Landlord (or, at Landlord's option, execute and deliver to Landlord an instrument enabling Landlord to obtain from such provider) any data about such consumption that Landlord, in its reasonable judgment, is required to disclose to a prospective buyer, tenant or Security Holder under any Law. Landlord reserves all rights not expressly granted to Tenant hereunder, including the right to make alterations to the Project. No rights to any view or to light or air over any property are granted to Tenant hereunder. The expiration or earlier termination hereof shall not relieve either party of any obligation that accrued before, or continues to accrue after, such expiration or termination. This Lease may be executed in counterparts.

[SIGNATURES ARE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed the day and date first above written.

LANDLORD:

HUDSON CONCOURSE, LLC,

a Delaware limited liability company

By: Hudson Pacific Properties, L.P.,
a Maryland limited partnership,
its sole member

By: Hudson Pacific Properties, Inc.,
a Maryland corporation,
its general partner

By: /s/ Mark T. Lammas
Name: Mark T. Lammas
Title: Chief Operating Officer, Chief Financial Officer & Treasurer

TENANT:

NUTANIX, INC., a Delaware corporation

By: /s/ Duston Williams
Name: Duston Williams
Title: Chief Financial Officer

EXHIBIT A-1

[1745 TECHNOLOGY]

OUTLINE OF PREMISES - SUITE 500

[GRAPHIC]

This Exhibit "A-1" is provided for informational purposes only and is intended to be only an approximation of the layout of Suite 500 of the Premises and shall not be deemed to constitute any representation by Landlord as to the exact layout or configuration of Suite 500 of the Premises.

EXHIBIT A-2

[1745 TECHNOLOGY]

OUTLINE OF PREMISES - SUITE 600

[GRAPHIC]

This Exhibit "A-2" is provided for informational purposes only and is intended to be only an approximation of the layout of Suite 600 of the Premises and shall not be deemed to constitute any representation by Landlord as to the exact layout or configuration of Suite 600 of the Premises.

EXHIBIT B

[1745 TECHNOLOGY]

WORK LETTER

As used in this **Exhibit A** (this "**Work Letter**"), the following terms shall have the following meanings:

(i) "**Tenant Improvements**" means all improvements to be constructed in the Premises (including all corridors and restroom facilities located on each floor of the Premises), pursuant to this Work Letter. Any proposed improvements to such corridors and restroom facilities shall be in conformance with the Building-standard specifications and finishes for the Common Areas and shall be subject to Landlord's review and approval under Section 2.2 of this Work Letter below;

(ii) "**Tenant Improvement Work**" means the construction of the Tenant Improvements, together with any related work (including demolition) that is necessary to construct the Tenant Improvements;

(iii) "**law**" means Law; and

(iv) "**Agreement**" means the amendment of which this Work Letter is a part.

1. **ALLOWANCE.**

1.1 **Allowance.** Tenant shall be entitled to a one-time tenant improvement allowance (the "**Allowance**") in the amount of $25.00 per rentable square foot of each floor of the Premises. The Allowance may be applied toward the Allowance Items (defined in Section 1.2 below). Tenant shall be responsible for all costs associated with the Tenant Improvement Work, including the costs of the Allowance Items, to the extent such costs exceed the lesser of (a) the Allowance, or (b) the aggregate amount that Landlord is required to disburse for such purpose pursuant to this Work Letter. Notwithstanding any contrary provision of this Agreement, if Tenant fails to use the entire Allowance by December 31, 2020, the unused amount shall revert to Landlord and Tenant shall have no further rights with respect thereto.

1.2 **Disbursement of Allowance**.

1.2.1 **Allowance Items.** Except as otherwise provided in this Work Letter, the Allowance shall be disbursed by Landlord only for the following items (the "**Allowance Items**"): (a) the fees of Tenant's architect and engineers, if any, and any Review Fees (defined in Section 2.3 below); (b) plan-check, permit and license fees relating to performance of the Tenant Improvement Work; (c) the cost of performing the Tenant Improvement Work, including after hours charges, testing and inspection costs, freight elevator usage, hoisting and trash removal costs, and contractors' fees and general conditions; (d) the cost of any change to the base, shell or core of the Premises or Building required by Tenant's plans and specifications (the "**Plans**") (including if such change is due to the fact that such work is prepared on an unoccupied basis), including all direct architectural and/or engineering fees and expenses incurred in connection therewith; (e) the cost of any restroom and corridor renovations on any full floor leased by Tenant; (f) the cost of any change to the Plans or the Tenant Improvement Work required by law; (g) the Coordination Fee (defined in Section 2.3 below); (h) sales and use taxes; and (i) all other costs expended by Landlord in connection with the performance of the Tenant Improvement Work.

1.2.2 **Disbursement.** Subject to the terms hereof, Landlord shall make monthly disbursements of the Allowance for Allowance Items as follows:

1.2.2.1 Monthly Disbursements. Not more frequently than once per calendar month, Tenant may deliver to Landlord: (i) a request for payment of Tenant's contractor, approved by Tenant, in AIA G-702/G-703 format or another format reasonably requested by Landlord, showing the schedule of values, by trade, of percentage of completion of the Tenant Improvement Work, detailing the portion of the work completed and the portion not completed (which approved request shall be deemed Tenant's approval and acceptance of the work and materials described therein); (ii) copies of all third-party contracts (including change orders) pursuant to which Allowance Items have been incurred (collectively, the "**Tenant Improvement Contracts**"); (iii) copies of invoices for all labor and

materials provided to the Premises and covered by such request for payment; (iv) executed conditional mechanic's lien releases from all parties who have provided such labor or materials to the Premises (along with executed unconditional mechanic's lien releases for any prior payments made pursuant to this paragraph) satisfying California Civil Code §§ 8132 and/or 8134, as applicable; and (v) all other information reasonably requested by Landlord. Subject to the terms hereof, within 30 days after receiving such materials, Landlord shall deliver a check to Tenant, payable to Tenant in the amount requested by Tenant pursuant to the preceding sentence, less a 10% retention with respect to all hard costs (as distinguished from architectural, engineering and permitting costs) except to the extent that such 10% retention has already been reflected in such request for payment (the aggregate amount of such retentions, whether withheld by Landlord or reflected in such requests for payment, shall be referred to in this Work Letter as the "**Final Retention**"), or (b) the amount of any remaining portion of the Allowance (not including the Final Retention). Landlord's payment of such amounts shall not be deemed Landlord's approval or acceptance of the work or materials described in Tenant's payment request.

1.2.2.2 Final Retention. Subject to the terms hereof, Landlord shall deliver to Tenant a check for the Final Retention, together with any other undisbursed portion of the Allowance required to pay for the Allowance Items, within 30 days after the latest of (a) the completion of the Tenant Improvement Work in accordance with the approved plans and specifications; (b) Landlord's receipt of (i) copies of all Tenant Improvement Contracts; (ii) copies of invoices for all labor and materials provided to the Premises; (iii) executed unconditional mechanic's lien releases satisfying California Civil Code § 8134 for all prior payments made pursuant to Section 1.2.2.1 above (to the extent not previously provided to Landlord), together with executed unconditional final mechanic's lien releases satisfying California Civil Code § 8138 for all labor and materials provided to the Premises subject to the Final Retention; (iv) a certificate from Tenant's architect, in a form reasonably acceptable to Landlord, certifying that the Tenant Improvement Work has been substantially completed; (v) evidence that all governmental approvals required for Tenant to legally occupy the Premises have been obtained; and (vi) any other information reasonably requested by Landlord; (c) Tenant's delivery to Landlord of "as built" drawings (in CAD format, if requested by Landlord); or (d) Tenant's compliance with Landlord's standard "close-out" requirements regarding city approvals, closeout tasks, Tenant's contractor, financial close-out matters, and Tenant's vendors. Landlord's payment of the Final Retention shall not be deemed Landlord's approval or acceptance of the work or materials described in Tenant's payment requests.

2. **MISCELLANEOUS.**

2.1 **Applicable Lease Provisions.** Without limitation, the Tenant Improvement Work shall be subject to Sections 7.2, 7.3 and 8 of the Lease; provided, however, the amount of "coordination fee" to be charged in connection with the Tenant Improvement Work shall be as specified in Section 2.3 below.

2.2 **Plans and Specifications.** Landlord shall provide Tenant with notice approving or disapproving any proposed plans and specifications for the Tenant Improvement Work within the Required Period (defined below) after the later of Landlord's receipt thereof from Tenant or the mutual execution and delivery of this Agreement. As used herein, "**Required Period**" means (a) 15 business days in the case of construction drawings, and (b) 10 business days in the case of any other plans and specifications (including a space plan). Any such notice of disapproval shall describe with reasonable specificity the basis for Landlord's disapproval and the changes that would be necessary to resolve Landlord's objections.

2.3 **Review Fees; Coordination Fee.** Tenant shall reimburse Landlord, upon demand, for any fees reasonably incurred by Landlord for review of the Plans by Landlord's third party consultants ("**Review Fees**"). In consideration of Landlord's coordination of the Tenant Improvement Work, Tenant shall pay Landlord a fee (the "**Coordination Fee**") in an amount equal to 1.5% of the cost of the Tenant Improvement Work.

2.4 **Tenant Default.** Notwithstanding any contrary provision of this Agreement, if Tenant defaults under this Agreement before the Tenant Improvement Work is completed, then (a) Landlord's obligations under this Work Letter shall be excused, and Landlord may cause Tenant's contractor to cease performance of the Tenant Improvement Work, until such default is cured, and (b) Tenant shall be responsible for any resulting delay in the completion of the Tenant Improvement Work.

2.5 **Other.** This Work Letter shall not apply to any space other than the Premises.

EXHIBIT C

[1745 TECHNOLOGY]

CONFIRMATION LETTER

_____, 20__

To: _____

_____

_____

_____

Re: Office Lease (the "**Lease**") dated _____, 20____, between _____, a _____ ("**Landlord**"), and _____, a _____ ("**Tenant**"), concerning Suite _____ on the _____ floor of the building located at _____, _____ California.

Lease ID: _____

Business Unit Number: _____

Dear _____:

In accordance with the Lease, Tenant accepts possession of the Premises and confirms the following:

1. The Commencement Date is _____ and the Expiration Date is _____.

2. The exact number of rentable square feet within the Premises is _____ square feet, subject to Section 2.1.1 of the Lease.

3. Tenant's Share, based upon the exact number of rentable square feet within the Premises, is _____%, subject to Section 2.1.1 of the Lease.

Please acknowledge the foregoing by signing all three (3) counterparts of this letter in the space provided below and returning two (2) fully executed counterparts to my attention. Please note that, pursuant to Section 2.1.1 of the Lease, if Tenant fails to execute and return (or, by notice to Landlord, reasonably object to) this letter within five (5) days after receiving it, Tenant shall be deemed to have executed and returned it without exception.

"**Landlord**":

_____

By:
Name:
Title:

Agreed and Accepted as of _____, 20__.

"**Tenant**":

_____

By:
Name:
Title:

EXHIBIT D

[1745 TECHNOLOGY]

RULES AND REGULATIONS

Tenant shall comply with the following rules and regulations (as modified or supplemented from time to time, the "**Rules and Regulations**"). Landlord shall not be responsible to Tenant for the nonperformance of any of the Rules and Regulations by any other tenants or occupants of the Project. In the event of any conflict between the Rules and Regulations and the other provisions of this Lease, the latter shall control.

1. Tenant shall not alter any lock or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Landlord's prior consent. Tenant shall bear the cost of any lock changes or repairs required by Tenant. Two (2) keys will be furnished by Landlord for the Premises, and any additional keys required by Tenant must be obtained from Landlord at a reasonable cost to be established by Landlord. Upon the termination of this Lease, Tenant shall restore to Landlord all keys of stores, offices and toilet rooms furnished to or otherwise procured by Tenant, and if any such keys are lost, Tenant shall pay Landlord the cost of replacing them or of changing the applicable locks if Landlord deems such changes necessary.

2. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the Premises.

3. Landlord may close and keep locked all entrance and exit doors of the Building during such hours as are customary for Comparable Buildings. Tenant shall cause its employees, agents, contractors, invitees and licensees who use Building doors during such hours to securely close and lock them after such use. Any person entering or leaving the Building during such hours, or when the Building doors are otherwise locked, may be required to sign the Building register, and access to the Building may be refused unless such person has proper identification or has a previously arranged access pass. Landlord will furnish passes to persons for whom Tenant requests them. Tenant shall be responsible for all persons for whom Tenant requests passes and shall be liable to Landlord for all acts of such persons. Landlord and its agents shall not be liable for damages for any error with regard to the admission or exclusion of any person to or from the Building. In case of invasion, mob, riot, public excitement or other commotion, Landlord may prevent access to the Building or the Project during the continuance thereof by any means it deems appropriate for the safety and protection of life and property.

4. No furniture, freight or equipment shall be brought into the Building without prior notice to Landlord. All moving activity into or out of the Building shall be scheduled with Landlord and done only at such time and in such manner as Landlord designates. Landlord may prescribe the weight, size and position of all safes and other heavy property brought into the Building and also the times and manner of moving the same in and out of the Building. Safes and other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property. Any damage to the Building, its contents, occupants or invitees resulting from Tenant's moving or maintaining any such safe or other heavy property shall be the sole responsibility and expense of Tenant (notwithstanding Sections 7 and 10.4 of this Lease).

5. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours, in such specific elevator and by such personnel as shall be designated by Landlord.

6. Employees of Landlord shall not perform any work or do anything outside their regular duties unless under special instructions from Landlord.

7. No sign, advertisement, notice or handbill shall be exhibited, distributed, painted or affixed by Tenant on any part of the Premises or the Building without Landlord's prior consent. Tenant shall not disturb, solicit, peddle or canvass any occupant of the Project.

8. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance shall be thrown therein. Notwithstanding Sections 7 and 10.4 of this Lease, Tenant shall bear the expense of any breakage, stoppage or damage resulting from any violation of this rule by Tenant or any of its employees, agents, contractors, invitees or licensees.

9. Tenant shall not overload the floor of the Premises, or mark, drive nails or screws or drill into the partitions, woodwork or (other than by reasonable methods in order to hang customary lightweight office decorations such as pictures and whiteboards) drywall of the Premises, or otherwise deface the Premises, without Landlord's prior consent. Tenant shall not purchase bottled water, ice, towel, linen, maintenance or other like services from any person not on Landlord's list of approved providers of such services or otherwise reasonably approved by Landlord.

10. Except for vending machines intended for the sole use of Tenant's employees and invitees, no vending machine or machines other than fractional horsepower office machines shall be installed, maintained or operated in the Premises without Landlord's prior consent.

11. Tenant shall not, without Landlord's prior consent, use, store, install, disturb, spill, remove, release or dispose of, within or about the Premises or any other portion of the Project, any asbestos-containing materials, 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, or any inflammable, explosive or dangerous fluid or substance; provided, however, that Tenant may use, store and dispose of such substances in such amounts as are typically found in similar premises used for general office purposes provided that such use, storage and disposal does not damage any part of the Premises, Building or Project and is performed in a safe manner and in accordance with all Laws. Tenant shall comply with all Laws pertaining to and governing the use of such materials by Tenant and shall remain solely liable for the costs of abatement and removal. No burning candle or other open flame shall be ignited or kept by Tenant in or about the Premises, Building or Project.

12. Tenant shall not, without Landlord's prior consent, use any method of heating or air conditioning other than that supplied by Landlord.

13. Tenant shall not use or keep any foul or noxious gas or substance in or on the Premises, or occupy or use the Premises in a manner offensive or objectionable to Landlord or other occupants of the Project by reason of noise, odors or vibrations, or interfere with other occupants or those having business therein, whether by the use of any musical instrument, radio, CD player or otherwise. Tenant shall not throw anything out of doors, windows or skylights or down passageways.

14. Tenant shall not bring into or keep within the Project, the Building or the Premises any animals (other than service animals legally required to be admitted), birds, aquariums, or, except in areas designated by Landlord, bicycles or other vehicles.

15. No cooking shall be done in the Premises, nor shall the Premises be used for lodging, for living quarters or sleeping apartments, or for any improper, objectionable or immoral purposes. Notwithstanding the foregoing, Underwriters' laboratory-approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate and similar beverages for employees and invitees, provided that such use complies with all Laws.

16. The Premises shall not be used for manufacturing or for the storage of merchandise except to the extent such storage may be incidental to the Permitted Use. Tenant shall not occupy the Premises as an office for a messenger-type operation or dispatch office, public stenographer or typist, or for the manufacture or sale of liquor, narcotics or tobacco, or as a medical office, a barber or manicure shop, or an employment bureau, without Landlord's prior consent. Tenant shall not engage or pay any employees in the Premises except those actually working for Tenant in the Premises, nor advertise for laborers giving an address at the Premises.

17. Landlord may exclude from the Project any person who, in Landlord's judgment, is intoxicated or under the influence of liquor or drugs, or who violates any of these Rules and Regulations.

18. Tenant shall not loiter in or on the entrances, corridors, sidewalks, lobbies, courts, halls, stairways, elevators, vestibules or any Common Areas for the purpose of smoking tobacco products or for any other purpose, nor in any way obstruct such areas, and shall use them only as a means of ingress and egress for the Premises.

19. Tenant shall not waste electricity, water or air conditioning, shall cooperate with Landlord to ensure the most effective operation of the Building's heating and air conditioning system, and shall not attempt to adjust any controls. Tenant shall install and use in the Premises only ENERGY STAR rated equipment, where available. Tenant shall use recycled paper in the Premises to the extent consistent with its business requirements.

20. Tenant shall store all its trash and garbage inside the Premises. No material shall be placed in the trash or garbage receptacles if, under Law, it may not be disposed of in the ordinary and customary manner of disposing of trash and garbage in the vicinity of the Building. All trash, garbage and refuse disposal shall be made only through entryways and elevators provided for such purposes at such times as Landlord shall designate. Tenant shall comply with Landlord's recycling program, if any.

1. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency. Tenant shall not, without Landlord's prior written consent (which consent may be granted or withheld in Landlord's sole and absolute discretion), allow any employee, contractor or agent to carry any type of gun or other firearm in or about the Premises, the Building or the Project.

22. Any persons employed by Tenant to do janitorial work (a) shall be subject to Landlord's prior consent; (b) shall not, in Landlord's reasonable judgment, disturb labor harmony with any workforce or trades engaged in performing other work or services at the Project; and (c) while in the Building and outside of the Premises, shall be subject to the control and direction of the Building manager (but not as an agent or employee of such manager or Landlord), and Tenant shall be responsible for all acts of such persons.

23. No awning or other projection shall be attached to the outside walls of the Building without Landlord's prior consent. Other than Landlord's Building-standard window coverings, no curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises. All electrical ceiling fixtures hung in the Premises or spaces along the perimeter of the Building must be fluorescent and/or of a quality, type, design and a warm white bulb color approved in advance by Landlord. Neither the interior nor exterior of any windows shall be coated or otherwise sunscreened without Landlord's prior consent. Tenant shall abide by Landlord's regulations concerning the opening and closing of window coverings.

24. Tenant shall not obstruct any sashes, sash doors, skylights, windows or doors that reflect or admit light or air into the halls, passageways or other public places in the Building, nor shall Tenant place any bottles, parcels or other articles on the windowsills.

25. Tenant must comply with requests by Landlord concerning the informing of their employees of items of importance to the Landlord.

26. Tenant must comply with the State of California "No-Smoking" law set forth in California Labor Code Section 6404.5 and with any local "No-Smoking" ordinance that is not superseded by such law.

27. Tenant shall cooperate in any reasonable safety or security program developed by Landlord or required by Law.

28. All office equipment of an electrical or mechanical nature shall be placed by Tenant in the Premises in settings approved by Landlord, to absorb or prevent any vibration, noise or annoyance.

29. Tenant shall not use any hand trucks except those equipped with rubber tires and rubber side guards.

30. No auction, liquidation, fire sale, going-out-of-business or bankruptcy sale shall be conducted in the Premises without Landlord's prior consent.

31. Without Landlord's prior consent, Tenant shall not use the name of the Project or Building or use pictures or illustrations of the Project or Building in advertising or other publicity or for any purpose other than as the address of the business to be conducted by Tenant in the Premises.

Landlord may from time to time modify or supplement these Rules and Regulations in a manner that, in Landlord's reasonable judgment, is appropriate for the management, safety, care and cleanliness of the Premises, the Building, the Common Areas and the Project, for the preservation of good order therein, and for the convenience of other occupants and tenants thereof, provided that no such modification or supplement shall materially reduce Tenant's rights or materially increase Tenant's obligations hereunder. Landlord may waive any of these Rules and Regulations for the benefit of any tenant, but no such waiver shall be construed as a waiver of such Rule and Regulation in favor of any other tenant nor prevent Landlord from thereafter enforcing such Rule and Regulation against any tenant. Notwithstanding the foregoing, no rule that is added to the initial Rules and Regulations shall be enforced against Tenant in a manner that unreasonably discriminates in favor of any other similarly situated tenant.

EXHIBIT E

[1745 TECHNOLOGY]

JUDICIAL REFERENCE

IF THE JURY-WAIVER PROVISIONS OF SECTION 25.8 OF THIS LEASE ARE NOT ENFORCEABLE UNDER CALIFORNIA LAW, THE PROVISIONS SET FORTH BELOW SHALL APPLY.

It is the desire and intention of the parties to agree upon a mechanism and procedure under which controversies and disputes arising out of this Lease or related to the Premises will be resolved in a prompt and expeditious manner. Accordingly, except for any dispute for which an alternative dispute resolution procedure is otherwise expressly provided in the Lease (including any exhibits thereto) and except with respect to actions for unlawful or forcible detainer or with respect to the prejudgment remedy of attachment, any action, proceeding or counterclaim brought by either party hereto against the other (and/or against its officers, directors, employees, agents or subsidiaries or affiliated entities) on any matters arising out of or in any way connected with this Lease, Tenant's use or occupancy of the Premises and/or any claim of injury or damage, whether sounding in contract, tort, or otherwise, shall be heard and resolved by a referee under the provisions of the California Code of Civil Procedure, Sections 638 - 645.1, inclusive (as same may be amended, or any successor statute(s) thereto) (the "Referee Sections").

Any fee to initiate the judicial reference proceedings and all fees charged and costs incurred by the referee shall be paid by the party initiating such procedure (except that if a reporter is requested by either party, then a reporter shall be present at all proceedings where requested and the fees of such reporter - except for copies ordered by the other parties - shall be borne by the party requesting the reporter); provided however, that allocation of the costs and fees, including any initiation fee, of such proceeding shall be ultimately determined in accordance with Section 25.6 of this Lease. The venue of the proceedings shall be in the county in which the Premises are located. Within 10 days of receipt by any party of a request to resolve any dispute or controversy pursuant to this Exhibit E, the parties shall agree upon a single referee who shall try all issues, whether of fact or law, and report a finding and judgment on such issues as required by the Referee Sections. If the parties are unable to agree upon a referee within such 10-day period, then any party may thereafter file a lawsuit in the county in which the Premises are located for the purpose of appointment of a referee under the Referee Sections. If the referee is appointed by the court, the referee shall be a neutral and impartial retired judge with substantial experience in the relevant matters to be determined, from Jams/Endispute, Inc., ADR Services, Inc. or a similar mediation/arbitration entity approved by each party in its sole and absolute discretion. The proposed referee may be challenged by any party for any of the grounds listed in the Referee Sections. The referee shall have the power to decide all issues of fact and law and report his or her decision on such issues, and to issue all recognized remedies available at law or in equity for any cause of action that is before the referee, including an award of attorneys' fees and costs in accordance with this Lease. The referee shall not, however, have the power to award punitive damages, nor any other damages that are not permitted by the express provisions of this Lease, and the parties waive any right to recover any such damages. The parties may conduct all discovery as provided in the California Code of Civil Procedure, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge, with rights to regulate discovery and to issue and enforce subpoenas, protective orders and other limitations on discovery available under California Law. The reference proceeding shall be conducted in accordance with California Law (including the rules of evidence), and in all regards, the referee shall follow California Law applicable at the time of the reference proceeding. The parties shall promptly and diligently cooperate with one another and the referee, and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute or controversy in accordance with the terms of this Exhibit E. In this regard, the parties agree that the parties and the referee shall use best efforts to ensure that (a) discovery be conducted for a period no longer than six (6) months from the date the referee is appointed, excluding motions regarding discovery, and (b) a trial date be set within nine (9) months of the date the referee is appointed. In accordance with Section 644 of the California Code of Civil Procedure, the decision of the referee upon the whole issue must stand as the decision of the court, and upon the filing of the statement of decision with the clerk of the court, or with the judge if there is no clerk, judgment may be entered thereon in the same manner as if the action had been tried by the court. Any decision of the referee and/or judgment or other order entered thereon shall be appealable to the same extent and in the same manner that such decision, judgment, or order would be appealable if rendered by a judge of the superior court in which venue is proper hereunder.

The referee shall in his/her statement of decision set forth his/her findings of fact and conclusions of law. The parties intend this general reference agreement to be specifically enforceable in accordance with the Code of Civil Procedure. Nothing in this **Exhibit E** shall prejudice the right of any party to obtain provisional relief or other equitable remedies from a court of competent jurisdiction as shall otherwise be available under the Code of Civil Procedure and/or applicable court rules.

EXHIBIT F

[1745 TECHNOLOGY]

ADDITIONAL PROVISIONS

1. **California Civil Code Section 1938.** Pursuant to California Civil Code § 1938, Landlord hereby states that the Premises has not undergone inspection by a Certified Access Specialist (CASp) (defined in California Civil Code § 55.52). Accordingly, pursuant to California Civil Code § 1938(e), Landlord hereby further states as follows: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises". In accordance with the foregoing, Landlord and Tenant agree that if Tenant requests a CASp inspection of the Premises, then Tenant shall pay (i) the fee for such inspection, and (ii) the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises; provided, that, if Tenant is required to obtain such CASp inspection by applicable Law or to avoid any penalty imposed under applicable Law, then the cost of and obligation for making any repairs necessary to correct violations of construction-related accessibility standards within the Premises shall be governed by the provisions of this Lease.

2. **Extension Option.**

2.1 **Grant of Option; Conditions.** Tenant shall have the right (the "**Extension Option**") to extend the Term for one (1) additional period of three (3) years beginning on the day immediately following the expiration date of the Lease and ending on the third (3rd) anniversary of such expiration date (the "**Extension Term**"), if:

(a) not less than 12 and not more than 15 full calendar months before the expiration date of the Lease, Tenant delivers written notice to Landlord (the "**Extension Notice**") electing to exercise the Extension Option and stating Tenant's estimate of the Prevailing Market (defined in Section 2.5 below) rate for the Extension Term;

(b) no Default exists when Tenant delivers the Extension Notice;

(c) no part of the Premises is sublet (other than to an Affiliate of Tenant) when Tenant delivers the Extension Notice; and

(d) the Lease has not been assigned (other than pursuant to a Permitted Transfer) before Tenant delivers the Extension Notice.

2.2 **Terms Applicable to Extension Term.**

(a) During the Extension Term, (a) the Base Rent rate per rentable square foot shall be equal to the Prevailing Market rate per rentable square foot; (b) Base Rent shall increase, if at all, in accordance with the increases assumed in the determination of Prevailing Market rate; and (c) Base Rent shall be payable in monthly installments in accordance with the terms and conditions of the Lease.

(b) During the Extension Term, Tenant shall pay Tenant's Share of Expenses and Taxes for the Premises in accordance with the Lease.

2.3 **Procedure for Determining Prevailing Market.**

(a) Initial Procedure. Within thirty (30) days after receiving the Extension Notice, Landlord shall give Tenant either (i) written notice ("**Landlord's Binding Notice**") accepting Tenant's estimate of the Prevailing Market rate for the Extension Term stated in the Extension Notice, or (ii) written notice ("**Landlord's Rejection Notice**") rejecting such estimate and stating Landlord's estimate of the Prevailing Market rate for the Extension Term. If Landlord gives Tenant a Landlord's Rejection Notice, Tenant, within fifteen (15) days thereafter, shall give Landlord either (A) written notice ("**Tenant's Binding Notice**") accepting Landlord's estimate of the Prevailing Market rate for the Extension Term stated in such Landlord's Rejection Notice, or (B) written notice ("**Tenant's Rejection Notice**") rejecting such estimate. If Tenant gives Landlord a Tenant's Rejection Notice, Landlord and Tenant shall work together in good faith to agree in writing upon the Prevailing Market rate for the Extension Term. If, within thirty (30) days after delivery of a Tenant's Rejection Notice, the parties fail to agree in writing upon the Prevailing Market rate, the provisions of Section 2.3(b) shall apply.

(b) Dispute Resolution Procedure.

1. If, within 30 days after delivery of a Tenant's Rejection Notice, the parties fail to agree in writing upon the Prevailing Market rate, Landlord and Tenant, within five (5) days thereafter, shall each simultaneously submit to the other, in a sealed envelope, its good faith estimate of the Prevailing Market rate for the Extension Term (collectively, the "**Estimates**"). Within seven (7) days after the exchange of Estimates, Landlord and Tenant shall each select a broker or agent (an "**Agent**") to determine which of the two Estimates most closely reflects the Prevailing Market rate for the Extension Term. Each Agent so selected shall be licensed as a real estate broker or agent and in good standing with the California Department of Real Estate, and shall have at least five (5) years' experience within the previous 10 years as a commercial real estate broker or agent working in San Jose, California, with working knowledge of current rental rates and leasing practices relating to buildings similar to the Building.

2. If each party selects an Agent in accordance with Section 2.3(b)(1) above, the parties shall cause their respective Agents to work together in good faith to agree upon which of the two Estimates most closely reflects the Prevailing Market rate for the Extension Term. The Estimate, if any, so agreed upon by such Agents shall be final and binding on both parties as the Prevailing Market rate for the Extension Term and may be entered in a court of competent jurisdiction. If the Agents fail to reach such agreement within 20 days after their selection, then, within 10 days after the expiration of such 20-day period, the parties shall instruct the Agents to select a third Agent meeting the above criteria (and if the Agents fail to agree upon such third Agent within 10 days after being so instructed, either party may cause a court of competent jurisdiction to select such third Agent). Promptly upon selection of such third Agent, the parties shall instruct such Agent (or, if only one of the parties has selected an Agent within the 7-day period described above, then promptly after the expiration of such 7-day period the parties shall instruct such Agent) to determine, as soon as practicable but in any case within 14 days after his selection, which of the two Estimates most closely reflects the Prevailing Market rate. Such determination by such Agent (the "**Final Agent**") shall be final and binding on both parties as the Prevailing Market rate for the Extension Term and may be entered in a court of competent jurisdiction. If the Final Agent believes that expert advice would materially assist him, he may retain one or more qualified persons to provide such expert advice. The parties shall share equally in the costs of the Final Agent and of any experts retained by the Final Agent. Any fees of any other broker, agent, counsel or expert engaged by Landlord or Tenant shall be borne by the party retaining such broker, agent, counsel or expert.

(c) Adjustment. If the Prevailing Market rate has not been determined by the commencement date of the Extension Term, Tenant shall pay Base Rent for the Extension Term upon the terms and conditions in effect during the last month ending on or before the expiration date of the Lease until such time as the Prevailing Market rate has been determined. Upon such determination, the Base Rent for the Extension Term shall be retroactively adjusted. If such adjustment results in an under- or overpayment of Base Rent by Tenant, Tenant shall pay Landlord the amount of such underpayment, or receive a credit in the amount of such overpayment, with or against the next Base Rent due under the Lease.

2.4 **Extension Amendment.** If Tenant is entitled to and properly exercises its Extension Option, and if the Prevailing Market rate for the Extension Term is determined in accordance with Section 2.3 above, Landlord, within a reasonable time thereafter, shall prepare and deliver to Tenant an amendment (the "**Extension Amendment**") reflecting changes in the Base Rent, the Term, the expiration date of the Lease, and other appropriate terms in accordance with this Section 2, and Tenant shall execute and return (or provide Landlord with reasonable objections to) the Extension Amendment within thirty (30) days after receiving it. Notwithstanding the foregoing, upon determination of the Prevailing Market rate for the Extension Term in accordance with Section 2.3 above, an otherwise valid exercise of the Extension Option shall be fully effective whether or not the Extension Amendment is executed.

2.5 **Definition of Prevailing Market.** For purposes of this Extension Option, "**Prevailing Market**" shall mean the arms-length, fair-market, annual rental rate per rentable square foot under extension and renewal leases and amendments entered into on or about the date on which the Prevailing Market is being determined hereunder for space comparable to the Premises in the Building and office buildings comparable to the Building in the immediate vicinity of the Building in San Jose, California. The determination of Prevailing Market shall take into account (i) any material economic differences between the terms of the Lease and any comparison lease or amendment, such as rent abatements, construction costs and other concessions, and the manner, if any, in which the landlord under any such lease is reimbursed for operating expenses and taxes; (ii) any material differences in configuration or condition between the Premises and any comparison space, including any cost that would have to be incurred in order to make the configuration or condition of the comparison space similar to that of the Premises; and (iii) any reasonably anticipated changes in the Prevailing Market rate from the time such Prevailing Market rate is being determined and the time such Prevailing Market rate will become effective under the Lease.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dheeraj Pandey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nutanix, Inc.;

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

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

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

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

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

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

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

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

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

Date: June 12, 2018

/s/ Dheeraj Pandey
Dheeraj Pandey
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Duston M. Williams, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nutanix, Inc.;

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

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

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

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

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

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

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

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

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

Date: June 12, 2018

/s/ Duston M. Williams
Duston M. Williams
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

I, Dheeraj Pandey, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Nutanix, Inc. for the quarter ended April 30, 2018, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Nutanix, Inc.

Date: June 12, 2018

/s/ Dheeraj Pandey
Dheeraj Pandey
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

I, Duston M. Williams, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Nutanix, Inc. for the quarter ended April 30, 2018, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Nutanix, Inc.

Date: June 12, 2018

/s/ Duston M. Williams
Duston M. Williams
Chief Financial Officer
(Principal Financial Officer)