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

FORM 10-Q

(Mark One)

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended July 31, 2015

OR

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number: 001-32224

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salesforce.com, inc.
(Exact name of registrant as specified in its charter)

Delaware	94-3320693
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

The Landmark @ One Market, Suite 300
San Francisco, California 94105
(Address of principal executive offices)

Telephone Number (415) 901-7000
(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 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

As of July 31, 2015 , there were approximately 660.0 million shares of the Registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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Condensed Consolidated Balance Sheets
(in thousands)

	July 31, 2015	January 31, 2015
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 1,089,351	$ 908,117
Short-term marketable securities	81,118	87,312
Accounts receivable, net	1,067,799	1,905,506
Deferred commissions	211,314	225,386
Prepaid expenses and other current assets	330,291	280,554
Land and building improvements held for sale	136,914	143,197
Total current assets	2,916,787	3,550,072
Marketable securities, noncurrent	896,494	894,855
Property and equipment, net	1,725,184	1,125,866
Deferred commissions, noncurrent	143,871	162,796
Capitalized software, net	414,035	433,398
Goodwill	3,804,288	3,782,660
Strategic investments	477,886	175,774
Other assets, net	415,432	452,546
Restricted cash	0	115,015
Total assets	$ 10,793,977	$ 10,692,982
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 1,098,054	$ 1,103,335
Deferred revenue	3,014,940	3,286,768
Total current liabilities	4,112,994	4,390,103
Convertible 0.25% senior notes, net	1,082,799	1,070,692
Loan assumed on 50 Fremont	198,813	0
Revolving credit facility	0	300,000
Deferred revenue, noncurrent	20,051	34,681
Other noncurrent liabilities	843,517	922,323
Total liabilities	6,258,174	6,717,799
Stockholders' equity:		
Common stock	660	651
Additional paid-in capital	5,165,892	4,604,485
Accumulated other comprehensive loss	(28,144)	(24,108)
Accumulated deficit	(602,605)	(605,845)
Total stockholders' equity	4,535,803	3,975,183
Total liabilities and stockholders' equity	$ 10,793,977	$ 10,692,982

See accompanying Notes.

salesforce.com, inc.

Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Revenues:				
Subscription and support	$ 1,521,319	$ 1,232,587	$ 2,926,606	$ 2,379,893
Professional services and other	113,365	85,964	219,245	165,430
Total revenues	1,634,684	1,318,551	3,145,851	2,545,323
Cost of revenues (1)(2):				
Subscription and support	292,737	218,918	566,978	427,865
Professional services and other	112,647	88,913	220,208	172,271
Total cost of revenues	405,384	307,831	787,186	600,136
Gross profit	1,229,300	1,010,720	2,358,665	1,945,187
Operating expenses (1)(2):				
Research and development	234,100	203,109	456,228	391,467
Marketing and sales	793,691	671,958	1,530,629	1,311,313
General and administrative	181,685	169,087	357,496	331,182
Operating lease termination resulting from purchase of 50 Fremont, net	0	0	(36,617)	0
Total operating expenses	1,209,476	1,044,154	2,307,736	2,033,962
Income (loss) from operations	19,824	(33,434)	50,929	(88,775)
Investment income	3,283	2,655	7,844	4,433
Interest expense	(18,096)	(18,314)	(34,771)	(38,673)
Other income (expense) (1)(3)	1,947	(3,876)	1,029	(14,723)
Income (loss) before provisions for income taxes	6,958	(52,969)	25,031	(137,738)
Provisions for income taxes	(7,810)	(8,119)	(21,791)	(20,261)
Net income (loss)	$ (852)	$ (61,088)	$ 3,240	$ (157,999)
Basic net income (loss) per share	$ 0.00	$ (0.10)	$ 0.00	$ (0.26)
Diluted net income (loss) per share	$ 0.00	$ (0.10)	$ 0.00	$ (0.26)
Shares used in computing basic net income (loss) per share	659,366	617,016	656,636	614,797
Shares used in computing diluted net income (loss) per share	659,366	617,016	672,231	614,797

(1) Amounts include amortization of purchased intangibles from business combinations, as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Cost of revenues	$ 20,839	$ 21,271	$ 40,529	$ 49,943
Marketing and sales	19,002	14,648	39,029	29,613
Other non-operating expense	1,301	0	2,116	0

(2) Amounts include stock-based expense, as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Cost of revenues	$ 16,340	$ 12,977	$ 31,721	$ 24,787
Research and development	33,732	33,112	64,974	60,396
Marketing and sales	71,724	70,485	142,258	137,618
General and administrative	25,983	25,837	51,386	50,702

(3) Amount includes approximately $8.9 million loss on conversions of our convertible 0.75% senior notes due January 2015 recognized during the six months ended July 31, 2014.

See accompanying Notes.

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Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Net income (loss)	$ (852)	$ (61,088)	$ 3,240	$ (157,999)
Other comprehensive loss, before tax and net of reclassification adjustments:				
Foreign currency translation and other losses	(5,391)	(5,299)	(7,246)	(2,184)
Unrealized gains (loss) on investments	5,599	1,164	3,210	(4,333)
Other comprehensive gain (loss), before tax	208	(4,135)	(4,036)	(6,517)
Tax effect	0	0	0	0
Other comprehensive gain (loss), net of tax	208	(4,135)	(4,036)	(6,517)
Comprehensive loss	$ (644)	$ (65,223)	$ (796)	$ (164,516)

See accompanying Notes.

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Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Operating activities:				
Net income (loss)	$ (852)	$ (61,088)	$ 3,240	$ (157,999)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	131,675	107,596	259,602	218,404
Amortization of debt discount and transaction costs	7,291	9,949	13,152	21,740
50 Fremont lease termination, net	0	0	(36,617)	0
Loss on conversions of convertible senior notes	0	361	0	8,890
Amortization of deferred commissions	76,679	61,300	153,834	121,155
Expenses related to employee stock plans	147,779	142,411	290,339	273,503
Excess tax benefits from employee stock plans	133	6,815	(4,091)	(2,226)
Changes in assets and liabilities, net of business combinations:				
Accounts receivable, net	(141,418)	(150,168)	837,752	526,514
Deferred commissions	(70,745)	(65,846)	(120,837)	(106,742)
Prepaid expenses and other current assets and other assets	(18,072)	23,636	(29,346)	27,913
Accounts payable, accrued expenses and other liabilities	193,771	142,638	(45,301)	(42,961)
Deferred revenue	(21,830)	28,289	(286,459)	(169,211)
Net cash provided by operating activities	304,411	245,893	1,035,268	718,980
Investing activities:				
Business combinations, net of cash acquired	(18,451)	0	(30,921)	0
Purchase of 50 Fremont land and building	0	0	(425,376)	0
Deposit for purchase of 50 Fremont land and building	0	0	115,015	0
Non-refundable amounts received for sale of land available for sale	3,432	1,000	6,284	31,000
Strategic investments	(150,434)	(18,807)	(294,896)	(35,053)
Purchases of marketable securities	(136,196)	(284,928)	(343,421)	(535,464)
Sales of marketable securities	130,922	71,073	323,106	150,385
Maturities of marketable securities	1,833	16,762	16,279	23,960
Capital expenditures	(64,883)	(71,576)	(135,970)	(131,674)
Net cash used in investing activities	(233,777)	(286,476)	(769,900)	(496,846)
Financing activities:				
Proceeds from employee stock plans	114,799	61,429	269,814	135,224
Excess tax benefits from employee stock plans	(133)	(6,815)	4,091	2,226
Payments on convertible senior notes	0	(13,692)	0	(297,584)
Principal payments on capital lease obligations	(41,074)	(40,341)	(57,899)	(50,935)
Payments on revolving credit facility and term loan	0	(7,500)	(300,000)	(15,000)
Net cash provided by (used in) financing activities	73,592	(6,919)	(83,994)	(226,069)
Effect of exchange rate changes	3,169	(5,664)	(140)	(2,975)
Net increase (decrease) in cash and cash equivalents	147,395	(53,166)	181,234	(6,910)
Cash and cash equivalents, beginning of period	941,956	827,891	908,117	781,635
Cash and cash equivalents, end of period	$ 1,089,351	$ 774,725	$ 1,089,351	$ 774,725

See accompanying Notes.

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Condensed Consolidated Statements of Cash Flows

Supplemental Cash Flow Disclosure

(in thousands)

(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Supplemental cash flow disclosure:				
Cash paid during the period for:				
Interest	$ 20,592	$ 8,322	$ 28,671	$ 16,989
Income taxes, net of tax refunds	$ 5,621	$ 14,805	$ 16,202	$ 24,799
Non-cash financing and investing activities:				
Fixed assets acquired under capital leases	$ 2,166	$ 75,449	$ 5,126	$ 81,335
Building in progress - leased facility acquired under financing obligation	$ 14,636	$ 20,288	$ 36,859	$ 33,048
Fair value of loan assumed on 50 Fremont	$ 0	$ 0	$ 198,751	$ 0

See accompanying Notes.

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Notes to Condensed Consolidated Financial Statements

1. Summary of Business and Significant Accounting Policies

Description of Business

Salesforce.com, inc. (the "Company") is a leading provider of enterprise cloud computing services. The Company is dedicated to helping customers of all sizes and industries worldwide transform themselves into "customer companies" by empowering them to connect with their customers, partners, employees and products in entirely new ways. The Company provides customers with the solutions they need to build a next generation social front office with social and mobile cloud technologies.

Fiscal Year

The Company's fiscal year ends on January 31. References to fiscal 2016, for example, refer to the fiscal year ending January 31, 2016 .

Basis of Presentation

The accompanying condensed consolidated balance sheet as of July 31, 2015 and the condensed consolidated statements of operations, the condensed consolidated statements of comprehensive loss and the condensed consolidated statements of cash flows for the three and six months ended July 31, 2015 and 2014 , respectively, are unaudited. The condensed consolidated balance sheet data as of January 31, 2015 was derived from the audited consolidated financial statements that are included in the Company's fiscal 2015 Form 10-K, which was filed with the Securities and Exchange Commission (the "SEC") on March 6, 2015 . The accompanying statements should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company's fiscal 2015 Form 10-K.

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the financial information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of the Company's management, the unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements in the Form 10-K, and include all adjustments necessary for the fair presentation of the Company's balance sheet as of July 31, 2015 , and its results of operations, including its comprehensive loss, and its cash flows for the three and six months ended July 31, 2015 and 2014 . All adjustments are of a normal recurring nature. The results for the three and six months ended July 31, 2015 are not necessarily indicative of the results to be expected for any subsequent quarter or for the fiscal year ending January 31, 2016 .

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions in the Company's condensed consolidated financial statements and notes thereto.

Significant estimates and assumptions made by management include the determination of:

- the best estimate of selling price of the deliverables included in multiple deliverable revenue arrangements,
- the fair value of assets acquired and liabilities assumed for business combinations,
- the recognition, measurement and valuation of current and deferred income taxes,
- the fair value of convertible notes,
- the fair value of stock awards issued and related forfeiture rates,
- the useful lives of intangible assets and property and equipment,
- the valuation of strategic investments and the determination of other-than-temporary impairments, and
- the assessment of determination of impairment of long-lived assets (property and equipment, goodwill and identified intangibles).

Actual results could differ materially from those estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the result of which forms the basis for making judgments about the carrying values of assets and liabilities.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Segments

The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker, who is the chief executive officer, in deciding how to allocate resources and assessing performance. Over the past few years, the Company has completed several acquisitions. These acquisitions have allowed the Company to expand its offerings, presence and reach in various market segments of the enterprise cloud computing market. While the Company has offerings in multiple enterprise cloud computing market segments, the Company’s business operates in one operating segment because all of the Company's offerings operate on a single platform and are deployed in an identical way, and the Company’s chief operating decision maker evaluates the Company’s financial information and resources and assesses the performance of these resources on a consolidated basis. Since the Company operates in one operating segment, all required financial segment information can be found in the condensed consolidated financial statements.

Concentrations of Credit Risk and Significant Customers

The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities and trade accounts receivable. Although the Company deposits its cash with multiple financial institutions, its deposits, at times, may exceed federally insured limits. Collateral is not required for accounts receivable. The Company maintains an allowance for doubtful accounts receivable balances. This allowance is based upon historical loss patterns, the number of days that billings are past due and an evaluation of the potential risk of loss associated with delinquent accounts.

No single customer accounted for more than five percent of accounts receivable at July 31, 2015 and January 31, 2015 . No single customer accounted for five percent or more of total revenue during the three and six months ended July 31, 2015 and 2014 .

Geographic Locations

As of July 31, 2015 and January 31, 2015 , assets located outside the Americas were 12 percent of total assets.

Revenues by geographical region are as follows (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Americas	$ 1,202,173	$ 940,946	$ 2,317,293	$ 1,817,323
Europe	286,904	246,532	545,709	477,342
Asia Pacific	145,607	131,073	282,849	250,658
	$ 1,634,684	$ 1,318,551	$ 3,145,851	$ 2,545,323

Americas revenue attributed to the United States was approximately 95 percent and 94 percent during the three and six months ended July 31, 2015 and 2014 , respectively. No other country represented more than ten percent of total revenue during the three and six months ended July 31, 2015 and 2014 .

Revenue Recognition

The Company derives its revenues from two sources: (1) subscription revenues, which are comprised of subscription fees from customers accessing the Company’s enterprise cloud computing services and from customers paying for additional support beyond the standard support that is included in the basic subscription fees; and (2) related professional services such as process mapping, project management, implementation services and other revenue. “Other revenue” consists primarily of training fees.

The Company commences revenue recognition when all of the following conditions are satisfied:

- there is persuasive evidence of an arrangement;
- the service has been or is being provided to the customer;
- the collection of the fees is reasonably assured; and
- the amount of fees to be paid by the customer is fixed or determinable.

The Company's subscription service arrangements are non-cancelable and do not contain refund-type provisions.

Subscription and Support Revenues

Subscription and support revenues are recognized ratably over the contract terms beginning on the commencement date of each contract, which is the date the Company's service is made available to customers.

Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

Professional Services and Other Revenues

The majority of the Company's professional services contracts are on a time and material basis. When these services are not combined with subscription revenues as a single unit of accounting, as discussed below, these revenues are recognized as the services are rendered for time and material contracts, and when the milestones are achieved and accepted by the customer for fixed price contracts. Training revenues are recognized as the services are performed.

Multiple Deliverable Arrangements

The Company enters into arrangements with multiple deliverables that generally include multiple subscriptions, premium support and professional services. If the deliverables have standalone value upon delivery, the Company accounts for each deliverable separately. Subscription services have standalone value as such services are often sold separately. In determining whether professional services have standalone value, the Company considers the following factors for each professional services agreement: availability of the services from other vendors, the nature of the professional services, the timing of when the professional services contract was signed in comparison to the subscription service start date and the contractual dependence of the subscription service on the customer's satisfaction with the professional services work. To date, the Company has concluded that all of the professional services included in multiple deliverable arrangements executed have standalone value.

Multiple deliverables included in an arrangement are separated into different units of accounting and the arrangement consideration is allocated to the identified separate units based on a relative selling price hierarchy. The Company determines the relative selling price for a deliverable based on its vendor-specific objective evidence of selling price ("VSOE"), if available, or its best estimate of selling price ("BESP"), if VSOE is not available. The Company has determined that third-party evidence of selling price ("TPE") is not a practical alternative due to differences in its service offerings compared to other parties and the availability of relevant third-party pricing information. The amount of revenue allocated to delivered items is limited by contingent revenue, if any.

For certain professional services, the Company has established VSOE as a consistent number of standalone sales of these deliverables have been priced within a reasonably narrow range. The Company has not established VSOE for its subscription services due to lack of pricing consistency, the introduction of new services and other factors. Accordingly, the Company uses its BESP to determine the relative selling price for its subscription services.

The Company determines BESP by considering its overall pricing objectives and market conditions. Significant pricing practices taken into consideration include the Company's discounting practices, the size and volume of the Company's transactions, the customer demographic, the geographic area where services are sold, price lists, its go-to-market strategy, historical standalone sales and contract prices. The determination of BESP is made through consultation with and approval by the Company's management, taking into consideration the go-to-market strategy. As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes in relative selling prices, including both VSOE and BESP.

Deferred Revenue

The deferred revenue balance does not represent the total contract value of annual or multi-year, non-cancelable subscription agreements. Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from subscription services described above and is recognized as the revenue recognition criteria are met. The Company generally invoices customers in annual installments. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration, invoice timing, size and new business linearity within the quarter.

Deferred revenue that will be recognized during the succeeding twelve month period is recorded as current deferred revenue and the remaining portion is recorded as noncurrent.

Deferred Commissions

Deferred commissions are the incremental costs that are directly associated with non-cancelable subscription contracts with customers and consist of sales commissions paid to the Company's direct sales force.

The commissions are deferred and amortized over the non-cancelable terms of the related customer contracts, which are typically 12 to 36 months . The commission payments are paid in full the month after the customer's service commences and are a direct and incremental cost of the revenue arrangements. The deferred commission amounts are recoverable through the future revenue streams under the non-cancelable customer contracts. The Company believes this is the preferable method of accounting as the commission charges are so closely related to the revenue from the non-cancelable customer contracts that they should be recorded as an asset and charged to expense over the same period that the subscription revenue is recognized. Amortization of deferred commissions is included in marketing and sales expense in the accompanying condensed consolidated statements of operations.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at fair value.

Marketable Securities

Management determines the appropriate classification of marketable securities at the time of purchase and reevaluates such determination at each balance sheet date. Securities are classified as available for sale and are carried at fair value, with the change in unrealized gains and losses, net of tax, reported as a separate component on the condensed consolidated statements of comprehensive loss. Fair value is determined based on quoted market rates when observable or utilizing data points that are observable, such as quoted prices, interest rates and yield curves. Declines in fair value judged to be other-than-temporary on securities available for sale are included as a component of investment income. In order to determine whether a decline in value is other-than-temporary, the Company evaluates, among other factors: the duration and extent to which the fair value has been less than the carrying value and its intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. The cost of securities sold is based on the specific-identification method. Interest on securities classified as available for sale is also included as a component of investment income.

Fair Value Measurement

The Company measures its cash equivalents, marketable securities and foreign currency derivative contracts at fair value.

The additional disclosures regarding the Company's fair value measurements are included in Note 2 "Investments."

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of those assets as follows:

Computer, equipment and software	3 to 9 years
Furniture and fixtures	5 years
Leasehold improvements	The remaining lease term or up to 10 years

When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from their respective accounts and any loss on such retirement is reflected in operating expenses.

Capitalized Internal-Use Software Costs

The Company capitalizes costs related to its enterprise cloud computing services and certain projects for internal use incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life, which is generally three to five years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Goodwill and Intangible Assets Impairment Assessments

The Company evaluates and tests the recoverability of its goodwill for impairment at least annually during the fourth quarter or more often if and when circumstances indicate that goodwill may not be recoverable.

Intangible assets are amortized over their useful lives. Each period the Company evaluates the estimated remaining useful life of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. The carrying amounts of these assets are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amount of each asset to the future undiscounted cash flows the asset is expected to generate. If the undiscounted cash flows used in the test for recoverability are less than the carrying amount of these assets, then the carrying amount of such assets is reduced to fair value.

Long- Lived Assets and Impairment Assessment

The company evaluates long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. This includes but is not limited to significant adverse changes in business climate, market conditions, or other events that indicate an asset's carrying amount may not be recoverable. If such review indicates that the carrying amount of long-lived assets is not recoverable, the carrying amount of such assets is reduced to fair value.

Business Combinations

The Company uses its best estimates and assumptions to accurately assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. The Company’s estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. The Company continues to collect information and reevaluates these estimates and assumptions quarterly and records any adjustments to the Company’s preliminary estimates to goodwill provided that the Company is within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company’s condensed consolidated statements of operations.

Leases and Asset Retirement Obligations

The Company categorizes leases at their inception as either operating or capital leases. In certain lease agreements, the Company may receive rent holidays and other incentives. The Company recognizes lease costs on a straight-line basis once control of the space is achieved, without regard to deferred payment terms such as rent holidays that defer the commencement date of required payments. Additionally, incentives received are treated as a reduction of costs over the term of the agreement.

The Company establishes assets and liabilities for the present value of estimated future costs to retire long-lived assets at the termination or expiration of a lease. Such assets are depreciated over the lease period to operating expense.

As the deemed owner for accounting purposes during construction, the Company records assets and liabilities for the estimated construction costs incurred under build-to-suit lease arrangements to the extent it is involved in the construction of structural improvements or takes construction risk prior to commencement of a lease.

The Company additionally has entered into subleases for unoccupied leased office space. Losses are recognized in the period the sublease is executed. Any sublease payments received in excess of the straight-line rent payments for the sublease are recorded in other income (expense).

Accounting for Stock-Based Expense

The Company recognizes stock-based expenses related to stock options and restricted stock awards on a straight-line basis over the requisite service period of the awards, which is generally the vesting term of four years . The Company recognizes stock-based expenses related to shares issued pursuant to its Amended and Restated 2004 Employee Stock Purchase Plan (“ESPP” or “2004 Employee Stock Purchase Plan”) on a straight-line basis over the offering period, which is 12 months . Stock-based expenses are recognized net of estimated forfeiture activity. The estimated forfeiture rate applied is based on historical forfeiture rates. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in the option pricing model.

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions and fair value per share:

	Three Months Ended July 31,		Six Months Ended July 31,	
Stock Options	**2015**	**2014**	**2015**	**2014**
Volatility	35 %	37 %	35-37 %	37 %
Estimated life	3.6 years	3.5 years	3.6 years	3.5 years
Risk-free interest rate	1.31- 1.42 %	1.25- 1.46 %	1.13- 1.42 %	1.20- 1.46 %
Weighted-average fair value per share of grants	$ 20.24	$ 15.81	$ 19.81	$ 16.15

	Three Months Ended July 31,		Six Months Ended July 31,	
ESPP	**2015**	**2014**	**2015**	**2014**
Volatility	34 %	34-35 %	34 %	34-35 %
Estimated life	0.75 years	0.75 years	0.75 years	0.75 years
Risk-free interest rate	0.06- 0.27 %	0.07- 0.16 %	0.06- 0.27 %	0.07- 0.16 %
Weighted-average fair value per share of grants	$ 19.30	$ 14.53	$ 19.30	$ 14.53

The Company estimated its future stock price volatility considering both its observed option-implied volatilities and its historical volatility calculations. Management believes this is the best estimate of the expected volatility over the expected life of its stock options and stock purchase rights.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in the condensed consolidated statement of operations in the period that includes the enactment date.

Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more likely than not expected to be realized based on the weighting of positive and negative evidence. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the applicable tax law. The Company regularly reviews the deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. The Company’s judgments regarding future profitability may change due to many factors, including future market conditions and the ability to successfully execute its business plans and/or tax planning strategies. Should there be a change in the ability to recover deferred tax assets, the tax provision would increase or decrease in the period in which the assessment is changed.

The Company’s tax positions are subject to income tax audits by multiple tax jurisdictions throughout the world. The Company recognizes the tax benefit of an uncertain tax position only if it is more likely than not that the position is sustainable upon examination by the taxing authority, solely based on its technical merits. The tax benefit recognized is measured as the largest amount of benefit which is greater than 50 percent likely to be realized upon settlement with the taxing authority. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in the income tax provision.

In July 2015, the United States Tax Court (the "Court") issued an opinion favorable to Altera Corporation ("Altera") with respect to Altera's litigation with the Internal Revenue Service ("IRS"). The litigation relates to the treatment of stock-based compensation expense in an inter-company cost-sharing arrangement with Altera's foreign subsidiary. In its opinion, the Court accepted Altera's position of excluding stock-based compensation from its inter-company cost-sharing arrangement. Because there is uncertainty related to the IRS response to the Court's opinion, the final resolution of this litigation, and the potential favorable benefits to the Company, the Company did not record any benefit for the three months ended July 31, 2015. Management will continue to monitor developments related to this case and the potential impact of those developments on our current and future financial statements.

Foreign Currency Translation

The functional currency of the Company's major foreign subsidiaries is generally the local currency. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as a separate component on the condensed consolidated statements of comprehensive loss. Foreign currency transaction gains and losses are included in net loss for the period. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average exchange rate during the period. Equity transactions are translated using historical exchange rates.

Warranties and Indemnification

The Company's enterprise cloud computing services are typically warranted to perform in a manner consistent with general industry standards that are reasonably applicable and materially in accordance with the Company's online help documentation under normal use and circumstances.

The Company's arrangements generally include certain provisions for indemnifying customers against liabilities if its products or services infringe a third party's intellectual property rights. To date, the Company has not incurred any material costs as a result of such obligations and has not accrued any liabilities related to such obligations in the accompanying condensed consolidated financial statements.

The Company has also agreed to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as the Company's director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer insurance coverage that would generally enable the Company to recover a portion of any future amounts paid. The Company may also be subject to indemnification obligations by law with respect to the actions of its employees under certain circumstances and in certain jurisdictions.

New Accounting Pronouncement

In May 2014 , the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09") which amended the existing FASB Accounting Standards Codification. This standard establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The standard also provides guidance on the recognition of costs related to obtaining and fulfilling customer contracts. The FASB deferred the effective date for the new revenue reporting standard for entities reporting under U.S. GAAP for one year. In accordance with the deferral, ASU 2014-09 will be effective for fiscal 2019 , including interim periods within that reporting period. The Company is currently in the process of assessing the adoption methodology, which allows the amendment to be applied retrospectively to each prior period presented, or with the cumulative effect recognized as of the date of initial application. The Company is also evaluating the impact of the adoption of ASU 2014-09 on its condensed consolidated financial statements and has not determined whether the effect will be material to either its revenue results or its deferred commissions balances.

Reclassification

Certain reclassifications to the fiscal 2015 balances were made to conform to the current period presentation in the Balance Sheet. These reclassifications include strategic investments and other assets, net.

2. Investments

Marketable Securities

At July 31, 2015 , marketable securities consisted of the following (in thousands):

Investments classified as Marketable Securities	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate notes and obligations	$ 579,895	$ 816	$ (992)	$ 579,719
U.S. treasury securities	108,471	193	(7)	108,657
Mortgage backed obligations	59,620	93	(406)	59,307
Asset backed securities	166,818	93	(150)	166,761
Municipal securities	36,388	102	(44)	36,446
Foreign government obligations	2,091	16	(1)	2,106
U.S. agency obligations	14,172	11	(3)	14,180
Covered bonds	10,224	212	0	10,436
Total marketable securities	$ 977,679	$ 1,536	$ (1,603)	$ 977,612

At January 31, 2015 , marketable securities consisted of the following (in thousands):

Investments classified as Marketable Securities	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate notes and obligations	$ 605,724	$ 3,031	$ (481)	$ 608,274
U.S. treasury securities	73,226	257	(1)	73,482
Mortgage backed obligations	44,181	159	(415)	43,925
Asset backed securities	120,049	131	(43)	120,137
Municipal securities	36,447	115	(25)	36,537
Foreign government obligations	12,023	278	0	12,301
U.S. agency obligations	19,488	26	(4)	19,510
Covered bonds	66,816	1,185	0	68,001
Total marketable securities	$ 977,954	$ 5,182	$ (969)	$ 982,167

The duration of the investments classified as marketable securities is as follows (in thousands):

	As of	
	July 31, 2015	January 31, 2015
Recorded as follows:		
Short-term (due in one year or less)	$ 81,118	$ 87,312
Long-term (due after one year)	896,494	894,855
	$ 977,612	$ 982,167

As of July 31, 2015 , the following marketable securities were in an unrealized loss position (in thousands):

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate notes and obligations	$ 322,777	$ (930)	$ 17,977	$ (62)	$ 340,753	$ (992)
U.S. treasury securities	14,002	(7)	0	0	14,002	(7)
Mortgage backed obligations	36,878	(227)	14,998	(179)	51,876	(406)
Asset backed securities	98,740	(127)	6,230	(23)	104,970	(150)
Municipal securities	8,683	(27)	6,046	(17)	14,729	(44)
Foreign government obligations	1,579	(1)	0	0	1,579	(1)
U.S. agency obligations	2,172	(3)	0	0	2,172	(3)
	$ 484,831	$ (1,322)	$ 45,251	$ (281)	$ 530,081	$ (1,603)

The unrealized losses for each of the fixed rate marketable securities were less than $36,000 . The Company does not believe any of the unrealized losses represent an other-than-temporary impairment based on its evaluation of available evidence as of July 31, 2015 . The Company expects to receive the full principal and interest on all of these marketable securities.

Fair Value Measurement

All of the Company’s cash equivalents, marketable securities and foreign currency derivative contracts are classified within Level 1 or Level 2 because the Company’s cash equivalents, marketable securities and foreign currency derivative contracts are valued using quoted market prices or alternative pricing sources and models utilizing observable market inputs.

The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2. Other inputs that are directly or indirectly observable in the marketplace.

Level 3. Unobservable inputs which are supported by little or no market activity.

The following table presents information about the Company's assets and liabilities that are measured at fair value as of July 31, 2015 and indicates the fair value hierarchy of the valuation (in thousands):

Description	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Balances as of July 31, 2015**
Cash equivalents (1):				
Time deposits	$ 0	$ 122,970	$ 0	$ 122,970
Money market mutual funds	289,410	0	0	289,410
Marketable securities:				
Corporate notes and obligations	0	579,719	0	579,719
U.S. treasury securities	0	108,657	0	108,657
Mortgage backed obligations	0	59,307	0	59,307
Asset backed securities	0	166,761	0	166,761
Municipal securities	0	36,446	0	36,446
Foreign government obligations	0	2,106	0	2,106
U.S. agency obligations	0	14,180	0	14,180
Covered bonds	0	10,436	0	10,436
Foreign currency derivative contracts (2)	0	3,621	0	3,621
Total Assets	$ 289,410	$ 1,104,203	$ 0	$ 1,393,613
Liabilities				
Foreign currency derivative contracts (3)	$ 0	$ (2,213)	$ 0	$ (2,213)
Total Liabilities	$ 0	$ (2,213)	$ 0	$ (2,213)

(1) Included in "cash and cash equivalents" in the accompanying condensed consolidated balance sheet as of July 31, 2015 , in addition to $677.0 million of cash.

(2) Included in "prepaid expenses and other current assets" in the accompanying condensed consolidated balance sheet as of July 31, 2015 .

(3) Included in "accounts payable, accrued expenses and other liabilities" in the condensed consolidated balance sheet as of July 31, 2015 .

The following table presents information about the Company's assets and liabilities that are measured at fair value as of January 31, 2015 and indicates the fair value hierarchy of the valuation (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances as of January 31, 2015
Cash equivalents (1):				
Time deposits	$ 0	$ 292,487	$ 0	$ 292,487
Money market mutual funds	13,983	0	0	13,983
Marketable securities:				
Corporate notes and obligations	0	608,274	0	608,274
U.S. treasury securities	0	73,482	0	73,482
Mortgage backed obligations	0	43,925	0	43,925
Asset backed securities	0	120,137	0	120,137
Municipal securities	0	36,537	0	36,537
Foreign government obligations	0	12,301	0	12,301
U.S. agency obligations	0	19,510	0	19,510
Covered bonds	0	68,001	0	68,001
Foreign currency derivative contracts (2)	0	10,611	0	10,611
Total Assets	$ 13,983	$ 1,285,265	$ 0	$ 1,299,248
Liabilities				
Foreign currency derivative contracts (3)	$ 0	$ 5,694	$ 0	$ 5,694
Total Liabilities	$ 0	$ 5,694	$ 0	$ 5,694

(1) Included in "cash and cash equivalents" in the accompanying condensed consolidated balance sheet as of January 31, 2015 , in addition to $601.6 million of cash.
(2) Included in "prepaid expenses and other current assets" in the accompanying condensed consolidated balance sheet as of January 31, 2015 .
(3) Included in "accounts payable, accrued expenses and other liabilities" in the accompanying condensed consolidated balance sheet as of January 31, 2015 .

Derivative Financial Instruments

The Company enters into foreign currency derivative contracts with financial institutions to reduce foreign exchange risk. The Company uses forward currency derivative contracts to minimize the Company's exposure to balances primarily denominated in British pounds, Euros, Japanese yen, Canadian dollars and Australian dollars. The Company's foreign currency derivative contracts, which are not designated as hedging instruments, are used to reduce the exchange rate risk associated primarily with intercompany receivables and payables. The Company's derivative financial instruments program is not designated for trading or speculative purposes. As of July 31, 2015 and January 31, 2015 , the foreign currency derivative contracts that were not settled were recorded at fair value on the condensed consolidated balance sheets.

Foreign currency derivative contracts are marked-to-market at the end of each reporting period with gains and losses recognized as other expense to offset the gains or losses resulting from the settlement or remeasurement of the underlying foreign currency denominated receivables and payables. While the contract or notional amount is often used to express the volume of foreign currency derivative contracts, the amounts potentially subject to credit risk are generally limited to the amounts, if any, by which the counterparties' obligations under the agreements exceed the obligations of the Company to the counterparties.

Details on outstanding foreign currency derivative contracts related primarily to intercompany receivables and payables are presented below (in thousands):

	As of	
	July 31, 2015	January 31, 2015
Notional amount of foreign currency derivative contracts	$ 762,454	$ 942,086
Fair value of foreign currency derivative contracts	$ 1,408	$ 4,917

The fair value of the Company’s outstanding derivative instruments are summarized below (in thousands):

		Fair Value of Derivative Instruments	
		As of	
	Balance Sheet Location	July 31, 2015	January 31, 2015
Derivative Assets			
Derivatives not designated as hedging instruments:			
Foreign currency derivative contracts	Prepaid expenses and other current assets	$ 3,621	$ 10,611
Derivative Liabilities			
Derivatives not designated as hedging instruments:			
Foreign currency derivative contracts	Accounts payable, accrued expenses and other liabilities	$ 2,213	$ 5,694

The effect of the derivative instruments not designated as hedging instruments on the condensed consolidated statements of operations during the three and six months ended July 31, 2015 and 2014 , respectively, are summarized below (in thousands):

Derivatives Not Designated as Hedging Instruments	Gains (Losses) on Derivative Instruments Recognized in Income		
		Three Months Ended July 31,	
	Location	2015	2014
Foreign currency derivative contracts	Other expense	$ 9,494	$ (2,914)

Derivatives Not Designated as Hedging Instruments	Gains (Losses) on Derivative Instruments Recognized in Income		
		Six Months Ended July 31,	
	Location	2015	2014
Foreign currency derivative contracts	Other expense	$ 14,069	$ (2,006)

Strategic Investments

The Company's strategic investments are composed of marketable equity securities and non-marketable equity and debt securities. Marketable equity securities are measured using quoted prices in their respective active markets and the non-marketable equity and debt securities are recorded at cost value.

As of July 31, 2015 , the Company had six investments in marketable equity securities that have a fair value of $28.2 million , which includes an unrealized gain of $20.4 million . As of January 31, 2015 , the Company had four investments in marketable equity securities that had a fair value of $17.8 million , which included an unrealized gain of $13.1 million . As these are investments in publicly-held companies and are recorded at fair value, the unrealized gain is recorded in the condensed consolidated balance sheets within strategic investments and accumulated other comprehensive loss.

The Company’s interest in non-marketable equity and debt securities consists of noncontrolling equity and debt investments in privately-held companies. The Company’s investments in these privately-held companies are reported at cost or marked down to fair value when an event or circumstance indicates an other-than-temporary decline in value has occurred. These investments are valued using significant unobservable inputs or data in an inactive market and the valuation requires the Company’s judgment due to the absence of market prices and inherent lack of liquidity.

As of July 31, 2015 and January 31, 2015 , the cost of the Company’s investments in privately-held companies was $449.7 million and $158.0 million , respectively. These investments are presented on the condensed consolidated balance sheets within strategic investments. The estimated fair value of the Company's investments in privately-held companies was approximately $631.0 million and $280.0 million as of July 31, 2015 and January 31, 2015 , respectively. Due to the fact that the Company’s investments in privately-held companies are measured using the cost method of accounting, the unrealized gains of $181.3 million and $122.0 million as of July 31, 2015 and January 31, 2015 , respectively, are not recorded on the condensed consolidated balance sheets within strategic investments and accumulated other comprehensive loss.

Investment Income

Investment income consists of interest income, realized gains, and realized losses on the Company’s cash, cash equivalents and marketable securities. The components of investment income are presented below (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Interest income	$ 3,169	$ 2,567	$ 6,219	$ 4,331
Realized gains	813	229	2,940	346
Realized losses	(699)	(141)	(1,315)	(244)
Total investment income	$ 3,283	$ 2,655	$ 7,844	$ 4,433

Reclassification adjustments out of accumulated other comprehensive loss into net income (loss) were immaterial for the three and six months ended July 31, 2015 and 2014 , respectively.

3. Property and Equipment

Property and Equipment

Property and equipment consisted of the following (in thousands):

	As of	
	July 31, 2015	January 31, 2015
Land	$ 183,888	$ 0
Buildings	581,036	125,289
Computers, equipment and software	1,231,106	1,171,762
Furniture and fixtures	77,240	71,881
Leasehold improvements	419,040	376,761
	$ 2,492,310	$ 1,745,693
Less accumulated depreciation and amortization	(767,126)	(619,827)
	$ 1,725,184	$ 1,125,866

Depreciation and amortization expense totaled $76.7 million and $60.7 million during the three months ended July 31, 2015 and 2014 , respectively. and totaled $149.2 million and $117.1 million during the six months ended July 31, 2015 and 2014 , respectively.

Computers, equipment and software at July 31, 2015 and January 31, 2015 included a total of $740.6 million and $734.7 million acquired under capital lease agreements, respectively. Accumulated amortization relating to computers, equipment and software under capital leases totaled $259.6 million and $206.7 million , respectively, at July 31, 2015 and January 31, 2015 . Amortization of assets under capital leases is included in depreciation and amortization expense.

In April 2014 , the Company entered into an agreement to sell 8.8 net acres of undeveloped real estate in San Francisco, California, and a portion of associated perpetual parking rights, for which the Company received a nonrefundable deposit in the amount of $30.0 million . As of July 31, 2015 , these 8.8 net acres and perpetual parking rights met the criteria to be classified as held for sale. As a result, the Company classified this portion of the Company's land and building improvements, which totaled $137.7 million , and the perpetual parking rights of $5.5 million , net of $6.3 million reimbursed for property taxes and other items, as land and building improvements held for sale in the current assets section of the accompanying condensed consolidated balance sheets. The sale of this portion of the Company's undeveloped real estate is expected to close within twelve months and is subject to certain closing conditions. Until the land sale, the Company records the operating expenses. As of July 31, 2015 , the fair value of the Company's land, building improvements and perpetual parking rights, based on the expected sale proceeds, exceeds the carrying value.

In December 2012, the Company entered into a lease agreement for approximately 445,000 rentable square feet of office space at 350 Mission Street ("350 Mission") in San Francisco, California. The space rented is for the total office space available in the building, which is in the process of being constructed. As a result of the Company's involvement during the construction period, the Company is considered for accounting purposes to be the owner of the construction project. As of July 31, 2015 , the Company had capitalized $145.5 million of construction costs, based on the construction costs incurred to date by the landlord, and recorded a corresponding current financing and noncurrent financing obligation liability of $7.5 million and $157.6 million , respectively . The financing obligation carrying value also includes $16.7 million of tenant improvement obligations and approximately $3.0 million of imputed interest. The total expected financing obligation associated with this lease upon completion of the construction of the building, inclusive of the amounts currently recorded, is $335.8 million , including interest (see Note 10 "Commitments" for future commitment details). The obligation will be settled through monthly lease payments to the landlord in phases as the office space becomes ready for occupancy. To the extent that operating expenses for 350 Mission are material, the Company, as the deemed accounting owner, will record the operating expenses. In April 2015, the building was placed into service and depreciation commenced.

There was no impairment of long-lived assets during the three months ended July 31, 2015 and 2014 , respectively.

4. Business Combinations

50 Fremont

In February 2015, the Company acquired 50 Fremont Street, a 41 -story building totaling approximately 817,000 rentable square feet located in San Francisco, California ("50 Fremont"). At the time of the acquisition, the Company was leasing approximately 500,000 square feet of the available space in 50 Fremont. As of July 31, 2015 , the Company occupied approximately 516,000 square feet. The Company acquired 50 Fremont for the purpose of expanding its global headquarters in San Francisco. Pursuant to the acquisition agreement, the Company also acquired existing third-party leases and other intangible property, terminated the Company's existing office leases with the seller and assumed the seller's outstanding loan on 50 Fremont. In accordance with ASC 805, *Business Combinations* , the Company accounted for the building purchase as a business combination.

The purchase consideration for the corporate headquarters building was as follows (in thousands):

	Fair Value
Cash	$ 435,189
Loan assumed on 50 Fremont	200,000
Prorations due to ownership transfer midmonth	2,411
Total purchase consideration	$ 637,600

The following table summarizes the fair values of net tangible and intangible assets acquired (in thousands):

	Fair Value
Building	$ 435,390
Land	183,888
Termination of salesforce operating lease	9,483
Acquired lease intangibles	7,590
Loan assumed on 50 Fremont fair market value adjustment	1,249
Total	$ 637,600

To fund the purchase of 50 Fremont, the Company used $115.0 million of restricted cash that the Company had on the balance sheet as of January 31, 2015.

In connection with the purchase, the Company recognized a net non-cash gain totaling approximately $36.6 million on the termination of the lease signed in January 2012. This amount reflects a gain of $46.1 million for the reversal of tenant incentives provided from the previous landlord at the inception of the lease and a loss of $9.5 million related to the termination of the Company's operating lease. The tax impact as a result of the difference between tax and book basis of the building is insignificant after considering the impact of the Company's valuation allowance. The amounts above have been included in the Company's condensed consolidated statements of operations and condensed consolidated balance sheets. The Company has included the rental income from third party leases with other tenants in the building, and the proportionate share of building expenses for those leases, in other expense in the Company's condensed consolidated results of operations from the date of acquisition. These amounts are recorded in other expense as this net rental income is not part of our core operations. These amounts were not material for the periods presented. The Company expects to finalize the depreciable life of the building as soon as practicable, but not later than one year from the acquisition date.

Other Business Combinations

During the six months ended July 31, 2015 , the Company acquired two companies for an aggregate of $31.3 million in cash, net of cash acquired, and has included the financial results of these companies in its condensed consolidated financial statements from the respective dates of acquisition. The Company accounted for these transactions as business combinations. In allocating the purchase consideration for each company based on estimated fair values, the Company recorded $21.6 million of goodwill. The goodwill balance is not deductible for U.S. income tax purposes.

In August 2015, the Company completed the acquisition of Kerensen Consulting, pursuant to a Share Purchase Agreement dated as of June 24, 2015. The total purchase price was approximately $24.2 million .

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill amounts are not amortized, but rather tested for impairment at least annually during the fourth quarter.

Goodwill consisted of the following (in thousands):

Balance as of January 31, 2015	$	3,782,660
Other business combinations		21,628
Balance as of July 31, 2015	$	3,804,288

5. Debt

Convertible Senior Notes

(In thousands)	Par Value Outstanding	Equity Component Recorded at Issuance		Liability Component of Par Value as of July 31, 2015	Liability Component of Par Value as of January 31, 2015
0.25% Convertible Senior Notes due April 1, 2018	$ 1,150,000	$ 122,421	(1)	$ 1,082,799	$ 1,070,692

(1) This amount represents the equity component recorded at the initial issuance of the 0.25% convertible senior notes.

In March 2013, the Company issued at par value $1.15 billion of 0.25% convertible senior notes (the " 0.25% Senior Notes", or the "Notes") due April 1, 2018 , unless earlier purchased by the Company or converted. Interest is payable semi-annually, in arrears on April 1 and October 1 of each year.

The 0.25% Senior Notes are governed by an indenture between the Company, as issuer, and U.S. Bank National Association, as trustee. The 0.25% Senior Notes are unsecured and do not contain any financial covenants or any restrictions on the payment of dividends, the incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by the Company.

If converted, holders of the 0.25% Senior Notes will receive cash equal to the principal amount, and at the Company's election, cash, shares of the Company's common stock, or a combination of cash and shares, for any amounts in excess of the principal amounts.

Certain terms of the conversion features of the 0.25% Senior Notes are as follows:

	Conversion Rate per $1,000 Par Value	Initial Conversion Price per Share	Convertible Date
0.25% Senior Notes	15.0512	$ 66.44	January 1, 2018

Throughout the term of the 0.25% Senior Notes, the conversion rate may be adjusted upon the occurrence of certain events, including any cash dividends. Holders of the 0.25% Senior Notes will not receive any cash payment representing accrued and unpaid interest upon conversion of a Note. Accrued but unpaid interest will be deemed to be paid in full upon conversion rather than canceled, extinguished or forfeited.

Holders may convert the 0.25% Senior Notes under the following circumstances:

- during any fiscal quarter, if, for at least 20 trading days during the 30 consecutive trading day period ending on the last trading day of the immediately preceding fiscal quarter, the last reported sales price of the Company's common stock for such trading day is greater than or equal to 130% of the applicable conversion price on such trading day;
- in certain situations, when the trading price of the 0.25% Senior Notes is less than 98% of the product of the sale price of the Company's common stock and the conversion rate;
- upon the occurrence of specified corporate transactions described under the 0.25% Senior Notes indenture, such as a consolidation, merger or binding share exchange; or
- at any time on or after the convertible date noted above.

Holders of the 0.25% Senior Notes have the right to require the Company to purchase with cash all or a portion of the Notes upon the occurrence of a fundamental change, such as a change of control, at a purchase price equal to 100% of the principal amount of the 0.25% Senior Notes plus accrued and unpaid interest. Following certain corporate transactions that constitute a change of control, the Company will increase the conversion rate for a holder who elects to convert the 0.25% Senior Notes in connection with such change of control.

In accounting for the issuances of the 0.25% Senior Notes, the Company separated the 0.25% Senior Notes into liability and equity components. The carrying amount of the liability component 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 representing the conversion option was determined by deducting the fair value of the liability component from the par value of the 0.25% Senior Notes as a whole. The excess of the principal amount of the liability component over its carrying amount ("debt discount") is amortized to interest expense over the term of the 0.25% Senior Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

In accounting for the transaction costs related to the 0.25% Senior Notes issuance, the Company allocated the total amount incurred to the liability and equity components based on their relative values. Transaction costs attributable to the liability component are being amortized to expense over the terms of the 0.25% Senior Notes, and transaction costs attributable to the equity component were netted with the equity component in temporary stockholders' equity and stockholders' equity.

The 0.25% Senior Notes consisted of the following (in thousands):

	As of	
	July 31, 2015	January 31, 2015
Liability component :		
Principal:		
0.25% Senior Notes (1)	$ 1,150,000	$ 1,150,000
Less: debt discount, net		
0.25% Senior Notes (2)	(67,201)	(79,308)
Net carrying amount	$ 1,082,799	$ 1,070,692

(1) The effective interest rate of the 0.25% Senior Notes is 2.53% . The interest rate is based on the interest rates of similar liabilities at the time of issuance that did not have an associated convertible feature.
(2) Included in the condensed consolidated balance sheets within Convertible 0.25% Senior Notes (which is classified as a noncurrent liability) and is amortized over the life of the 0.25% Senior Notes using the effective interest rate method.

The total estimated fair value of the Company's 0.25% Senior Notes at July 31, 2015 was $1.4 billion . The fair value was determined based on the closing trading price per $100 of the 0.25% Senior Notes as of the last day of trading for the second quarter of fiscal 2016 .

Based on the closing price of the Company's common stock of $73.30 on July 31, 2015 , the if-converted value of the 0.25% Senior Notes exceeded their principal amount by approximately $118.7 million . Based on the terms of the 0.25% Senior Notes, the Senior Notes were not convertible for the three months ended July 31, 2015 .

Note Hedges

To minimize the impact of potential economic dilution upon conversion of the Notes, the Company entered into convertible note hedge transactions with respect to its common stock (the " 0.25% Note Hedges").

(in thousands, except for shares)	Date	Purchase	Shares
0.25% Note Hedges	March 2013	$ 153,800	17,308,880

The 0.25% Note Hedges cover shares of the Company's common stock at a strike price that corresponds to the initial conversion price of the 0.25% Senior Notes, also subject to adjustment, and are exercisable upon conversion of the Notes. The 0.25% Note Hedges will expire upon the maturity of the 0.25% Senior Notes. The 0.25% Note Hedges are intended to reduce the potential economic dilution upon conversion of the 0.25% Senior Notes in the event that the market value per share of the Company's common stock, as measured under the 0.25% Senior Notes, at the time of exercise is greater than the conversion price of the 0.25% Senior Notes. The 0.25% Note Hedges are separate transactions and are not part of the terms of the 0.25% Senior Notes. Holders of the 0.25% Senior Notes will not have any rights with respect to the 0.25% Note Hedges. The 0.25% Note Hedges do not impact earnings per share.

Warrants

	Date	Proceeds (in thousands)	Shares	Strike Price
0.25% Warrants	March 2013	$ 84,800	17,308,880	$ 90.40

In March 2013, the Company also entered into a warrants transaction (the “ 0.25% Warrants”), whereby the Company sold warrants to acquire, subject to anti-dilution adjustments, shares of the Company’s common stock. The 0.25% Warrants were anti-dilutive for the periods presented. The 0.25% Warrants are separate transactions entered into by the Company and are not part of the terms of the 0.25% Senior Notes or the 0.25% Note Hedges. Holders of the 0.25% Senior Notes and 0.25% Note Hedges will not have any rights with respect to the 0.25% Warrants.

Revolving Credit Facility

In October 2014, the Company entered into an agreement (the “Credit Agreement”) with Wells Fargo, N.A. and certain other institutional lenders that provides for a $650.0 million unsecured revolving credit facility that matures in October 2019 (the “Credit Facility”). Immediately upon closing, the Company borrowed $300.0 million under the Credit Facility. The Borrowings under the Credit Facility bear interest, at the Company’s option at either a base rate, as defined in the Credit Agreement, plus a margin of 0.00% to 0.75% or LIBOR plus a margin of 1.00% to 1.75% . The Company is obligated to pay ongoing commitment fees at a rate between 0.125% and 0.25% . Such interest rate margins and commitment fees are based on the Company’s consolidated leverage ratio for the preceding four fiscal quarter periods. Interest and the commitment fees are payable in arrears quarterly. The Company may use amounts borrowed under the Credit Facility for working capital, capital expenditures and other general corporate purposes, including permitted acquisitions. Subject to certain conditions stated in the Credit Agreement, the Company may borrow amounts under the Credit Facility at any time during the term of the Credit Agreement. The Company may also prepay borrowings under the Credit Agreement, in whole or in part, at any time without premium or penalty, subject to certain conditions, and amounts repaid or prepaid may be reborrowed.

The Credit Agreement contains certain customary affirmative and negative covenants, including a consolidated leverage ratio covenant, a consolidated interest coverage ratio covenant, a limit on the Company’s ability to incur additional indebtedness, dispose of assets, make certain acquisition transactions, pay dividends or distributions, and certain other restrictions on the Company’s activities each defined specifically in the Credit Agreement. The Company was in compliance with the Credit Agreement’s covenants as of July 31, 2015 .

In March 2015, the Company paid down $300.0 million of outstanding borrowings under the Credit Facility. There are currently no outstanding borrowings held under the Credit Facility as of July 31, 2015 .

The weighted average interest rate on borrowings under the Credit Facility was 1.6% for the period beginning in October 2014 and ended March 31, 2015.

Loan Assumed on 50 Fremont

The Company assumed a $200.0 million loan with the acquisition of 50 Fremont (the “Loan”). The Loan bears an interest rate of 3.75% per annum and is due in June 2023. The Loan requires interest only payments with the remaining principal due at maturity. For the three and six months ended July 31, 2015 , total interest expense recognized was $ 1.9 million and $ 3.5 million respectively. The Loan can be prepaid at any time subject to a yield maintenance fee. The agreement governing the Loan contains certain customary affirmative and negative covenants that the Company was in compliance with as of July 31, 2015 .

Interest Expense on Convertible Senior Notes, Revolving Credit Facility and Loan Secured by 50 Fremont

The following table sets forth total interest expense recognized related to the 0.25% Senior Notes, the Credit Facility and the Loan prior to capitalization of interest (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Contractual interest expense	$ 2,843	$ 2,684	$ 6,193	$ 5,587
Amortization of debt issuance costs	1,032	1,130	2,050	2,358
Amortization of debt discount	6,110	9,216	12,169	20,200
	$ 9,985	$ 13,030	$ 20,412	$ 28,145

6. Other Balance Sheet Accounts

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	As of	
	July 31, 2015	January 31, 2015
Deferred income taxes, net	$ 45,032	$ 35,528
Prepaid income taxes	20,763	21,514
Customer contract asset	6,172	16,620
Other taxes receivable	28,625	27,540
Prepaid expenses and other current assets	229,699	179,352
	$ 330,291	$ 280,554

Customer contract asset reflects future billings of amounts that are contractually committed by ExactTarget's existing customers as of the acquisition date in July 2013 that will be billed in the next 12 months. As the Company bills these customers this balance will reduce and accounts receivable will increase.

Capitalized Software, net

Capitalized software consisted of the following (in thousands):

	As of	
	July 31, 2015	January 31, 2015
Capitalized internal-use software development costs, net of accumulated amortization of $159,880 and $136,314, respectively	$ 109,022	$ 96,617
Acquired developed technology, net of accumulated amortization of $437,137 and $392,736, respectively	305,013	336,781
	$ 414,035	$ 433,398

Capitalized internal-use software amortization expense totaled $12.2 million and $8.3 million for the three months ended July 31, 2015 and 2014 , respectively, and totaled $23.5 million and $16.6 million for the six months ended July 31, 2015 and 2014 , respectively. Acquired developed technology amortization expense totaled $22.5 million and $23.1 million for the three months ended July 31, 2015 and 2014 , respectively, and totaled $44.4 million and $54.3 million for the six months ended July 31, 2015 and 2014 , respectively.

The Company capitalized $1.5 million and $1.1 million of stock-based expenses related to capitalized internal-use software development during the three months ended July 31, 2015 and 2014 , respectively, and totaled $3.1 million and $2.1 million for the six months ended July 31, 2015 and 2014 , respectively.

Other Assets, net

Other assets consisted of the following (in thousands):

	As of	
	July 31, 2015	January 31, 2015
Deferred income taxes, noncurrent, net	$ 8,576	$ 9,275
Long-term deposits	18,627	19,715
Purchased intangible assets, net of accumulated amortization of $171,668 and $130,968, respectively	296,861	329,971
Acquired intellectual property, net of accumulated amortization of $19,136 and $15,695, respectively	13,868	15,879
Customer contract asset	136	1,447
Other	77,364	76,259
	$ 415,432	$ 452,546

Customer contract asset reflects future billings of amounts that were contractually committed by ExactTarget's existing customers as of the acquisition date in July 2013. As the Company bills these customers, this balance will decrease and accounts receivable will increase.

Purchased intangible assets amortization expense for the three months ended July 31, 2015 and 2014 was $20.7 million and $14.8 million , respectively and for the six months ended July 31, 2015 and 2014 was $40.7 million and $30.0 million , respectively. Acquired intellectual property amortization expense for the three months ended July 31, 2015 and 2014 was $1.7 million and $1.2 million , respectively and for the six months ended July 31, 2015 and 2014 was $3.4 million and $2.3 million , respectively.

Accounts Payable, Accrued Expenses and Other Liabilities

Accounts payable, accrued expenses and other liabilities consisted of the following (in thousands):

	As of	
	July 31, 2015	January 31, 2015
Accounts payable	$ 99,286	$ 95,537
Accrued compensation	345,833	457,102
Accrued other liabilities	462,573	321,032
Accrued income and other taxes payable	131,475	184,844
Accrued professional costs	28,781	16,889
Customer liability, current (1)	9,645	13,084
Accrued rent	12,933	14,847
Financing obligation, building in progress-leased facility, current	7,528	0
	$ 1,098,054	$ 1,103,335

(1) Customer liability reflects the legal obligation to provide future services that are contractually committed to ExactTarget's existing customers but unbilled as of the acquisition date in July 2013. As these services are invoiced, this balance will decrease and deferred revenue will increase.

Other Noncurrent Liabilities

Other noncurrent liabilities consisted of the following (in thousands):

	As of	
	July 31, 2015	January 31, 2015
Deferred income taxes and income taxes payable	$ 111,294	$ 94,396
Customer liability, noncurrent (1)	97	1,026
Financing obligation, building in progress-leased facility	157,562	125,289
Long-term lease liabilities and other	574,564	701,612
	$ 843,517	$ 922,323

(1) Customer liability reflects the legal obligation to provide future services that are contractually committed to ExactTarget's existing customers but unbilled as of the acquisition date in July 2013. As these services are invoiced, this balance will decrease and deferred revenue will increase.

7. Stockholders' Equity

The Company maintains the following stock plans: the ESPP, the 2013 Equity Incentive Plan and the 2014 Inducement Equity Incentive Plan (the "2014 Inducement Plan"). The expiration of the 1999 Stock Option Plan ("1999 Plan") in fiscal 2010 did not affect awards outstanding, which continue to be governed by the terms and conditions of the 1999 Plan. Offerings under the ESPP commenced in December 2011.

As of July 31, 2015 , $31.7 million has been withheld on behalf of employees for future purchases under the ESPP and is recorded in accounts payable, accrued expenses and other liabilities.

Prior to February 1, 2006, options issued under the Company's stock option plans generally had a term of 10 years. From February 1, 2006 through July 2013, options issued had a term of five years. After July 2013, options issued have a term of seven years.

Stock activity excluding the ESPP is as follows:

	Shares Available for Grant	Options Outstanding: Outstanding Stock Options	Options Outstanding: Weighted-Average Exercise Price	Options Outstanding: Aggregate Intrinsic Value
Balance as of January 31, 2015	30,789,538	29,458,361	$ 44.36	
Increase in shares authorized:				
2013 Equity Incentive Plan	38,559,416	0	0.00	
2014 Inducement Equity Incentive Plan	165,563	0	0.00	
Options granted under all plans	(998,298)	998,298	69.57	
Restricted stock activity	(1,061,113)	0	0.00	
Stock grants to board and advisory board members	(101,886)	0	0.00	
Exercised	0	(5,615,494)	34.23	
Plan shares expired	(1,325,580)	0	0.00	
Canceled	1,391,393	(1,391,393)	45.80	
Balance as of July 31, 2015	67,419,033	23,449,772	$ 47.77	$ 598,841,287
Vested or expected to vest		21,847,908	$ 47.14	$ 571,811,541
Exercisable as of July 31, 2015		8,330,075	$ 36.49	$ 306,602,667

The total intrinsic value of the options exercised during the six months ended July 31, 2015 and 2014 was $198.2 million and $115.4 million , respectively. The intrinsic value is the difference between the current market value of the stock and the exercise price of the stock option.

The weighted-average remaining contractual life of vested and expected to vest options is approximately 4.45 years.

As of July 31, 2015 , options to purchase 8,330,075 shares were vested at a weighted average exercise price of $36.49 per share and had a remaining weighted-average contractual life of approximately 2.8 years. The total intrinsic value of these vested options as of July 31, 2015 was $306.6 million .

The following table summarizes information about stock options outstanding as of July 31, 2015 :

Range of Exercise Prices	Options Outstanding: Number Outstanding	Options Outstanding: Weighted-Average Remaining Contractual Life (Years)	Options Outstanding: Weighted-Average Exercise Price	Options Exercisable: Number of Shares	Options Exercisable: Weighted-Average Exercise Price
$0.86 to $29.38	3,346,006	2.6	$ 23.74	2,702,490	$ 23.83
$29.67 to $39.09	5,345,529	2.0	37.47	3,606,196	37.24
$40.19 to $52.14	600,044	4.5	43.27	191,939	43.70
$52.30	4,216,122	5.3	52.30	1,479,702	52.30
$53.60 to $57.79	1,646,449	5.8	55.21	316,347	54.97
$59.34	6,639,011	6.3	59.34	0	0.00
$59.37 to $75.01	1,656,611	6.5	65.93	33,401	63.39
	23,449,772	4.5	$ 47.77	8,330,075	$ 36.49

Restricted stock activity is as follows:

	Restricted Stock Outstanding				
	Outstanding		Weighted-Average Exercise Price		Aggregate Intrinsic Value (in thousands)
Balance as of January 31, 2015	23,144,008	$	0.001		
Granted	1,892,770		0.001		
Canceled	(1,746,877)		0.001		
Vested and converted to shares	(3,871,655)		0.001		
Balance as of July 31, 2015	19,418,246	$	0.001	$	1,423,357,432
Expected to vest	16,885,093			$	1,237,677,317

The restricted stock, which upon vesting entitles the holder to one share of common stock for each share of restricted stock, has an exercise price of $0.001 per share, which is equal to the par value of the Company’s common stock, and generally vests over 4 years.

The weighted-average grant date fair value of the restricted stock issued for the six months ended July 31, 2015 and 2014 was $70.73 and $58.65 , respectively.

Common Stock

The following number of shares of common stock were reserved and available for future issuance at July 31, 2015 :

Options outstanding	23,449,772
Restricted stock awards and units outstanding	19,418,246
Stock available for future grant:	
2013 Equity Incentive Plan	66,729,922
2014 Inducement Equity Incentive Plan	689,111
Amended and Restated 2004 Employee Stock Purchase Plan	8,259,824
Convertible Senior Notes	17,308,880
Warrants	17,308,880
	153,164,635

8. Income Taxes

Effective Tax Rate

The Company computes its year-to-date provision for income taxes by applying the estimated annual effective tax rate to year to date pretax income or loss and adjusts the provision for discrete tax items recorded in the period. For the six months ended July 31, 2015 , the Company reported a tax provision of $21.8 million on a pretax income of $25.0 million , which resulted in an effective tax rate of 87 percent . The tax provision recorded was primarily related to income taxes in profitable jurisdictions outside of the U.S.

For the six months ended July 31, 2014 , the Company reported a tax provision of $20.3 million on a pretax loss of $137.7 million , which resulted in a negative effective tax rate of 15 percent . The tax provision recorded was primarily related to income taxes in profitable jurisdictions outside the U.S.

Tax Benefits Related to Stock-Based Compensation

The total income tax benefit related to stock-based awards was $87.5 million and $85.3 million for six months ended July 31, 2015 and 2014 , respectively, the majority of which was not recognized as a result of the valuation allowance.

Unrecognized Tax Benefits and Other Considerations

The Company records liabilities related to its uncertain tax positions. Tax positions for the Company and its subsidiaries are subject to income tax audits by multiple tax jurisdictions throughout the world. Certain prior year tax returns are currently being examined by various taxing authorities in countries including the United States, Germany, Switzerland and the United Kingdom. To date, the Company has not received any proposed adjustments that would result in a material impact to its income tax provision.

The Company believes that it has provided adequate reserves for its income tax uncertainties in all open tax years. In the next 12 months, as some of the ongoing examinations are completed and tax positions in these tax years meet the conditions of being effectively settled, the Company anticipates it is reasonably possible that a decrease of unrecognized tax benefits up to approximately $31.0 million may occur.

9. Earnings/Loss Per Share

Basic earnings/loss per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the fiscal period. Diluted earnings/loss per share is computed by giving effect to all potential weighted average dilutive common stock, including options, restricted stock units, warrants and the convertible senior notes. The dilutive effect of outstanding awards and convertible securities is reflected in diluted earnings per share by application of the treasury stock method. Diluted loss per share for the three months ended July 31, 2015 and the three and six months ended July 31, 2014 is the same as basic loss per share as there is a net loss in the period and inclusion of potentially issuable shares is anti-dilutive.

A reconciliation of the denominator used in the calculation of basic and diluted earnings/(loss) per share is as follows (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Numerator:				
Net income (loss)	$ (852)	$ (61,088)	$ 3,240	$ (157,999)
Denominator:				
Weighted-average shares outstanding for basic loss per share	659,366	617,016	656,636	614,797
Effect of dilutive securities:				
Convertible senior notes	0	0	728	0
Employee stock awards	0	0	14,867	0
Warrants	0	0	0	0
Adjusted weighted-average shares outstanding and assumed conversions for diluted loss per share	659,366	617,016	672,231	614,797

The weighted-average number of shares outstanding used in the computation of basic and diluted earnings/loss per share does not include the effect of the following potential outstanding common stock. The effects of these potentially outstanding shares were not included in the calculation of diluted earnings/loss per share because the effect would have been anti-dilutive (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Stock awards	23,637	18,868	8,652	20,116
Convertible senior notes	17,309	30,021	0	30,341
Warrants	17,309	44,253	17,309	44,253

10. Commitments

Letters of Credit

As of July 31, 2015 , the Company had a total of $69.7 million in letters of credit outstanding substantially in favor of certain landlords for office space. These letters of credit renew annually and expire at various dates through December 2030.

Leases

The Company leases facilities space and certain fixed assets under non-cancelable operating and capital leases with various expiration dates.

As of July 31, 2015 , the future minimum lease payments under non-cancelable operating and capital leases are as follows (in thousands):

	Capital Leases	Operating Leases	Financing Obligation, Building in Progress-Leased Facility(1)
Fiscal Period:			
Remaining six months of fiscal 2016	$ 27,310	$ 161,976	$ 1,777
Fiscal 2017	115,866	307,829	16,877
Fiscal 2018	120,070	265,756	21,107
Fiscal 2019	113,472	199,172	21,551
Fiscal 2020	201,508	183,369	21,995
Thereafter	0	1,050,552	252,517
Total minimum lease payments	578,226	$ 2,168,654	$ 335,824
Less: amount representing interest	(62,613)		
Present value of capital lease obligations	$ 515,613		

(1) Total Financing Obligation, Building in Progress-Leased Facility noted above represents the total obligation on the lease agreement including amounts allocated to interest noted in Note 3 “Property and Equipment.” As of July 31, 2015 , $165.1 million of the total obligation noted above was recorded to Financing obligation, building in progress - leased facility, which the current portion is included in "Accounts payable, accrued expenses, and other liabilities" and the non-current portion is included in “Other noncurrent liabilities” on the condensed consolidated balance sheets.

The Company’s agreements for the facilities and certain services provide the Company with the option to renew. The Company’s future contractual obligations would change if the Company exercised these options.

The terms of the lease agreements provide for rental payments on a graduated basis. The Company recognizes rent expense on a straight-line basis over the lease period and has accrued for rent expense incurred but not paid. Of the total operating lease commitment balance of $2.2 billion , approximately $1.9 billion is related to facilities space. The remaining commitment amount is related to computer equipment, other leases, data center capacity and our development and test data center.

11. Legal Proceedings and Claims

In the ordinary course of business, the Company is or may be involved in various legal proceedings and claims related to alleged infringement of third-party patents and other intellectual property rights, commercial, corporate and securities, labor and employment, class actions, wage and hour, and other claims. The Company has been, and may in the future be, put on notice and/or sued by third parties for alleged infringement of their proprietary rights, including patent infringement.

In July 2015, the Company and certain of its current and former directors were named as defendants in a purported shareholder derivative action in the Superior Court for the State of California, County of San Francisco. The derivative complaint alleges that excessive compensation was paid to such directors for their service. The derivative complaint includes allegations of breach of fiduciary duty and unjust enrichment and seeks restitution and disgorgement of a portion of the directors' compensation, as well as reform of one of the Company's obsolete equity plans. Because the complaint is derivative in nature, it does not seek monetary damages from the Company.

During fiscal 2015, the Company received a communication from a large technology company alleging that the Company infringed certain of its patents. The Company continues to analyze this claim. No litigation has been filed to date. There can be no assurance that this claim will not lead to litigation in the future. The resolution of this claim is not expected to have a material adverse effect on the Company's financial condition, but it could be material to the net income or cash flows or both of a particular quarter.

In general, the resolution of a legal matter could prevent the Company from offering its service to others, could be material to the Company’s financial condition or cash flows, or both, or could otherwise adversely affect the Company’s operating results.

The Company makes a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. In management’s opinion, resolution of all current matters is not expected to have a material adverse impact on the Company’s condensed consolidated results of operations, cash flows or financial position. However, depending on the nature and timing of any such dispute, an unfavorable resolution of a matter could materially affect the Company’s future results of operations or cash flows, or both, of a particular quarter.

12. Related-Party Transactions

In January 1999, the Salesforce.com Foundation, also referred to as the Foundation, was chartered on an idea of leveraging the Company’s people, technology, and resources to help improve communities around the world. The Company calls this integrated philanthropic approach the 1-1-1 model. Beginning in 2008, Salesforce.org, which is a non-profit mutual benefit corporation, was established to resell the Company's services to nonprofit organizations and certain higher education organizations.

The Company’s chairman is the chairman of both the Foundation and Salesforce.org. The Company’s chairman holds one of the three Foundation board seats. The Company’s chairman, one of the Company’s employees and one of the Company’s board members hold three of Salesforce.org’s ten board seats. The Company does not control the Foundation’s or Salesforce.org's activities, and accordingly, the Company does not consolidate either of the related entities' statement of activities with its financial results.

Since the Foundation’s and Salesforce.org’s inception, the Company has provided at no charge certain resources to those entities employees such as office space, furniture, equipment, facilities, services, and other resources. The value of these items was approximately $0.6 million for the six months ended July 31, 2015 .

The resource sharing agreement was recently amended in August 2015 to include resources outside of the United States and is more explicit about the types of resources that the Company will provide.

Additionally, the Company has donated subscriptions of the Company’s services to other qualified non-profit organizations. The Company also allows Salesforce.org to resell the Company’s service to non-profit organizations and certain education entities. The Company does not charge Salesforce.org for these subscriptions, therefore revenue from subscriptions provided to non-profit organizations is donated back to the community through charitable grants made by the Foundation and Salesforce.org. The reseller agreement was recently amended in August 2015 to include additional customer segments and to include certain customers outside the U.S. that the Company has decided not to strategically pursue. The value of the subscriptions pursuant to reseller agreements was approximately $30.1 million for the six months ended July 31, 2015 . The Company plans to continue these programs.

During the three months ended July 31, 2015 , the Company committed to donate $4.0 million to Foundation to further support its philanthropic mission. This amount will be paid to Foundation during this fiscal year.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on form 10-Q, including the following discussion in"Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Words such as "expects," "anticipates," "aims," "projects," "intends," "plans," "believes," "estimates," "seeks," "assumes," "may," "should," "could," "foresees," "forecasts," variations of such words and similar expressions are intended to identify such forward-looking statements, which may consist of, among other things, trend analyses and statements regarding future events, future financial performance, anticipated growth and industry prospects. These forward-looking statements are based on current expectations, estimates and forecasts, as well as the beliefs and assumptions of our management, and are subject to risks and uncertainties that are difficult to predict, including the effect of general economic and market conditions; the impact of foreign currency exchange rate and interest rate fluctuations on our results; our business strategy and our plan to build our business, including our strategy to be the leading provider of enterprise cloud computing applications and platforms; our service performance and security; the expenses associated with new data centers; additional data center capacity; real estate and office facilities space; our operating results; new services and product features; our strategy of acquiring or making investments in complementary businesses, joint ventures, services, technologies and intellectual property rights; our ability to successfully integrate acquired businesses and technologies; our ability to continue to grow and maintain deferred revenue and unbilled deferred revenue; our ability to protect our intellectual property rights; our ability to develop our brands; our ability to realize the benefits from strategic partnerships and investments; our reliance on third party hardware, software and platform providers; the effect of evolving government regulations; the valuation of our deferred tax assets; the potential availability of additional tax assets in the future; the impact of expensing stock options and other equity awards; the sufficiency of our capital resources; factors related to our outstanding convertible notes, revolving credit facility and loan associated with 50 Fremont; compliance with our debt covenants and capital lease obligations; and current and potential litigation involving us. These and other risks and uncertainties may cause our actual results to differ materially and adversely from those expressed in any forward-looking statements. Readers are directed to risks and uncertainties identified below under "Risk Factors" and elsewhere in this report for additional detail regarding factors that may cause actual results to be different than those expressed in our forward-looking statements. Except as required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

Overview

We are a leading provider of enterprise cloud computing solutions, with a focus on customer relationship management, or CRM. We introduced our first CRM solution in February 2000 and we have since expanded our offerings with new editions, solutions, enhanced features, platform capabilities and a new analytics solution through internal development and acquisitions. We sell to businesses of all sizes and in almost every industry worldwide on a subscription basis.

Our mission is to help our customers transform themselves into "customer companies" by empowering them to connect with their customers in entirely new ways. With our six core cloud service offerings—Sales Cloud, Service Cloud, Marketing Cloud, Communities Cloud, Analytics Cloud and the Salesforce1 Platform—customers have the tools they need to build a next generation customer success platform. Key elements of our strategy include:

- strengthening our market-leading solutions;
- extending distribution into new and high-growth categories;
- expanding strategic relationships with our existing customers;
- pursuing new customers;
- reducing customer attrition;
- building our business in top software markets globally, which includes building partnerships that help add customers; and
- encouraging the development of third-party applications on our cloud computing platforms.

We believe the factors that will influence our ability to achieve our objectives include: our prospective customers' willingness to migrate to enterprise cloud computing services; the availability, performance and security of our service; our ability to continue to release, and gain customer acceptance of, new and improved features; our ability to successfully integrate acquired businesses and technologies; successful customer adoption and utilization of our service; acceptance of our service in markets where we have few customers; the emergence of additional competitors in our market and improved product offerings by existing and new competitors; the location of new data centers; third-party developers' willingness to develop applications on our platforms; our ability to attract new personnel and retain and motivate current personnel; and general economic conditions which could affect our customers' ability and willingness to purchase our services, delay the customers' purchasing decision or affect attrition rates.

To address these factors, we will need to, among other things, continue to add substantial numbers of paying subscriptions, upgrade our customers to fully featured versions or arrangements such as an Enterprise License Agreement, provide high quality technical support to our customers, encourage the development of third-party applications on our platforms and continue to focus on retaining customers at the time of renewal. Our plans to invest for future growth include the continuation of the expansion of our data center capacity, the hiring of additional personnel, particularly in direct sales, other customer-related areas and research and development, the expansion of domestic and international selling and marketing activities, specifically in our top markets, continuing to develop our brands, the addition of distribution channels, the upgrade of our service offerings, the development of new services such as the Analytics Cloud and Communities Cloud, the integration of acquired technologies, the expansion of our Marketing Cloud and Salesforce1 Platform core service offerings, and the additions to our global infrastructure to support our growth.

We also regularly evaluate acquisitions or investment opportunities in complementary businesses, joint ventures, services and technologies and intellectual property rights in an effort to expand our service offerings. We expect to continue to make such investments and acquisitions in the future and we plan to reinvest a significant portion of our incremental revenue in future periods to grow our business and continue our leadership role in the cloud computing industry. As a result of our aggressive growth plans, specifically our hiring plan and acquisition activities, we have incurred significant expenses from equity awards and amortization of purchased intangibles which have resulted in quarterly net losses on a U.S. generally accepted accounting principles ("GAAP") basis. As we continue with our growth plan and absent any one-time gains, we may continue to have net losses on a GAAP basis.

Our typical subscription contract term is 12 to 36 months, although terms range from one to 60 months, so during any fiscal reporting period only a subset of active subscription contracts is eligible for renewal. We calculate our attrition rate as of the end of each month. Our current attrition rate calculation does not include the Marketing Cloud service offerings. Our attrition rate was approximately nine percent as of July 31, 2015 . We expect our attrition rate to remain consistent as we continue to expand our enterprise business and invest in customer success and related programs.

We expect marketing and sales costs, which were 49 percent and 51 percent of our total revenues for the three months ended July 31, 2015 and 2014 , respectively and 49 percent and 51 percent for the six months ended July 31, 2015 and 2014 , respectively, to continue to represent a substantial portion of total revenues in the future as we seek to grow our customer base, sell more products to existing customers, and build greater brand awareness.

In February 2015, we purchased a 41-story office building in San Francisco, California which we refer to as 50 Fremont. We currently occupy approximately 516,000 square feet of the 817,000 total rental square feet in the building. As part of the business combination accounting for the purchase, we recognized a one-time non-cash net gain of $36.6 million during the three months ended April 30, 2015 for the termination of the operating leases that existed prior to the purchase. As described within "Non-GAAP Financial Measures" the one-time non-cash net gain of $36.6 million has been deducted from our GAAP net income (loss) to arrive to our Non-GAAP net income.

During the three and six months ended July 31, 2015 , we increased our strategic investments portfolio by $158.6 million and $305.3 million in privately-held companies, respectively, and some of these investments are in development stage companies. We plan to continue to make strategic investments throughout the remainder of fiscal 2016 .

Fiscal Year

Our fiscal year ends on January 31. References to fiscal 2016 , for example, refer to the fiscal year ending January 31, 2016 .

Operating Segments

We operate as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker, who in our case is the chief executive officer, in deciding how to allocate resources and assess performance. Over the past few years, we have completed several acquisitions. These acquisitions have allowed us to expand our offerings, presence and reach in various market segments of the enterprise cloud computing market. While we have offerings in multiple enterprise cloud computing market segments, our business operates in one operating segment because all of our offerings operate on a single platform and are deployed in an identical way, and our chief operating decision maker evaluates our financial information and resources and assesses the performance of these resources on a consolidated basis. Since we operate as one operating segment, all required financial segment information can be found in the condensed consolidated financial statements.

Sources of Revenues

We derive our revenues from two sources: (1) subscription revenues, which are comprised of subscription fees from customers accessing our enterprise cloud computing services and from customers paying for additional support beyond the standard support that is included in the basic subscription fees; and (2) related professional services such as process mapping, project management, implementation services and other revenue. “Other revenue” consists primarily of training fees. Subscription and support revenues accounted for approximately 93 percent of our total revenues for the six months ended July 31, 2015 . Subscription revenues are driven primarily by the number of paying subscribers, varying service types, the price of our service and renewals. We define a “customer” as a separate and distinct buying entity (e.g., a company, a distinct business unit of a large corporation, a partnership, etc.) that has entered into a contract to access our enterprise cloud computing services. We define a “subscription” as a unique user account purchased by a customer for use by its employees or other customer-authorized users, and we refer to each such user as a “subscriber.” The number of paying subscriptions at each of our customers ranges from one to hundreds of thousands. None of our customers accounted for more than five percent of our revenues during the six months ended July 31, 2015 and 2014 .

Subscription and support revenues are recognized ratably over the contract terms beginning on the commencement dates of each contract. The typical subscription and support term is 12 to 36 months, although terms range from one to 60 months. Our subscription and support contracts are non-cancelable, though customers typically have the right to terminate their contracts for cause if we materially fail to perform. We generally invoice our customers in advance, in annual installments, and typical payment terms provide that our customers pay us within 30 days of invoice. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue, or in revenue depending on whether the revenue recognition criteria have been met. In general, we collect our billings in advance of the subscription service period.

Professional services and other revenues consist of fees associated with consulting and implementation services and training. Our consulting and implementation engagements are typically billed on a time and materials basis. We also offer a number of training classes on implementing, using and administering our service that are billed on a per person, per class basis. Our typical professional services payment terms provide that our customers pay us within 30 days of invoice.

In determining whether professional services can be accounted for separately from subscription and support revenues, we consider a number of factors, which are described in “Critical Accounting Estimates—Revenue Recognition” below.

Revenue by Cloud Service Offering

We are providing the information below on a supplemental basis to give additional insight into the revenue performance of our individual core service offerings.

Subscription and support revenues consisted of the following by core service offering (in millions):

	Three Months Ended July 31,			Six Months Ended July 31,		
	2015	2014	Variance-Percent	2015	2014	Variance-Percent
Sales Cloud	$ 671.0	$ 610.1	10%	$ 1,301.4	$ 1,186.7	10%
Service Cloud	445.2	318.7	40%	852.9	613.5	39%
Salesforce1 Platform and Other	247.2	181.4	36%	471.2	346.3	36%
Marketing Cloud	157.9	122.4	29%	301.1	233.4	29%
Total	$ 1,521.3	$ 1,232.6		$ 2,926.6	$ 2,379.9	

Subscription and support revenues from Analytics Cloud and Communities Cloud, which were introduced in October 2014, were not significant for the three and six months ended July 31, 2015 . The Analytics Cloud revenue is included with Salesforce1 Platform and Other in the table above. Communities Cloud revenue is included in either Sales Cloud, Service Cloud or Salesforce1 Platform and Other revenue depending on the primary service offering purchased.

In situations where a customer purchases multiple cloud offerings, such as through an Enterprise License Agreement, we allocate the contract value to each core service offering based on the customer's estimated product demand plan and the service that was provided at the inception of the contract. We do not update these allocations based on actual product usage during the term of the contract. We have allocated approximately 10 percent of our total subscription and support revenues for the three and six months ended July 31, 2015 and 2014 , based on customers' estimated product demand plans and these allocated amounts are included in the table above.

Additionally, some of our core service offerings have similar features and functions. For example, customers may use the Sales Cloud, the Service Cloud or our Salesforce1 Platform to record account and contact information, which are similar features across these core service offerings. Depending on a customer's actual and projected business requirements, more than one core service offering may satisfy the customer's current and future needs. We record revenue based on the individual products ordered by a customer, and not according to the customer's business requirements and usage. In addition, as we introduce new features and functions within each offering, and refine our allocation methodology for changes in our business, we do not expect it to be practical to adjust historical revenue results by core service offering for comparability. Accordingly, comparisons of revenue performance by core service offering over time may not be meaningful.

Our Sales Cloud service offering is our most widely distributed service offering and has historically been the largest contributor of subscription and support revenues. We estimate that for the remainder of fiscal 2016 , subscription and support revenues from the Sales Cloud service offering will continue to be the largest contributor of subscription and support revenue.

Seasonal Nature of Deferred Revenue, Accounts Receivable and Operating Cash Flow

Deferred revenue primarily consists of billings to customers for our subscription service. Over 90 percent of the value of our billings to customers is for our subscription and support service. We generally invoice our customers in annual cycles. Approximately 74 percent of the value of all subscription and support related invoices were issued with annual terms during the three months ended July 31, 2015 in comparison to 70 percent during the same period a year ago. Occasionally, we bill customers for their multi-year contract on a single invoice which results in an increase in noncurrent deferred revenue. We typically issue renewal invoices in advance of the renewal service period, and depending on timing, the initial invoice for the subscription and services contract and the subsequent renewal invoice may occur in different quarters. This may result in an increase in deferred revenue and accounts receivable. There is a disproportionate weighting towards annual billings in the fourth quarter, primarily as a result of large enterprise account buying patterns. Our fourth quarter has historically been our strongest quarter for new business and renewals. The year on year compounding effect of this seasonality in both billing patterns and overall new and renewal business causes the value of invoices that we generate in the fourth quarter for both new business and renewals to increase as a proportion of our total annual billings. Accordingly, because of this billing activity, our first quarter is historically our largest collections and operating cash flow quarter.

The sequential quarterly changes in accounts receivable and the related deferred revenue and operating cash flow during the first quarter of our fiscal year are not necessarily indicative of the billing activity that occurs for the following quarters as displayed below (in thousands, except unbilled deferred revenue):

	April 30, 2015	July 31, 2015
Fiscal 2016		
Accounts receivable, net	$ 926,381	$ 1,067,799
Deferred revenue, current and noncurrent	3,056,820	3,034,991
Operating cash flow (1)	730,857	304,411
Unbilled deferred revenue, a non-GAAP measure	6.0 bn	6.2 bn

	April 30, 2014	July 31, 2014	October 31, 2014	January 31, 2015
Fiscal 2015				
Accounts receivable, net	$ 684,155	$ 834,323	$ 794,590	$ 1,905,506
Deferred revenue, current and noncurrent	2,324,615	2,352,904	2,223,977	3,321,449
Operating cash flow (1)	473,087	245,893	122,511	332,223
Unbilled deferred revenue, a non-GAAP measure	4.8 bn	5.0 bn	5.4 bn	5.7 bn

	April 30, 2013	July 31, 2013	October 31, 2013	January 31, 2014
Fiscal 2014				
Accounts receivable, net	$ 502,609	$ 599,543	$ 604,045	$ 1,360,837
Deferred revenue, current and noncurrent	1,733,160	1,789,648	1,734,619	2,522,115
Operating cash flow (1)	283,189	183,183	137,859	271,238
Unbilled deferred revenue, a non-GAAP measure	3.6 bn	3.8 bn	4.2 bn	4.5 bn

(1) Operating cash flow represents net cash provided by operating activities for the three months ended in the periods stated above.

Unbilled Deferred Revenue, a Non-GAAP Measure

The deferred revenue balance on our condensed consolidated balance sheets does not represent the total contract value of annual or multi-year, non-cancelable subscription agreements. Unbilled deferred revenue represents future billings under our subscription agreements that have not been invoiced and, accordingly, are not recorded in deferred revenue. Unbilled deferred revenue was approximately $6.2 billion as of July 31, 2015 and approximately $5.7 billion as of January 31, 2015 . Our typical contract length is between 12 and 36 months. We expect that the amount of unbilled deferred revenue will change from quarter to quarter for several reasons, including the specific timing, duration and size of large customer subscription agreements, varying billing cycles of subscription agreements, the specific timing of customer renewals, foreign currency fluctuations, the timing of when unbilled deferred revenue is to be recognized as revenue, and changes in customer financial circumstances. For multi-year subscription agreements billed annually, the associated unbilled deferred revenue is typically high at the beginning of the contract period, zero just prior to renewal, and increases if the agreement is renewed. Low unbilled deferred revenue attributable to a particular subscription agreement is often associated with an impending renewal and may not be an indicator of the likelihood of renewal or future revenue from such customer. Accordingly, we expect that the amount of aggregate unbilled deferred revenue will change from year-to-year depending in part upon the number and dollar amount of subscription agreements at particular stages in their renewal cycle. Such fluctuations are not a reliable indicator of future revenues. Unbilled deferred revenue does not include minimum revenue commitments from indirect sales channels, as we recognize revenue, deferred revenue, and any unbilled deferred revenue upon sell-through to an end user customer.

Cost of Revenues and Operating Expenses

Cost of Revenues. Cost of subscription and support revenues primarily consists of expenses related to hosting our service and providing support, the costs of data center capacity, depreciation or operating lease expense associated with computer equipment and software, allocated overhead, amortization expense associated with capitalized software related to our services and acquired developed technologies and certain fees paid to various third parties for the use of their technology, services and data. We allocate overhead such as information technology infrastructure, rent and occupancy charges based on headcount. Employee benefit costs and taxes are allocated based upon a percentage of total compensation expense. As such, general overhead expenses are reflected in each cost of revenue and operating expense category. Cost of professional services and other revenues consists primarily of employee-related costs associated with these services, including stock-based expenses, the cost of subcontractors and allocated overhead. The cost of providing professional services is significantly higher as a percentage of the related revenue than for our enterprise cloud computing subscription service due to the direct labor costs and costs of subcontractors.

We intend to continue to invest additional resources in our enterprise cloud computing services. For example, we have invested in additional database software and we plan to open additional data centers and expand our current data center capacity in the future. As we acquire new businesses and technologies, the amortization expense associated with this activity will be included in cost of revenues. Additionally, as we enter into new contracts with third parties for the use of their technology, services or data, or as our sales volume grows, the fees paid to use such technology or services may increase. The timing of these additional expenses will affect our cost of revenues, both in terms of absolute dollars and as a percentage of revenues, in the affected periods.

Research and Development . Research and development expenses consist primarily of salaries and related expenses, including stock-based expenses, the costs of our development and test data center and allocated overhead. We continue to focus our research and development efforts on adding new features and services, integrating acquired technologies, increasing the functionality and security and enhancing the ease of use of our enterprise cloud computing services. Our proprietary, scalable and secure multi-tenant architecture enables us to provide all of our customers with a service based on a single version of our application. As a result, we do not have to maintain multiple versions, which enables us to have relatively lower research and development expenses as compared to traditional enterprise software companies.

We expect that in the future, research and development expenses will increase in absolute dollars and may increase as a percentage of total revenues as we invest in building the necessary employee and system infrastructure required to support the development of new, and improve existing, technologies and the integration of acquired businesses and technologies.

Marketing and Sales. Marketing and sales expenses are our largest cost and consist primarily of salaries and related expenses, including stock-based expenses, for our sales and marketing staff, including commissions, payments to partners, marketing programs and allocated overhead. Marketing programs consist of advertising, events, corporate communications, brand building and product marketing activities.

We plan to continue to invest in marketing and sales by expanding our domestic and international selling and marketing activities, building brand awareness, attracting new customers and sponsoring additional marketing events. The timing of these marketing events, such as our annual and largest event, Dreamforce, will affect our marketing costs in a particular quarter. We expect that in the future, marketing and sales expenses will increase in absolute dollars and continue to be our largest cost.

General and Administrative. General and administrative expenses consist of salaries and related expenses, including stock-based expenses, for finance and accounting, legal, internal audit, human resources and management information systems personnel, legal costs, professional fees, other corporate expenses and allocated overhead. We expect that in the future, general and administrative expenses will increase in absolute dollars as we invest in our infrastructure and we incur additional employee related costs, professional fees and insurance costs related to the growth of our business and international expansion. We expect general and administrative costs as a percentage of total revenues to either remain flat or decrease for the next several quarters.

Stock-Based Expenses. Our cost of revenues and operating expenses include stock-based expenses related to equity plans for employees and non-employee directors. We recognize our stock-based compensation as an expense in the statement of operations based on their fair values and vesting periods. These charges have been significant in the past and we expect that they will increase as our stock price increases, as we acquire more companies, as we hire more employees and seek to retain existing employees.

During the six months ended July 31, 2015 , we recognized stock-based expense of $290.3 million . As of July 31, 2015 , the aggregate stock compensation remaining to be amortized to costs and expenses over a weighted-average period of 2.3 years was $1.2 billion . We expect this stock compensation balance to be amortized as follows: $279.0 million during the remaining six months of fiscal 2016 ; $430.2 million during fiscal 2017 ; $304.6 million during fiscal 2018 ; $157.2 million during fiscal 2019 and $8.9 million during fiscal 2020 . The expected amortization reflects only outstanding stock awards as of July 31, 2015 and assumes no forfeiture activity. We expect to continue to issue stock-based awards to our employees in future periods.

Amortization of Purchased Intangibles from Business Combinations and the Purchase of 50 Fremont . Our cost of revenues, operating expenses and other expense include amortization of acquisition-related intangible assets, such as the amortization of the cost associated with an acquired company's research and development efforts, trade names, customer lists, acquired leases and customer relationships. We expect this expense to increase as we acquire more businesses.

Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in the Notes to the accompanying condensed consolidated financial statements, the following accounting estimates involve a greater degree of judgment and complexity.

Accordingly, these are the estimates we believe are the most critical to aid in fully understanding and evaluating our condensed consolidated financial condition and results of operations.

Revenue Recognition . We derive our revenues from two sources: (1) subscription revenues, which are comprised of subscription fees from customers accessing our enterprise cloud computing services and from customers purchasing additional support beyond the standard support that is included in the basic subscription fee; and (2) related professional services such as process mapping, project management, implementation services and other revenue. “Other revenue” consists primarily of training fees.

We commence revenue recognition when all of the following conditions are satisfied:

- there is persuasive evidence of an arrangement;
- the service has been or is being provided to the customer;
- the collection of the fees is reasonably assured; and
- the amount of fees to be paid by the customer is fixed or determinable.

Our subscription service arrangements are non-cancelable and do not contain refund-type provisions.

Subscription and Support Revenues

Subscription and support revenues are recognized ratably over the contract terms beginning on the commencement date of each contract, which is the date our service is made available to customers. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

Professional Services and Other Revenues

The majority of our professional services contracts are on a time and material basis. When these services are not combined with subscription revenues as a single unit of accounting, as discussed below, these revenues are recognized as the services are rendered for time and material contracts, and when the milestones are achieved and accepted by the customer for fixed price contracts. Training revenues are recognized after the services are performed.

Multiple Deliverable Arrangements

We enter into arrangements with multiple deliverables that generally include multiple subscriptions, premium support, and professional services. If the deliverables have standalone value upon delivery, we account for each deliverable separately. Subscription services have standalone value as such services are often sold separately. In determining whether professional services have standalone value, we consider the following factors for each professional services agreement: availability of the services from other vendors, the nature of the professional services, the timing of when the professional services contract was signed in comparison to the subscription service start date, and the contractual dependence of the subscription service on the customer’s satisfaction with the professional services work. To date, we have concluded that all of the professional services included in multiple deliverable arrangements executed have standalone value.

Multiple deliverables included in an arrangement are separated into different units of accounting and the arrangement consideration is allocated to the identified separate units based on a relative selling price hierarchy. We determine the relative selling price for a deliverable based on its vendor-specific objective evidence of selling price (“VSOE”), if available, or our best estimate of selling price (“BESP”), if VSOE is not available. We have determined that third-party evidence (“TPE”) is not a practical alternative due to differences in our service offerings compared to other parties and the availability of relevant third-party pricing information. The amount of revenue allocated to delivered items is limited by contingent revenue, if any.

For certain professional services, we have established VSOE as a consistent number of standalone sales of this deliverable have been priced within a reasonably narrow range. We have not established VSOE for our subscription services due to lack of pricing consistency, the introduction of new services and other factors. Accordingly, we use our BESP to determine the relative selling price of our subscription services.

We determined BESP by considering our overall pricing objectives and market conditions. Significant pricing practices taken into consideration include our discounting practices, the size and volume of our transactions, the customer demographic, the geographic area where our services are sold, our price lists, our go-to-market strategy, historical standalone sales and contract prices. The determination of BESP is made through consultation with and approval by management, taking into consideration the go-to-market strategy. As our go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes in relative selling prices, including both VSOE and BESP.

Deferred Revenue. The deferred revenue balance does not represent the total contract value of annual or multi-year, non-cancelable subscription agreements. Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from subscription service described above and is recognized as the revenue recognition criteria are met. We generally invoice customers in annual installments. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration, invoice timing, size and new business linearity within the quarter.

Deferred revenue that will be recognized during the succeeding twelve month period is recorded as current deferred revenue and the remaining portion is recorded as noncurrent.

Deferred Commissions. We defer commission payments to our direct sales force. The commissions are deferred and amortized to sales expense over the non-cancelable terms of the related subscription contracts with our customers, which are typically 12 to 36 months. The commission payments, which are paid in full the month after the customer's service commences, are a direct and incremental cost of the revenue arrangements. The deferred commission amounts are recoverable through the future revenue streams under the non-cancelable customer contracts. We believe this is the preferable method of accounting as the commission charges are so closely related to the revenue from the non-cancelable customer contracts that they should be recorded as an asset and charged to expense over the same period that the subscription revenue is recognized.

During the six months ended July 31, 2015 , we deferred $120.8 million of commission expenditures and we amortized $153.8 million to sales expense. During the same period a year ago, we deferred $106.7 million of commission expenditures and we amortized $121.2 million to sales expense. Deferred commissions on our condensed consolidated balance sheets totaled $355.2 million at July 31, 2015 and $388.2 million at January 31, 2015 .

Long- Lived Assets and Impairment Assessment. We evaluate long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. This includes but is not limited to significant adverse changes in business climate, market conditions, or other events that indicate an asset's carrying amount may not be recoverable. If such review indicates that the carrying amount of long-lived assets is not recoverable, the carrying amount of such assets is reduced to fair value.

Capitalized Internal-Use Software Costs . We are required to follow the guidance of Accounting Standards Codification 350 ("ASC 350"), Intangibles- Goodwill and Other in accounting for the cost of computer software developed for internal-use and the accounting for web-based product development costs. ASC 350 requires companies to capitalize qualifying computer software costs, which are incurred during the application development stage, and amortize these costs on a straight-line basis over the estimated useful life of the respective asset. We deliver our enterprise cloud computing solutions as a service via all the major Internet browsers and on leading major mobile device operating systems. As a result of this software as a service delivery model, we believe we have larger capitalized costs as compared to traditional enterprise software companies as they are required to use a different accounting standard.

Costs related to preliminary project activities and post implementation activities are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life. We evaluate the useful lives of these assets on an annual basis and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Goodwill, Intangibles and Impairment Assessments . We make estimates, assumptions, and judgments when valuing goodwill and other intangible assets in connection with the initial purchase price allocation of an acquired entity, as well as when evaluating the recoverability of our goodwill and other intangible assets on an ongoing basis. These estimates are based upon a number of factors, including historical experience, market conditions, and information obtained from the management of acquired companies. Critical estimates in valuing certain intangible assets include, but are not limited to, historical and projected attrition rates, anticipated growth in revenue from the acquired customers and acquired technology, and the expected use of the acquired assets. These factors are also considered in determining the useful life of acquired intangible assets. The amounts and useful lives assigned to identified intangible assets impacts the amount and timing of future amortization expense.

The value of our goodwill and intangible assets could be impacted by future adverse changes such as, but not limited to: a substantial decline in our market capitalization; an adverse action or assessment by a regulator; and unanticipated competition.

We evaluate and test the recoverability of our goodwill for impairment at least annually during the fourth quarter or more often if and when circumstances indicate that goodwill may not be recoverable. Each period we evaluate the estimated remaining useful life of our intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. We evaluate long-lived assets, such as property and equipment, and purchased intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Such events or changes in circumstances include, but are not limited to, a significant decrease in the fair value of the underlying asset, a significant decrease in the benefits realized from the acquired assets, difficulty and delays in integrating the business or a significant change in the operations of the acquired assets or use of an asset. A long-lived asset is considered impaired if its carrying amount exceeds the estimated future undiscounted cash flows the asset is expected to generate. If a long-lived asset is considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the asset exceeds the fair value of the asset or asset group.

Business Combinations. Accounting for business combinations requires us to make significant estimates and assumptions, especially at the acquisition date with respect to tangible and intangible assets acquired and liabilities assumed and pre-acquisition contingencies. We use our best estimates and assumptions to accurately assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date.

Examples of critical estimates in valuing certain of the intangible assets and goodwill we have acquired include but are not limited to:

- future expected cash flows from subscription and support contracts, professional services contracts, other customer contracts and acquired developed technologies and patents;
- the acquired company's trade name, trademark and existing customer relationship, as well as assumptions about the period of time the acquired trade name and trademark will continue to be used in our offerings;
- uncertain tax positions and tax related valuation allowances assumed; and
- discount rates.

Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

Stock-Based Options and Awards. We recognize the fair value of our stock options and awards on a straight-line basis over the requisite service period of the option or award which is the vesting term of generally four years for stock options and restricted stock awards and one year for shares issued pursuant to our Employee Stock Purchase Plan ("ESPP"). The fair value of each option or ESPP share or stock purchase right is estimated on the date of grant using the Black-Scholes option pricing model. The estimated forfeiture rate applied is based on historical forfeiture rates. We evaluate the forfeiture rates at least annually, or when events or circumstances indicate a change may be needed. This may cause a fluctuation in our stock-based expense in the period of change. Inputs into the Black-Scholes option pricing model include:

- The estimated life for the stock options which is estimated based on an actual analysis of expected life. The estimated life for shares issued pursuant to our ESPP is based on the two purchase periods within the 12 month offering period;
- The risk free interest rate which is based on the rate for a U.S. government security with the same estimated life at the time of the option grant and the stock purchase rights;
- The future stock price volatility which is estimated considering both our observed option-implied volatilities and our historical volatility calculations. We believe this is the best estimate of the expected volatility over the expected life of our stock options and stock purchase rights; and
- The probability of performance conditions, if any, that affect the vesting of certain awards being achieved. Expense is only recognized for those shares expected to vest.

Income Taxes. We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the condensed consolidated statements of operations in the period that includes the enactment date. At each of the interim financial reporting periods, we compute our tax provision by applying an estimated annual effective tax rate to year to date ordinary income or loss and adjust the provision for discrete tax items recorded in the same period. The estimated annual effective tax rate at each interim period represents our best estimate based on evaluations of possible future transactions and may be subject to subsequent refinement or revision. We consider the valuation allowance in estimating the annual effective tax rate. As a result, the annual effective tax rate could be volatile and is therefore difficult to forecast in future periods.

Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more likely than not expected to be realized based on the weighting of positive and negative evidence. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the applicable tax law. We regularly review the deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. Our judgment regarding future profitability may change due to many factors, including future market conditions and the ability to successfully execute our business plans and tax planning strategies. Should there be a change in the ability to recover deferred tax assets, our income tax provision would increase or decrease in the period in which the assessment is changed.

Our tax positions are subject to income tax audits by multiple tax jurisdictions throughout the world. We recognize the tax benefit of an uncertain tax position only if it is more likely than not that the position is sustainable upon examination by the taxing authority, based on the technical merits. The tax benefit recognized is measured as the largest amount of benefit which is greater than 50 percent likely to be realized upon settlement with the taxing authority. We recognize interest accrued and penalties related to unrecognized tax benefits in our income tax provision.

In July 2015, the United States Tax Court (the “Court”) issued an opinion favorable to Altera Corporation (“Altera”) with respect to Altera’s litigation with the Internal Revenue Service (“IRS”). The litigation relates to the treatment of stock-based compensation expense in an inter-company cost-sharing arrangement with Altera’s foreign subsidiary. In its opinion, the Court accepted Altera’s position of excluding stock-based compensation from its inter-company cost-sharing arrangement. Because there is uncertainty related to the IRS response to the Court’s opinion, the final resolution of this litigation, and the potential favorable benefits to the Company, we did not record any benefit for the three months ended July 31, 2015. We will continue to monitor developments related to this case and the potential impact of those developments on our current and future financial statements.

Strategic Investments . Our strategic investments are composed of marketable equity securities and non-marketable equity and debt securities. Marketable equity securities are measured using quoted prices in their respective active markets and our non-marketable equity and debt securities are recorded at cost value. We use the cost method of accounting due to the fact that we do not have significant influence, as defined in Accounting Standards Codification 323 (“ASC 323”), Investments - Equity Method and Joint Ventures, in any of the underlying privately-held companies.

If circumstances indicate an other-than-temporary decline in the value of non-marketable equity and debt securities, then an impairment is recorded to reduce the investment cost value to fair value. We evaluate financial results, earnings trends, technology milestones and subsequent financing of these companies, as well as general market conditions, to identify indicators of other-than-temporary impairment. In determining the estimated fair value of our strategic investments in privately-held companies, we utilize the most recent data available to us. Valuations of privately-held companies are inherently complex due to the lack of readily available market data.

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Results of Operations

The following tables set forth selected data for each of the periods indicated (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Revenues:				
Subscription and support	$ 1,521,319	$ 1,232,587	$ 2,926,606	$ 2,379,893
Professional services and other	113,365	85,964	219,245	165,430
Total revenues	1,634,684	1,318,551	3,145,851	2,545,323
Cost of revenues (1)(2):				
Subscription and support	292,737	218,918	566,978	427,865
Professional services and other	112,647	88,913	220,208	172,271
Total cost of revenues	405,384	307,831	787,186	600,136
Gross profit	1,229,300	1,010,720	2,358,665	1,945,187
Operating expenses (1)(2):				
Research and development	234,100	203,109	456,228	391,467
Marketing and sales	793,691	671,958	1,530,629	1,311,313
General and administrative	181,685	169,087	357,496	331,182
Operating lease termination resulting from purchase of 50 Fremont, net	0	0	(36,617)	0
Total operating expenses	1,209,476	1,044,154	2,307,736	2,033,962
Income (loss) from operations	19,824	(33,434)	50,929	(88,775)
Investment income	3,283	2,655	7,844	4,433
Interest expense	(18,096)	(18,314)	(34,771)	(38,673)
Other income (expense) (1)(3)	1,947	(3,876)	1,029	(14,723)
Income (loss) before provisions for income taxes	6,958	(52,969)	25,031	(137,738)
Provisions for income taxes	(7,810)	(8,119)	(21,791)	(20,261)
Net income (loss)	$ (852)	$ (61,088)	$ 3,240	$ (157,999)

(1) Amounts related to amortization of purchased intangibles from business combinations, as follows (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Cost of revenues	$ 20,839	$ 21,271	$ 40,529	$ 49,943
Marketing and sales	19,002	14,648	39,029	29,613
Other non-operating expense	1,301	0	2,116	0

(2) Amounts related to stock-based expenses, as follows (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Cost of revenues	$ 16,340	$ 12,977	$ 31,721	$ 24,787
Research and development	33,732	33,112	64,974	60,396
Marketing and sales	71,724	70,485	142,258	137,618
General and administrative	25,983	25,837	51,386	50,702

(3) Amount includes approximately $8.9 million loss on conversions of our convertible 0.75% senior notes due January 2015 recognized during the six months ended July 31, 2014.

Revenues by geography were as follows (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Americas	$ 1,202,173	$ 940,946	$ 2,317,293	$ 1,817,323
Europe	286,904	246,532	545,709	477,342
Asia Pacific	145,607	131,073	282,849	250,658
	$ 1,634,684	$ 1,318,551	$ 3,145,851	$ 2,545,323

Americas revenue attributed to the United States was approximately 95 percent and 94 percent for the three and six months ended July 31, 2015 and 2014 , respectively.

The following tables set forth selected condensed consolidated statements of operations data for each of the periods indicated as a percentage of total revenues:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Revenues:				
Subscription and support	93 %	93 %	93 %	94 %
Professional services and other	7	7	7	6
Total revenues	100	100	100	100
Cost of revenues (1)(2):				
Subscription and support	18	17	18	17
Professional services and other	7	6	7	7
Total cost of revenues	25	23	25	24
Gross profit	75	77	75	76
Operating expenses (1)(2):				
Research and development	14	16	14	15
Marketing and sales	49	51	49	51
General and administrative	11	13	11	13
Operating lease termination resulting from purchase of 50 Fremont, net	0	0	(1)	0
Total operating expenses	74	80	73	79
Income (loss) from operations	1	(3)	2	(3)
Investment income	0	0	0	0
Interest expense	(1)	(1)	(1)	(1)
Other income (expense) (1)	0	0	0	(1)
Income (loss) before provisions for income taxes	0	(4)	1	(5)
Provisions for income taxes	0	(1)	(1)	(1)
Net income (loss)	0 %	(5)%	0 %	(6)%

(1) Amortization of purchased intangibles from business combinations as a percentage of total revenues, as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Cost of revenues	1%	2%	1%	2%
Marketing and sales	1	1	1	1
Other non-operating expense	0	0	0	0

(2) Stock-based expense as a percentage of total revenues, as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Cost of revenues	1%	1%	1%	1%
Research and development	2	3	2	2
Marketing and sales	4	5	4	5
General and administrative	2	2	2	2

Revenues by geography as a percentage of total revenues, as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Revenues by geography:				
Americas	74%	71%	74%	71%
Europe	17	19	17	19
Asia Pacific	9	10	9	10
	100%	100%	100%	100%

Revenues and deferred revenue in constant currency, as follows:

Revenue constant currency growth rates (as compared to the comparable prior periods)	Three Months Ended July 31, 2015 compared to Three Months Ended July 31, 2014	Three Months Ended July 31, 2014 compared to Three Months Ended July 31, 2013
Americas	28%	39%
Europe	29%	36%
Asia Pacific	25%	27%
Total growth	28%	37%

We present constant currency information to provide a framework for assessing how our underlying business performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the weighted average exchange rate for the quarter being compared to for growth rate calculations presented, rather than the actual exchange rates in effect during that period.

	July 31, 2015 compared to July 31, 2014	January 31, 2015 compared to January 31, 2014
Deferred revenue, current and noncurrent constant currency growth rates (as compared to the comparable prior periods)		
Total growth	33%	35%

To present the information above, we convert the deferred revenue balances in local currencies in previous comparable periods using the United States dollar currency exchange rate as on the most recent balance sheet date.

Three Months Ended July 31, 2015 and 2014

Revenues.

(in thousands)	Three Months Ended July 31, 2015	Three Months Ended July 31, 2014	Variance Dollars	Variance Percent
Subscription and support	$ 1,521,319	$ 1,232,587	$ 288,732	23%
Professional services and other	113,365	85,964	27,401	32%
Total revenues	$ 1,634,684	$ 1,318,551	$ 316,133	24%

Total revenues were $1.6 billion for the three months ended July 31, 2015 , compared to $1.3 billion during the same period a year ago, an increase of $0.3 billion , or 24 percent . On a constant currency basis, total revenues grew 28 percent. Subscription and support revenues were $1.5 billion , or 93 percent of total revenues, for the three months ended July 31, 2015 , compared to $1.2 billion , or 93 percent of total revenues, during the same period a year ago, an increase of $0.3 billion , or 23 percent . The increase in subscription and support revenues was due almost entirely to volume-driven increases from new business, which includes new customers, upgrades and additional subscriptions from existing customers. Our attrition rate, which is consistent with the prior year, also played a role in the increase in subscription and support revenues. We continue to invest in a variety of customer programs and initiatives, which, along with increasing enterprise adoption, have helped maintain our attrition rate. The net price per user per month for our three primary offerings, Professional Edition, Enterprise Edition and Unlimited Edition, varies from period to period, but has remained within a consistent range over the past eight quarters. Changes in the net price per user per month has not been a significant driver of revenue growth for the periods presented. Professional services and other revenues were $113.4 million , or seven percent of total revenues, for the three months ended July 31, 2015 , compared to $86.0 million , or seven percent of total revenues, for the same period a year ago, an increase of $27.4 million , or 32 percent . The increase in professional services and other revenues was primarily attributable to higher demand for services from an increased number of customers.

Revenues in Europe and Asia Pacific accounted for $432.5 million , or 26 percent of total revenues, for the three months ended July 31, 2015 , compared to $377.6 million , or 29 percent of total revenues, during the same period a year ago, an increase of $54.9 million , or 15 percent . The increase in revenues on a total dollar basis outside of the Americas was the result of the increasing acceptance of our service, our focus on marketing our services internationally and additional resources. Revenues outside of the Americas increased on a total dollar basis in the three months ended July 31, 2015 despite an overall strengthening of the U.S. dollar, which reduced aggregate international revenues by $49.0 million compared to the same period a year ago. We expect revenues outside of the Americas to continue to be negatively impacted in fiscal 2016 by the strengthening of the U.S. dollar relative to the Euro, Japanese yen, Australian dollar and British pound in comparison to similar periods in the prior year.

Cost of Revenues.

(in thousands)	Three Months Ended July 31, 2015	Three Months Ended July 31, 2014	Variance Dollars
Subscription and support	$ 292,737	$ 218,918	$ 73,819
Professional services and other	112,647	88,913	23,734
Total cost of revenues	$ 405,384	$ 307,831	$ 97,553
Percent of total revenues	25%	23%	

Cost of revenues was $405.4 million , or 25 percent of total revenues, for the three months ended July 31, 2015 , compared to $307.8 million , or 23 percent of total revenues, during the same period a year ago, an increase of $97.6 million . The increase in absolute dollars was primarily due to an increase of $24.1 million in employee-related costs, an increase of $3.4 million in stock-based expenses, an increase of $39.9 million in service delivery costs, primarily due to our efforts to increase data center capacity, an increase of $11.9 million in professional and outside services and third party expenses, an increase of $7.6 million in allocated overhead and an increase of $8.9 million in depreciation of property and equipment. We have increased our headcount by 25 percent since July 31, 2014 to meet the higher demand for services from our customers. We intend to continue to invest additional resources in our enterprise cloud computing services and data center capacity. Additionally, the amortization of purchased intangible assets may increase as we acquire additional businesses and technologies. We also plan to add additional employees in our professional services group to facilitate the adoption of our services. The timing of these expenses will affect our cost of revenues, both in terms of absolute dollars and as a percentage of revenues in future periods.

Professional services and other revenue exceeded the associated cost of such services by $0.7 million during the three months ended July 31, 2015 compared to a loss in the three months ended July 31, 2014 of $2.9 million. Our revenue associated with professional services continues to show steady growth and helps the adoption of our service offerings.

Research and Development.

	Three Months Ended July 31,		Variance
(in thousands)	**2015**	**2014**	**Dollars**
Research and development	$ 234,100	$ 203,109	$ 30,991
Percent of total revenues	14%	16%	

Research and development expenses were $234.1 million , or 14 percent of total revenues, for the three months ended July 31, 2015 , compared to $203.1 million , or 16 percent of total revenues, during the same period a year ago, an increase of $31.0 million . The increase in absolute dollars was primarily due to an increase of $23.8 million in employee-related costs, an increase of $0.6 million in stock-based expense, an increase of $5.5 million in development and test data center expense and an increase in allocated overhead. We increased our research and development headcount by 20 percent since July 31, 2014 in order to improve and extend our service offerings and develop new technologies. We expect that research and development expenses will increase in absolute dollars and may increase as a percentage of revenues in future periods as we continue to add employees and invest in technology to support the development of new, and improve existing, technologies and the integration of acquired technologies.

Marketing and Sales.

	Three Months Ended July 31,		Variance
(in thousands)	**2015**	**2014**	**Dollars**
Marketing and sales	$ 793,691	$ 671,958	$ 121,733
Percent of total revenues	49%	51%	

Marketing and sales expenses were $793.7 million , or 49 percent of total revenues, for the three months ended July 31, 2015 , compared to $672.0 million , or 51 percent of total revenues, during the same period a year ago, an increase of $121.7 million . The increase in absolute dollars was primarily due to an increase of $66.3 million in employee-related costs of which $15.4 million was due to increased amortization of deferred commissions, an increase of $1.2 million in stock-based expense, an increase of $37.7 million in advertising expenses and event costs, an increase of $4.4 million due to amortization of purchased intangibles, and an increase of $11.1 million in allocated overhead. Our marketing and sales headcount increased by 15 percent since July 31, 2014 . The increase in headcount was primarily attributable to hiring additional sales personnel to focus on adding new customers and increasing penetration within our existing customer base.

General and Administrative.

	Three Months Ended July 31,		Variance
(in thousands)	2015	2014	Dollars
General and administrative	$ 181,685	$ 169,087	$ 12,598
Percent of total revenues	11%	13%	

General and administrative expenses were $181.7 million , or 11 percent of total revenues, for the three months ended July 31, 2015 , compared to $169.1 million , or 13 percent of total revenues, during the same period a year ago, an increase of $12.6 million . The increase was primarily due to an increase of $6.9 million in employee-related costs and an increase of $3.3 million in professional services expense. Our general and administrative headcount increased by seven percent since July 31, 2014 as we added personnel to support our growth.

Income (loss) from operations.

	Three Months Ended July 31,		Variance
(in thousands)	2015	2014	Dollars
Income (loss) from operations	$ 19,824	$ (33,434)	$ 53,258
Percent of total revenues	1%	(3)%	

Income from operations for the three months ended July 31, 2015 was $19.8 million and included $147.8 million of stock-based expenses and $39.8 million of amortization of purchased intangibles. During the same period a year ago, loss from operations was $33.4 million and included $142.4 million of stock-based expenses and $35.9 million of amortization of purchased intangibles.

Investment income.

	Three Months Ended July 31,		Variance
(in thousands)	2015	2014	Dollars
Investment income	$ 3,283	$ 2,655	$ 628

Investment income consists of income on our cash and marketable securities balances. Investment income was $3.3 million for the three months ended July 31, 2015 and was $2.7 million during the same period a year ago. The increase was due to earnings on higher cash and marketable securities balances.

Interest expense.

	Three Months Ended July 31,		Variance
(in thousands)	2015	2014	Dollars
Interest expense	$ (18,096)	$ (18,314)	$ 218
Percent of total revenues	(1)%	(1)%	

Interest expense consists of interest on our convertible senior notes, capital leases, loan assumed on 50 Fremont. Interest expense, net of interest costs capitalized, was $18.1 million for the three months ended July 31, 2015 and was $18.3 million during the same period a year ago. The decrease was primarily due to the maturity of our 0.75% convertible senior notes during fiscal 2015.

Other income (expense).

	Three Months Ended July 31,		Variance
(in thousands)	2015	2014	Dollars
Other income (expense)	$ 1,947	$ (3,876)	$ 5,823

Other income (expense) primarily consists of non-operating costs such as foreign currency transaction gains and losses and activity associated with real estate transactions. Other income (expense) for the three months ended July 31, 2015 as compared to the same period a year ago, increased primarily due to activity associated with real estate transactions.

Provisions for income taxes.

(in thousands)	Three Months Ended July 31, 2015	2014	Variance Dollars
Provisions for income taxes	$ (7,810)	$ (8,119)	$ 309
Effective tax rate	112%	(15)%	

We reported a tax provision of $7.8 million on a pretax income of $7.0 million , which resulted in an effective tax rate of 112 percent for the three months ended July 31, 2015 . We had a tax provision primarily related to income taxes in profitable jurisdictions outside of the U.S.

We recorded a tax provision of $8.1 million with a pretax loss of $53.0 million , which resulted in a negative effective tax rate of 15 percent for the three months ended July 31, 2014 . We recorded a tax provision primarily due to income taxes in profitable jurisdictions outside of the U.S.

Six Months Ended July 31, 2015 and 2014

Revenues.

(in thousands)	Six Months Ended July 31, 2015	2014	Variance Dollars	Percent
Subscription and support	$ 2,926,606	$ 2,379,893	$ 546,713	23%
Professional services and other	219,245	165,430	53,815	33%
Total revenues	$ 3,145,851	$ 2,545,323	$ 600,528	24%

Total revenues were $3.1 billion for the six months ended July 31, 2015 , compared to $2.5 billion during the same period a year ago, an increase of $0.6 billion , or 24 percent . Subscription and support revenues were $2.9 billion , or 93 percent of total revenues, for the six months ended July 31, 2015 , compared to $2.4 billion , or 94 percent of total revenues, during the same period a year ago, an increase of $546.7 million , or 23 percent . The increase in subscription and support revenues was primarily caused by volume-driven increases from new business, which includes new customers, upgrades and additional subscriptions from existing customers. We continue to invest in a variety of customer programs and initiatives, which, along with increasing enterprise adoption, have helped reduce our attrition rate. The net price per user per month for our three primary offerings, Professional Edition, Enterprise Edition and Unlimited Edition, varies from period to period, but has remained within a consistent range over the past eight quarters. Changes in the net price per user per month has not been a significant driver of revenue growth for the periods presented. Professional services and other revenues were $219.2 million , or seven percent of total revenues, for the six months ended July 31, 2015 , compared to $165.4 million , or six percent of total revenues, for the same period a year ago, an increase of $53.8 million , or 33 percent . The increase in professional services and other revenues was due primarily to the higher demand for services from an increased number of customers.

Revenues in Europe and Asia Pacific accounted for $828.6 million , or 26 percent of total revenues, for the six months ended July 31, 2015 , compared to $728.0 million , or 29 percent of total revenues, during the same period a year ago, an increase of $100.6 million , or 14 percent . The increase in revenues outside of the Americas was the result of the increasing acceptance of our service, our focus on marketing our services internationally and additional resources. Revenues outside of the Americas increased on a total dollar basis in the six months ended July 31, 2015 despite an overall strengthening of the U.S. dollar, which reduced aggregate international revenues by $100.7 million compared to the same period a year ago. We expect revenues outside of the Americas to continue to be negatively impacted in fiscal 2016 by the strengthening of the U.S. dollar relative to the Euro, Japanese yen, Australian dollar and British pound in comparison to similar periods in the prior year.

Cost of Revenues.

(in thousands)	Six Months Ended July 31, 2015	Six Months Ended July 31, 2014	Variance Dollars
Subscription and support	$ 566,978	$ 427,865	$ 139,113
Professional services and other	220,208	172,271	47,937
Total cost of revenues	$ 787,186	$ 600,136	$ 187,050
Percent of total revenues	25%	24%	

Cost of revenues was $787.2 million , or 25 percent of total revenues, for the six months ended July 31, 2015 , compared to $600.1 million , or 24 percent of total revenues, during the same period a year ago, an increase of $187.1 million . The increase in absolute dollars was primarily due to an increase of $50.3 million in employee-related costs, an increase of $6.9 million in stock-based expenses, an increase of $76.3 million in service delivery costs, primarily due to our efforts to increase data center capacity, an increase of $27.4 million in professional and outside services and third party expenses, an increase of $19.7 million in depreciation and amortization expenses, which includes a decrease of $9.4 million in amortization of purchased intangible assets, and an increase in allocated overhead. We have increased our headcount by 24 percent since July 31, 2014 to meet the higher demand for services from our customers. We intend to continue to invest additional resources in our enterprise cloud computing services and data center capacity. Additionally, the amortization of purchased intangible assets will increase as we acquire additional businesses and technologies. We also plan to add additional employees in our professional services group to facilitate the adoption of our services. The timing of these expenses will affect our cost of revenues, both in terms of absolute dollars and as a percentage of revenues in future periods.

Research and Development.

(in thousands)	Six Months Ended July 31, 2015	Six Months Ended July 31, 2014	Variance Dollars
Research and development	$ 456,228	$ 391,467	$ 64,761
Percent of total revenues	14%	15%	

Research and development expenses were $456.2 million , or 14 percent of total revenues, for the six months ended July 31, 2015 , compared to $391.5 million , or 15 percent of total revenues, during the same period a year ago, an increase of $64.8 million . The increase in absolute dollars was primarily due to an increase of approximately $50.0 million in employee-related costs, an increase of $4.6 million in stock-based expenses, an increase of $8.3 million in our development and test data center, an increase of $0.7 million in depreciation and amortization expenses and increases in allocated overhead. We increased our research and development headcount by 21 percent since July 31, 2014 in order to improve and extend our service offerings and develop new technologies. We expect that research and development expenses will increase in absolute dollars and may increase as a percentage of revenues in future periods as we continue to invest in additional employees and technology to support the development of new, and improve existing, technologies and the integration of acquired technologies.

Marketing and Sales.

(in thousands)	Six Months Ended July 31, 2015	Six Months Ended July 31, 2014	Variance Dollars
Marketing and sales	$ 1,530,629	$ 1,311,313	$ 219,316
Percent of total revenues	49%	51%	

Marketing and sales expenses were $1,530.6 million , or 49 percent of total revenues, for the six months ended July 31, 2015 , compared to $1,311.3 million , or 51 percent of total revenues, during the same period a year ago, an increase of $219.3 million . The increase was primarily due to increases of $131.0 million in employee-related costs, including amortization of deferred commissions, $4.6 million in stock-based expenses, $50.6 million in advertising expenses, $8.4 million related to the amortization of purchased intangible assets and $16.8 million in allocated overhead. Our marketing and sales headcount increased by 16 percent since July 31, 2014 . The increase in headcount was primarily attributable to hiring additional sales personnel to focus on adding new customers and increasing penetration within our existing customer base.

General and Administrative.

(in thousands)	Six Months Ended July 31, 2015	Six Months Ended July 31, 2014	Variance Dollars
General and administrative	$ 357,496	$ 331,182	$ 26,314
Percent of total revenues	11%	13%	

General and administrative expenses were $357.5 million , or 11 percent of total revenues, for the six months ended July 31, 2015 , compared to $331.2 million , or 13 percent of total revenues, during the same period a year ago, an increase of $26.3 million . The increase was primarily due to an increase of $18.2 million in employee-related costs and an increase of $0.7 million in stock-based expenses. Our general and administrative headcount increased by eight percent since July 31, 2014 as we added personnel to support our growth.

Operating lease termination resulting from purchase of 50 Fremont, net.

(in thousands)	Six Months Ended July 31, 2015	Six Months Ended July 31, 2014	Variance Dollars
Operating lease termination resulting from purchase of 50 Fremont, net	$ (36,617)	$ 0	$ (36,617)
Percent of total revenues	(1)%	0%	

Operating lease termination resulting from purchase of 50 Fremont, net for the six months ended July 31, 2015 was $36.6 million. In connection with the purchase, we recognized a net non-cash gain totaling approximately $36.6 million on the termination of the lease signed in January 2012.

Income (loss) from operations.

(in thousands)	Six Months Ended July 31, 2015	Six Months Ended July 31, 2014	Variance Dollars
Income (loss) from operations	$ 50,929	$ (88,775)	$ 139,704
Percent of total revenues	2%	(3)%	

Income (loss) from operations for the six months ended July 31, 2015 was $50.9 million and included a gain of $36.6 million related to the purchase of 50 Fremont, $290.3 million of stock-based expenses and $79.6 million of amortization of purchased intangibles. During the same period a year ago, loss from operations was $88.8 million and included $273.5 million of stock-based expenses and $79.6 million of amortization of purchased intangibles.

Investment income.

(in thousands)	Six Months Ended July 31, 2015	Six Months Ended July 31, 2014	Variance Dollars
Investment income	$ 7,844	$ 4,433	$ 3,411

Investment income consists of income on our cash and marketable securities balances. Investment income was $7.8 million for the six months ended July 31, 2015 and was $4.4 million during the same period a year ago. The increase was primarily due to earnings on higher cash and marketable securities balances.

Interest expense.

(in thousands)	Six Months Ended July 31, 2015		2014		Variance Dollars	
Interest expense	$	(34,771)	$	(38,673)	$	3,902
Percent of total revenues		(1)%		(1)%		

Interest expense consists of interest on our convertible senior notes, capital leases, term loan and revolving credit facility. Interest expense, net of interest costs capitalized, was $34.8 million for the six months ended July 31, 2015 and was $38.7 million during the same period a year ago. The decrease in interest expense was due to the pay down of our revolver with an offset in interest due on our loan assumed on 50 Fremont as well as interest expense associated with our obligation related to 350 Mission.

Other income (expense).

(in thousands)	Six Months Ended July 31, 2015		2014		Variance Dollars	
Other income (expense)	$	1,029	$	(14,723)	$	15,752
Percent of total revenues		0%		(1)%		

Other income (expense) primarily consists of foreign currency transaction gains and losses, costs associated with real estate transactions and losses on derecognition of debt. Other expense increased primarily due to the loss of approximately $8.9 million recognized as a result of conversions of our convertible 0.75% senior notes during the six months ended July 31, 2014 .

Provisions for income taxes.

(in thousands)	Six Months Ended July 31, 2015		2014		Variance Dollars	
Provisions for income taxes	$	(21,791)	$	(20,261)	$	(1,530)
Effective tax rate		87%		(15)%		

We recognized a tax provision of $21.8 million on a pretax income of $25.0 million , which resulted in an effective tax rate of 87 percent for the six months ended July 31, 2015 . We had a tax provision primarily due to income taxes in profitable jurisdictions outside the U.S.

We recorded a tax provision of $20.3 million with a pretax loss of $137.7 million , which resulted in a negative effective tax rate of 15 percent for the six months ended July 31, 2014 . The tax provision recorded was primarily due to income taxes in profitable jurisdictions outside the U.S.

Liquidity and Capital Resources

At July 31, 2015 , our principal sources of liquidity were cash, cash equivalents and marketable securities totaling $2.1 billion and accounts receivable of $1.1 billion .

Net cash provided by operating activities was $1,035.3 million during the six months ended July 31, 2015 and $719.0 million during the same period a year ago. Cash provided by operating activities has historically been affected by the amount of net income (loss) adjusted for non-cash expense items such as depreciation and amortization, amortization of purchased intangibles from business combinations, amortization of debt discount, discrete items such as the non-cash gain from the termination of 50 Fremont lease, net and the expense associated with stock-based awards; the reclassification of excess tax benefits from the employee stock plans to cash flows from financing activities; the timing of employee related costs including commissions and bonus payments; the timing of collections from our customers, which is our largest source of operating cash flows; and changes in working capital accounts.

Our working capital accounts consist of accounts receivables, deferred commissions, prepaid assets and other current assets. Claims against working capital include accounts payable, accrued expenses, deferred revenue, and other current liabilities and payments related to our convertible senior notes and loan secured by 50 Fremont. Our working capital may be impacted by factors in future periods, certain amounts and timing of which are seasonal, such as billings to customers for subscriptions and support services and the subsequent collection of those billings.

As described above in "Seasonal Nature of Deferred Revenue, Accounts Receivable and Operating Cash Flow," our fourth quarter has historically been our strongest quarter for new business and renewals, and correspondingly the first quarter for cash collections. The year on year compounding effect of this seasonality in both billing patterns and overall business causes both the value of invoices that we generate in the fourth quarter and cash collections in the first quarter to increase as a proportion of our total annual billings.

We generally invoice our customers for our subscription and services contracts in advance in annual installments. We typically issue renewal invoices in advance of the renewal service period, and depending on timing, the initial invoice for the subscription and services contract and the subsequent renewal invoice may occur in different quarters. Such invoice amounts are initially reflected in accounts receivable and deferred revenue, which is reflected on the balance sheets. The operating cash flow benefit of increased billing activity generally occurs in the subsequent quarter when we collect from our customers. As such, our first quarter has become our largest collections and operating cash flow quarter.

Our operating cash flow can significantly fluctuate quarter to quarter due to the excess tax benefits from employee stock plans. The excess tax benefits from employee stock plans is a reclassification between the operating cash flow and the cash flows from financing activities. The excess tax benefit amount, which relates to the exercising and vesting of stock-based awards, is dependent on taxable income by tax jurisdiction. Because taxable income is inherently difficult to forecast, for items such as temporary differences and timing of employee stock option exercises, our operating cash flow results may vary from quarter to quarter due to the reclassification.

Net cash provided by operating activities during the six months ended July 31, 2015 increased $316.3 million over the same period a year ago primarily due to higher collections from our fourth quarter billing activity than in the prior year and higher net income after adjusting for depreciation and amortization, discrete items such as the gain on office lease termination and loss on conversions of convertible senior notes, stock-based expenses and the timing of payments against accounts payable, accrued expenses and other current liabilities.

Net cash used in investing activities was $769.9 million during the six months ended July 31, 2015 and $496.8 million during the same period a year ago. The net cash used in investing activities during the six months ended July 31, 2015 primarily related to the purchase of 50 Fremont, strategic investments and capital expenditures including new office build-outs and investment of cash balances offset by proceeds from sales and maturities of marketable securities.

Net cash used in financing activities was $84.0 million during the six months ended July 31, 2015 as compared to net cash used in financing activities of $226.1 million during the same period a year ago. Net cash used in financing activities during the six months ended July 31, 2015 consisted primarily of $57.9 million of principal payments on capital leases and $300.0 million of payments on our revolving credit facility, offset by $269.8 million from proceeds from equity plans.

In March 2013, we issued $1.15 billion of 0.25% convertible senior notes due in April 2018 (the "Notes") and concurrently entered into convertible notes hedges (the "0.25% Note Hedges") and separate warrant transactions (the "Warrants"). The Notes will mature in April 2018, unless earlier converted. Upon conversion of any Notes, we will deliver cash up to the principal amount of the Notes and, with respect to any excess conversion value greater than the principal amount of the Notes, shares of our common stock, cash, or a combination of both.

The Notes will be convertible if during any 20 trading days during the 30 consecutive trading days of any fiscal quarter, our common stock trades at a price exceeding 130% of the conversion price of $66.44 per share applicable to the Notes, in certain situations, when the trading price of the Notes is less than 98% of the product of the sale price of the Company's common stock and the conversion rate, upon the occurrence of specified corporate transactions described under the indenture for the Notes, such as a consolidation, merger or binding share exchange, or at any time on or after the convertible date, January 1, 2018.

The Notes have not yet been convertible at the holders' option. The Notes are classified as a noncurrent liability on our condensed consolidated balance sheet as of July 31, 2015 . Our common stock did not trade at a price exceeding 130% of the conversion price of $66.44 per share applicable to the Notes during the fiscal quarter ended July 31, 2015 . Accordingly, the Notes will not be convertible at the holders' option for the quarter ending October 31, 2015, and therefore will remain classified as a noncurrent liability on our condensed consolidated balance sheets as of July 31, 2015 .

In October 2014, we entered into a credit agreement (the "Credit Agreement") which provides for a $650.0 million unsecured revolving credit facility (the "Credit Facility") that matures in October 2019. In March 2015, we paid down the $300.0 million of outstanding borrowings held under the Credit Facility and related interest in full. We may use any future borrowings under the Credit Facility for working capital, capital expenditures and other general corporate purposes, including permitted acquisitions. We may borrow amounts under the Credit Facility at any time during the term of the Credit Agreement. We may also prepay the borrowings under the Credit Facility, in whole or in part, at any time without premium or penalty, subject to certain conditions, and amounts repaid or prepaid may be reborrowed.

The Credit Agreement contains certain customary affirmative and negative covenants, including a consolidated leverage ratio covenant, a consolidated interest coverage ratio covenant, a limit on our ability to incur additional indebtedness, dispose of assets, make certain acquisition transactions, pay dividends or distributions, and certain other restrictions on our activities each defined specifically in the Credit Agreement. We were in compliance with the Credit Agreement's covenants as of July 31, 2015 .

In December 2014 , the Company entered into an agreement with a third-party provider under which the Company will purchase certain infrastructure services for three years . The agreement provides that the Company will pay $33.0 million in fiscal 2016 and $36.0 million in both fiscal 2017 and 2018 for infrastructure services under the agreement.

In February 2015, the Company acquired 50 Fremont Street, a 41-story building totaling approximately 817,000 rentable square feet located in San Francisco, California ("50 Fremont"). At the time of the acquisition, the Company was leasing approximately 500,000 square feet of the available space in 50 Fremont. See Note 4 "Business Combinations" in the Notes to the Condensed Consolidated Financial Statements.

The total purchase price for 50 Fremont was $637.6 million . In financing the purchase price, we used $115.0 million of restricted cash on hand and assumed a $200.0 million loan secured by the property with the remainder paid in cash. For the three and six months ended July 31, 2015 , total interest expense we recognized was $ 1.9 million and $ 3.5 million respectively.

During the year we acquired two companies totaling $33.1 million . Subsequent to July 31, 2015 , we acquired Kerensen Consulting totaling $24.2 million .

Our cash, cash equivalents and marketable securities are comprised primarily of corporate notes and other obligations, U.S. treasury securities, U.S. agency obligations, government obligations, collateralized mortgage obligations, mortgage backed securities, time deposits, money market mutual funds and municipal securities.

As of July 31, 2015 , we have a total of $69.7 million in letters of credit outstanding in favor of certain landlords for office space. To date, no amounts have been drawn against the letters of credit, which renew annually and expire at various dates through December 2030.

We do not have any special purpose entities, and other than operating leases for office space and computer equipment, we do not engage in off-balance sheet financing arrangements.

Our principal commitments consist of obligations under leases for office space, co-location data center facilities, and our development and test data center, as well as leases for computer equipment, software, furniture and fixtures. At July 31, 2015 , the future non-cancelable minimum payments under these commitments were as follows (in thousands):

	Capital Leases	Operating Leases	Financing Obligation, Building in Progress-Leased Facility
Fiscal Period:			
Remaining six months of fiscal 2016	$ 27,310	$ 161,976	$ 1,777
Fiscal 2017	115,866	307,829	16,877
Fiscal 2018	120,070	265,756	21,107
Fiscal 2019	113,472	199,172	21,551
Fiscal 2020	201,508	183,369	21,995
Thereafter	0	1,050,552	252,517
Total minimum lease payments	578,226	$ 2,168,654	$ 335,824
Less: amount representing interest	(62,613)		
Present value of capital lease obligations	$ 515,613		

The majority of our operating lease agreements provide us with the option to renew. Our future operating lease obligations would change if we exercised these options and if we entered into additional operating lease agreements as we expand our operations.

The financing obligation above represents the total obligation for our lease of approximately 445,000 rentable square feet of office space in San Francisco, California. As of July 31, 2015 , $165.1 million of the total obligation noted above was recorded to Financing obligation, building in progress - leased facility, which the current portion is included in "Accounts payable, accrued expenses, and other liabilities" and the non-current portion is included in “Other noncurrent liabilities” on the condensed consolidated balance sheets.

During the remaining six months of fiscal 2016 and in future fiscal years, we have made and expect to continue to make additional investments in our infrastructure to scale our operations and increase productivity. We plan to upgrade or replace various internal systems to scale with the overall growth of the Company. Additionally, we expect capital expenditures to be higher in absolute dollars and remain consistent as a percentage of total revenues in future periods as a result of continued office build-outs, other leasehold improvements and data center investments.

In the future, we may enter into arrangements to acquire or invest in complementary businesses or joint ventures, services and technologies, and intellectual property rights. We may be required to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

We believe our existing cash, cash equivalents and short-term marketable securities and cash provided by operating activities will be sufficient to meet our working capital, capital expenditure and debt repayment needs over the next 12 months.

New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”) which amended the existing FASB Accounting Standards Codification. This standard establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The standard also provides guidance on the recognition of costs related to obtaining and fulfilling customer contracts. The FASB deferred the effective date for the new revenue reporting standard for entities reporting under U.S. GAAP for one year. In accordance with the deferral, ASU 2014-09 will be effective for fiscal 2019 , including interim periods within that reporting period. We are currently in the process of assessing the adoption methodology, which allows the amendment to be applied retrospectively to each prior period presented, or with the cumulative effect recognized as of the date of initial application. We are also evaluating the impact of the adoption of ASU 2014-09 on our condensed consolidated financial statements and have not determined whether the effect will be material to either our revenue results or our deferred commissions balances.

Non-GAAP Financial Measures for Statement of Operations and Sharecount Information

Regulation S-K Item 10(e), “Use of Non-GAAP Financial Measures in Commission Filings,” defines and prescribes the conditions for use of non-GAAP financial information. Our measures of non-GAAP gross profit, non-GAAP operating profit, non-GAAP net income and non-GAAP earnings per share each meet the definition of a non-GAAP financial measure.

We use the non-GAAP measures of non-GAAP gross profit, non-GAAP operating profit and non-GAAP net income to provide an additional view of operational performance by excluding expenses and benefits that are not directly related to performance in any particular period. In addition to our GAAP measures we use these non-GAAP measures when planning, monitoring, and evaluating our performance. We believe that these non-GAAP measures reflect our ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in our business, as they exclude certain expenses and benefits. These items are excluded because the decisions which gave rise to them are not made to increase revenue in a particular period, but are made for our long-term benefit over multiple periods and we are not able to change or affect these items in any particular period.

We define non-GAAP net income as our total net income excluding the following components, which we believe are not reflective of our ongoing operational expenses. In each case, for the reasons set forth below, we believe that excluding the component provides useful information to investors and others in understanding and evaluating the impact of certain items to our operating results and future prospects in the same manner as us, in comparing financial results across accounting periods and to those of peer companies and to better understand the impact of these items on our gross margin and operating performance. Additionally, as significant, unusual or discrete events occur, the results may be excluded in the period in which the events occur.

- *Stock-Based Expense* . The Company's compensation strategy includes the use of stock-based compensation to attract and retain employees and executives. It is principally aimed at aligning their interests with those of our stockholders and at long-term employee retention, rather than to motivate or reward operational performance for any particular period. Thus, stock-based expense varies for reasons that are generally unrelated to operational decisions and performance in any particular period.

- *Amortization of Purchased Intangibles and Acquired Leases.* The Company views amortization of acquisition-related intangible assets, such as the amortization of the cost associated with an acquired company's research and development efforts, trade names, customer lists, customer relationships and acquired lease intangibles, as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are continually evaluated for impairment, amortization of the cost of purchased intangibles is a static expense, one that is not typically affected by operations during any particular period.

- *Amortization of Debt Discount.* Under GAAP, certain convertible debt instruments that may be settled in cash (or other assets) on conversion are required to be separately accounted for as liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. Accordingly, for GAAP purposes we are required to recognize imputed interest expense on the Company's $1.15 billion of convertible senior notes due 2018 that were issued in a private placement in March 2013. The imputed interest rate was approximately 2.53% for the convertible notes due 2018, while the actual coupon interest rate of the notes was 0.25%. The difference between the imputed interest expense and the coupon interest expense, net of the interest amount capitalized, is excluded from management's assessment of the Company's operating performance because management believes that this non-cash expense is not indicative of ongoing operating performance. Management believes that the exclusion of the non-cash interest expense provides investors an enhanced view of the Company's operational performance.

- *Non-Cash Gains/Losses on Conversion of Debt.* Upon settlement of the Company's convertible senior notes, we attribute the fair value of the consideration transferred to the liability and equity components of the convertible senior notes. The difference between the fair value of consideration attributed to the liability component and the carrying value of the liability as of settlement date is recorded as a non-cash gain or loss on the statement of operations. Management believes that the exclusion of the non-cash gain/loss provides investors an enhanced view of the company's operational performance.

- *Gain on Sales of Land and Building Improvements.* The Company views the non-operating gains associated with the sales of the land and building improvements at Mission Bay to be a discrete item. Management believes that the exclusion of the gains provides investors an enhanced view of the Company's operational performance.

- *Lease Termination Resulting from Purchase of Office Building.* The Company views the non-cash, one-time gain associated with the termination of its lease at 50 Fremont to be a discrete item. Management believes that the exclusion of the gains provides investors an enhanced view of the Company's operational performance.

- *Income Tax Effects and Adjustments* . During fiscal 2015 , the Company began to compute and utilize a fixed long-term projected non-GAAP tax rate in order to provide better consistency across the interim reporting periods by eliminating the effects of non-recurring and period-specific items such as changes in the tax valuation allowance and tax effects of acquisitions-related costs, since each of these items can vary in size and frequency. When projecting this long-term rate, the Company evaluated a three-year financial projection that excludes the impact of the following non-cash items: stock-based expense, amortization of purchased intangibles, amortization of acquired leases, amortization of debt discount, gains/losses on sales of land and building improvements, gains/losses on conversions of debt, and termination of office leases. The projected rate also assumes no new acquisitions in the three-year period, and takes into account other factors including the Company's current tax structure, its existing tax positions in various jurisdictions and key legislation in major jurisdictions where the Company operates. The non-GAAP tax rate for both fiscal 2016 and 2015 is 36.5%. The Company re-evaluates this long-term rate on an annual basis or if any significant events that may materially affect this long-term rate occur. This long-term rate could be subject to change for a variety of reasons, for example, significant changes in the geographic earnings mix including acquisition activity, or fundamental tax law changes in major jurisdictions where the Company operates.

We define non-GAAP gross profit as our total revenues less cost of revenues, as reported on our condensed consolidated statement of operations, excluding the portions of stock-based expenses and amortization of purchased intangibles that are included in cost of revenues.

We define non-GAAP operating profit as our non-GAAP gross profit less operating expenses, as reported on our condensed consolidated statement of operations, excluding the portions of stock-based expenses, amortization of purchased intangibles and gain resulting from termination of our office lease that are included in operating expenses.

Non-GAAP earnings per share

Management uses the non-GAAP earnings per share to provide an additional view of performance by excluding items that are not directly related to performance in any particular period in the earnings per share calculation.

We define non-GAAP earnings per share as our non-GAAP net income, which excludes the above components, which we believe are not reflective of our ongoing operational expenses, divided by basic or diluted shares outstanding.

Limitations on the use of non-GAAP financial measures

A limitation of our non-GAAP financial measures of non-GAAP gross profit, non-GAAP operating profit, non-GAAP net income and non-GAAP earnings per share is that they do not have uniform definitions. Our definitions will likely differ from the definitions used by other companies, including peer companies, and therefore comparability may be limited. Thus, our non-GAAP measures of non-GAAP gross profit, non-GAAP operating profit, non-GAAP net income and non-GAAP earnings per share should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP. Additionally, in the case of stock-based expense, if we did not pay a portion of compensation in the form of stock-based expense, the cash salary expense included in costs of revenues and operating expenses would be higher which would affect our cash position.

We compensate for these limitations by reconciling non-GAAP gross profit, non-GAAP operating profit, non-GAAP net income and non-GAAP earnings per share to the most comparable GAAP financial measure. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view our non-GAAP financial measures in conjunction with the most comparable GAAP financial measures.

Our reconciliation of the non-GAAP financial measures of gross profit, operating profit, net income and earnings per share to the most comparable GAAP measure, “gross profit,” “income(loss) from operations,” “net income (loss)” and “net income (loss) per share” for the three and six months ended July 31, 2015 and 2014 are as follows (in thousands, except for share numbers):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Gross profit				
GAAP gross profit	$ 1,229,300	$ 1,010,720	$ 2,358,665	$ 1,945,187
Plus:				
Amortization of purchased intangibles	20,839	21,271	40,529	49,943
Stock-based expense	16,340	12,977	31,721	24,787
Non-GAAP gross profit	$ 1,266,479	$ 1,044,968	$ 2,430,915	$ 2,019,917

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Income from operations				
GAAP income (loss) from operations	$ 19,824	$ (33,434)	$ 50,929	$ (88,775)
Plus:				
Amortization of purchased intangibles	39,841	35,919	79,558	79,556
Stock-based expense	147,779	142,411	290,339	273,503
Less:				
Operating lease termination resulting from purchase of 50 Fremont, net	0	0	(36,617)	0
Non-GAAP income from operations	$ 207,444	$ 144,896	$ 384,209	$ 264,284

	Three Months Ended July 31, 2015	Three Months Ended July 31, 2014	Six Months Ended July 31, 2015	Six Months Ended July 31, 2014
Net income				
GAAP net income (loss)	$ (852)	$ (61,088)	$ 3,240	$ (157,999)
Plus:				
Amortization of purchased intangibles	39,841	35,919	79,558	79,556
Amortization of acquired lease intangible	1,301	0	2,116	0
Stock-based expense	147,779	142,411	290,339	273,503
Amortization of debt discount, net	6,110	9,216	12,169	20,200
Loss on conversion of debt	0	361	0	8,890
Less:				
Operating lease termination resulting from purchase of 50 Fremont, net	0	0	(36,617)	0
Income tax effects and adjustments	(65,916)	(41,134)	(114,207)	(68,949)
Non-GAAP net income	$ 128,263	$ 85,685	$ 236,598	$ 155,201

	Three Months Ended July 31, 2015	Three Months Ended July 31, 2014	Six Months Ended July 31, 2015	Six Months Ended July 31, 2014
Non-GAAP diluted earnings per share				
GAAP diluted income (loss) per share (a)	$ 0.00	$ (0.10)	$ 0.00	$ (0.26)
Plus:				
Amortization of purchased intangibles	0.06	0.06	0.12	0.12
Amortization of acquired lease intangible	0.00	0.00	0.00	0.00
Stock-based expenses	0.22	0.22	0.43	0.42
Amortization of debt discount, net	0.01	0.01	0.02	0.03
Loss on conversion of debt	0.00	0.00	0.00	0.01
Less:				
Operating lease termination resulting from purchase of 50 Fremont, net	0.00	0.00	(0.05)	0.00
Income tax effects and adjustments of Non-GAAP items	(0.10)	(0.06)	(0.17)	(0.08)
Non-GAAP diluted earnings per share	$ 0.19	$ 0.13	$ 0.35	$ 0.24
Shares used in computing diluted net income per share	672,627	647,790	672,231	648,356

a) Reported GAAP loss per share was calculated using the basic share count. Non-GAAP diluted earnings per share was calculated using the diluted share count.

Non-GAAP net income for the quarter ended July 31, 2015 was $128.3 million and $85.7 million for the same period a year ago, an increase of $42.6 million or 50 percent. During the first six months of fiscal 2016 we remained focused on improving non-GAAP operating income and expect to remain similarly focused for the remaining six months of fiscal 2016.

The effects of dilutive securities were not included in the GAAP calculation of diluted earnings/loss per share for the three months ended July 31, 2015 because we had a net loss for the period and the effect would have been anti-dilutive. The following table reflects the effect of the dilutive securities on the basic share count used in the GAAP earnings/loss per share calculation to derive the share count used for the non-GAAP diluted earnings per share:

Supplemental Diluted Sharecount Information (in thousands):	Three Months Ended July 31, 2015	Three Months Ended July 31, 2014	Six Months Ended July 31, 2015	Six Months Ended July 31, 2014
Weighted-average shares outstanding for GAAP basic earnings per share	659,366	617,016	656,636	614,797
Effect of dilutive securities (1):				
Convertible senior notes (2)	1,456	7,698	728	8,097
Warrants associated with the convertible senior note hedges (2)	0	12,066	0	12,643
Employee stock awards	11,805	11,010	14,867	12,819
Adjusted weighted-average shares outstanding and assumed conversions for Non-GAAP diluted earnings per share	672,627	647,790	672,231	648,356

(1) The effects of these dilutive securities were not included in the GAAP calculation of diluted net loss per share for the three months ended July 31, 2015 and 2014 and six months ended July 31, 2014 because the effect would have been anti-dilutive.

(2) Upon maturity in fiscal 2015, the convertible 0.75% senior notes and associated warrants were settled. The 0.25% senior notes were not convertible, therefore no dilutive effect for shares outstanding for the three and six months ended July 31, 2015

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

We primarily conduct our business in the following locations: the United States, Europe, Canada, Asia Pacific and Japan. The expanding global scope of our business exposes us to risk of fluctuations in foreign currency markets. This exposure is the result of selling in multiple currencies, growth in our international investments, including data center expansion, additional headcount in foreign countries, and operating in countries where the functional currency is the local currency. Specifically, our results of operations and cash flows are subject to fluctuations in the following currencies: the Euro, British Pound Sterling, Canadian Dollar, Australian Dollar and Japanese Yen against the United States Dollar. These exposures may change over time as business practices evolve and economic conditions change. Changes in foreign currency exchange rates could have an adverse impact on our financial results and cash flows. For example, revenue for the second quarter was $1.63 billion , an increase of 24 percent year over year, and 28 percent in constant currency. Deferred revenue on the balance sheet as of July 31, 2015 was $3.03 billion , an increase of 29 percent year over year, and 33 percent in constant currency.

Foreign Currency Transaction Risk

Our foreign currency exposures typically arise from selling annual and multi-year subscriptions in multiple currencies, customer trade account receivables, intercompany transfer pricing arrangements and other intercompany transactions. Our foreign currency management objective is to minimize the effect of fluctuations in foreign exchange rates on selected assets or liabilities without exposing us to additional risk associated with transactions that could be regarded as speculative.

We pursue our objective by utilizing foreign currency forward contracts to offset foreign exchange risk. Our foreign currency forward contracts are generally short-term in duration. We neither use these foreign currency forward contracts for trading purposes nor do we currently designate these forward contracts as hedging instruments pursuant to Accounting Standards Codification 815 (“ASC 815”), Derivatives and Hedging. Accordingly, we record the fair values of these contracts as of the end of our reporting period to our consolidated balance sheet with changes in fair values recorded to our consolidated statement of operations. Given the short duration of the forward contracts, the amount recorded is not significant. Our ultimate realized gain or loss with respect to foreign currency exposures will generally depend on the size and type of cross-currency transactions that we enter into, the currency exchange rates associated with these exposures and changes in those rates, the net realized gain or loss on our foreign currency forward contracts and other factors.

Foreign Currency Translation Risk

Fluctuations in foreign currencies impact the amount of total assets, liabilities, revenues, operating expense and cash flows that we report for our foreign subsidiaries upon the translation of these amounts into U.S. Dollars. As the U.S. Dollar strengthened against certain international currencies over the past several months, the amounts of revenue and deferred revenue that we reported in U.S. Dollars for foreign subsidiaries that transact in international currencies were lower relative to what we would have reported using a constant currency rate. We report in Management's Discussion and Analysis our revenue and deferred revenue growth rates on both an absolute dollar and constant currency basis.

Interest Rate Sensitivity

We had cash, cash equivalents and marketable securities totaling $2.1 billion at July 31, 2015 . This amount was invested primarily in money market funds, time deposits, corporate notes and bonds, government securities and other debt securities with credit ratings of at least BBB or better. The cash, cash equivalents and short-term marketable securities are held for general corporate purposes including possible acquisitions of, or investments in, complementary businesses, services or technologies, working capital and capital expenditures. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

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

An immediate increase or decrease in interest rates of 100-basis points at July 31, 2015 could result in a $12.3 million market value reduction or increase of the same amount. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur. Fluctuations in the value of our investment securities caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income, and are realized only if we sell the underlying securities.

At January 31, 2015 , we had cash, cash equivalents and marketable securities totaling $1.9 billion . The fixed-income portfolio was also subject to interest rate risk. Changes in interest rates of 100-basis points would have resulted in market value changes of $13.5 million.

Market Risk and Market Interest Risk

In March 2013, we issued at par value $1.15 billion of 0.25% convertible senior notes (the “Notes”). Holders of the Notes may convert the Notes prior to maturity upon the occurrence of certain circumstances. Upon conversion, we would pay the holder an amount of cash equal to the principal amounts of the Notes. The amounts in excess of the principal amounts, if any, may be paid in cash or stock at our option. Concurrent with the issuance of the Notes, we entered into separate note hedging transactions and the sale of warrants. These separate transactions were completed to reduce the potential economic dilution from the conversion of the Notes.

The Notes have a fixed annual interest rate of 0.25%, and therefore we do not have economic interest rate exposure on the Notes. However, the value of the Notes are exposed to interest rate risk. Generally, the fair values of our fixed interest rate Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of our 0.25% Notes is affected by our stock price. The principal balance of our Notes was $1.15 billion as of July 31, 2015 . The total estimated fair value of our Notes at July 31, 2015 was $1.4 billion. The fair value was determined based on the closing trading price per $100 of the Notes as of the last day of trading for the second quarter of fiscal 2016 , which was $125.69.

In October 2014, we entered into a credit agreement (the “Credit Agreement”) which provides for a $650.0 million unsecured revolving credit facility that matures in October 2019 (the “Credit Facility”). Borrowings under the Credit Facility bear interest, at our option, at either a base rate formula, as defined in the Credit Agreement, or a LIBOR based formula, each as set forth in the Credit Agreement. Additionally, we are obligated to pay an ongoing commitment fee at a rate between 0.125% and 0.25%. Interest and the commitment fees are payable in arrears quarterly. As of July 31, 2015 there was no outstanding borrowing amount under the Credit Agreement.

In February 2015, we assumed a $200.0 million loan with the acquisition of 50 Fremont (the “Loan”). The Loan bears an interest rate of 3.75% per annum and is due in June 2023. The Loan requires interest only payments with the remaining principal due at maturity. The Loan can be prepaid at any time subject to a yield maintenance fee. The agreement governing the Loan contains certain customary affirmative and negative covenants that we were in compliance with as of July 31, 2015 .

We deposit our cash with multiple financial institutions. Our deposits, at times, may exceed federally insured limits.

The bank counterparties to the derivative contracts potentially expose us to credit-related losses in the event of their nonperformance. To mitigate that risk, we only contract with counterparties who meet the minimum requirements under our counterparty risk assessment process. We monitor ratings, credit spreads and potential downgrades on at least a quarterly basis. Based on our on-going assessment of counterparty risk, we adjust our exposure to various counterparties. We generally enter into master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. However, we do not have any master netting arrangements in place with collateral features.

We have an investment portfolio that includes strategic investments in public and privately-held companies, many of which are in the development stage. When our ownership interests are less than 20 percent and we do not have the ability to exert significant influence, we account for investments in non-marketable equity and debt securities of the privately-held companies using the cost method of accounting. Otherwise, we account for the investments using the equity method of accounting.

Our portfolio consists of investments in over 130 privately-held companies, primarily comprised of independent software vendors and system integrators. We invest in early-to-late stage enterprise cloud companies for strategic reasons and to support key business initiatives such as bringing mobile applications to enterprise customers. We invest in both domestic and international companies and currently hold investments in ten countries, including the United Kingdom, Japan, Canada and Germany. Our investments in these companies range from $0.2 million to over $70.0 million, with 13 investments individually equal to or in excess of $10 million. As of July 31, 2015 and January 31, 2015 the carrying value of our investments in privately-held companies was $449.7 million and $158.0 million , respectively. The estimated fair value of our investments in privately-held companies was $631.0 million and $280.0 million as of July 31, 2015 and January 31, 2015 , respectively. The financial success of our investment in any company is typically dependent on a liquidity event, such as a public offering, acquisition or other favorable market event reflecting appreciation to the cost of our initial investment. If we determine that any of our investments in such companies have experienced a decline in fair value, we may be required to record an impairment, which could be material. We have in the past written off the full value of specific investments. Similar situations could occur in the future and negatively impact our financial results. All of our investments are subject to a risk of total loss of investment capital.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and chief 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.

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.

Based on management’s evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

(b) Management’s Report on Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any material change in our internal control over financial reporting during the quarter covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, we are or may be involved in various legal proceedings and claims related to alleged infringement of third-party patents and other intellectual property rights, commercial, corporate and securities, labor and employment, class actions, wage and hour, and other claims. We have been, and may in the future be, put on notice or sued by third parties for alleged infringement of their proprietary rights, including patent infringement.

In July 2015, we and certain of our current and former directors were named as defendants in a purported shareholder derivative action in the Superior Court for the State of California, County of San Francisco. The derivative complaint alleges that excessive compensation was paid to such directors for their service. The derivative complaint includes allegations of breach of fiduciary duty and unjust enrichment and seeks restitution and disgorgement of a portion of the directors' compensation, as well as reform of one of our obsolete equity plans. Because the complaint is derivative in nature, it does not seek monetary damages from us.

During fiscal 2015, we received a communication from a large technology company alleging that we infringed certain of its patents. We continue to analyze this claim. No litigation has been filed to date. There can be no assurance that this claim will not lead to litigation in the future. The resolution of this claim is not expected to have a material adverse effect on our financial condition, but it could be material to the net income or cash flows or both of a particular quarter.

We evaluate all claims and lawsuits with respect to their potential merits, our potential defenses and counterclaims, settlement or litigation potential and the expected effect on us. Our technologies may be subject to injunction if they are found to infringe the rights of a third party. In addition, many of our subscription agreements require us to indemnify our customers for third-party intellectual property infringement claims, which could increase the cost to us of an adverse ruling on such a claim.

The outcome of any claims or litigation, regardless of the merits, is inherently uncertain. Any claims and other lawsuits, and the disposition of such claims and lawsuits, whether through settlement or litigation, could be time-consuming and expensive to resolve, divert our attention from executing our business plan, result in efforts to enjoin our activities, lead to attempts by third parties to seek similar claims and, in the case of intellectual property claims, require us to change our technology, change our business practices, pay monetary damages or enter into short- or long-term royalty or licensing agreements.

In general, the resolution of a legal matter could prevent us from offering our service to others, could be material to our financial condition or cash flows, or both, or could otherwise adversely affect our operating results.

We make a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. In our opinion, resolution of all current matters is not expected to have a material adverse impact on our condensed consolidated results of operations, cash flows or financial position. However, depending on the nature and timing of any such dispute, an unfavorable resolution of a matter could materially affect our future results of operations or cash flows, or both, of a particular quarter.

ITEM 1A. RISK FACTORS

The risks and uncertainties described below are not the only ones facing us. Other events that we do not currently anticipate or that we currently deem immaterial also may affect our results of operations, cash flows and financial condition.

Risks Related to Our Business and Industry

Defects or disruptions in our services could diminish demand for our services and subject us to substantial liability.

Because our services are complex and incorporate a variety of hardware and proprietary and third-party software, our services may have errors or defects that could result in unanticipated downtime for our subscribers and harm to our reputation and our business. Cloud services frequently contain undetected errors when first introduced or when new versions or enhancements are released. We have from time to time found defects in our services and new errors in our services may be detected in the future. In addition, our customers may use our services in unanticipated ways that may cause a disruption in services for other customers attempting to access their data. As we acquire companies, we may encounter difficulty in incorporating the acquired technologies into our services and maintaining the quality standards that are consistent with our brand and reputation. Since our customers use our services for important aspects of their business, any errors, defects, disruptions in service or other performance problems could hurt our reputation and may damage our customers' businesses. As a result, customers could elect to not renew our services or delay or withhold payment to us. We could also lose future sales or customers may make warranty or other claims against us, which could result in an increase in our provision for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation.

Interruptions or delays in services from our third-party data center hosting facilities or cloud computing platform providers could impair the delivery of our services and harm our business.

We currently serve our customers from third-party data center hosting facilities and cloud computing platform providers located in the United States and other countries. Any damage to, or failure of, our systems generally could result in interruptions in our services. Interruptions in our services may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and adversely affect our attrition rates and our ability to attract new customers, all of which would reduce our revenue. Our business would also be harmed if our customers and potential customers believe our services are unreliable.

As part of our current disaster recovery arrangements, our production environment and all of our customers' data is currently replicated in near real-time in a facility located in the United States. Companies and products added through acquisition may be served through alternate facilities. We do not control the operation of any of these facilities, and they may be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our services. Even with disaster recovery arrangements, our services could be interrupted.

As we continue to add data centers and add capacity in our existing data centers, we may move or transfer our data and our customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our services, which may damage our business.

If our security measures or those of our third-party data center hosting facilities, cloud computing platform providers, or third-party service partners, are breached, and unauthorized access is obtained to a customer's data, our data or our IT systems, our services may be perceived as not being secure, customers may curtail or stop using our services, and we may incur significant legal and financial exposure and liabilities.

Our services involve the storage and transmission of customers' proprietary information, and security breaches could expose us to a risk of loss of this information, litigation and possible liability. While we have security measures in place, they may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise and result in someone obtaining unauthorized access to our IT data, our customers' data or our data, including our intellectual property and other confidential business information. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our customers' data, our data or our IT systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, our customers may authorize third-party technology providers to access their customer data, and some of our customers may not have adequate security measures in place to protect their data that is stored on our services. Because we do not control our customers or third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the integrity or security of such transmissions or processing. Malicious third parties may also conduct attacks designed to temporarily deny customers access to our services. Any security breach could result in a loss of confidence in the security of our services, damage our reputation, negatively impact our future sales, disrupt our business and lead to legal liability.

As we acquire and invest in companies or technologies, we may not realize the expected business or financial benefits and the acquisitions could prove difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results and the market value of our common stock.

As part of our business strategy, we periodically make investments in, or acquisitions of, complementary businesses, joint ventures, services and technologies and intellectual property rights, and we expect that we will continue to make such investments and acquisitions in the future. Acquisitions and investments involve numerous risks, including:

- potential failure to achieve the expected benefits of the combination or acquisition;
- difficulties in, and the cost of, integrating operations, technologies, services and personnel;
- diversion of financial and managerial resources from existing operations;

- the potential entry into new markets in which we have little or no experience or where competitors may have stronger market positions;
- potential write-offs of acquired assets or investments, and potential financial and credit risks associated with acquired customers;
- potential loss of key employees of the acquired company;
- inability to generate sufficient revenue to offset acquisition or investment costs;
- inability to maintain relationships with customers and partners of the acquired business;
- difficulty of transitioning the acquired technology onto our existing platforms and maintaining the security standards for such technology consistent with our other services;
- potential unknown liabilities associated with the acquired businesses;
- unanticipated expenses related to acquired technology and its integration into our existing technology;
- negative impact to our results of operations because of the depreciation and amortization of amounts related to acquired intangible assets, fixed assets and deferred compensation, and the loss of acquired deferred revenue and unbilled deferred revenue;
- delays in customer purchases due to uncertainty related to any acquisition;
- the need to implement controls, procedures and policies at the acquired company;
- challenges caused by distance, language and cultural differences;
- in the case of foreign acquisitions, the challenges associated with integrating operations across different cultures and languages and any currency and regulatory risks associated with specific countries; and
- the tax effects of any such acquisitions.

Any of these risks could harm our business. In addition, if we finance acquisitions by issuing equity or convertible or other debt securities or loans, our existing stockholders may be diluted, or we could face constraints related to the terms of and repayment obligation related to the incurrence of indebtedness that could affect the market price of our common stock.

Privacy concerns and laws, evolving regulation of cloud computing, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our services and adversely affect our business.

Regulation related to the provision of services on the Internet is increasing, as federal, state and foreign governments continue to adopt new laws and regulations addressing data privacy and the collection, processing, storage and use of personal information. In some cases, foreign data privacy laws and regulations, such as the European Union’s Data Protection Directive, and the country-specific regulations that implement that directive, also govern the processing of personal information. Further, laws are increasingly aimed at the use of personal information for marketing purposes, such as the European Union’s e-Privacy Directive, and the country-specific regulations that implement that directive. Such laws and regulations are subject to differing interpretations and may be inconsistent among jurisdictions. These and other requirements could reduce demand for our services or restrict our ability to store and process data or, in some cases, impact our ability to offer our services in certain locations or our customers' ability to deploy our solutions globally.

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

The costs of compliance with and other burdens imposed by laws, regulations and standards may limit the use and adoption of our services and reduce overall demand for it, or lead to significant fines, penalties or liabilities for any noncompliance.

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

Industry-specific regulation and other requirements and standards are evolving and unfavorable industry-specific laws, regulations, interpretive positions or standards could harm our business.

Our customers and potential customers conduct business in a variety of industries, including financial services, the public sector, healthcare and telecommunications. Regulators in certain industries have adopted and may in the future adopt regulations or interpretive positions regarding the use of cloud computing and other outsourced services. The costs of compliance with, and other burdens imposed by, industry-specific laws, regulations and interpretive positions may limit our customers' use and adoption of our services and reduce overall demand for our services. Compliance with these regulations may also require us to devote greater resources to support certain customers, which may increase costs and lengthen sales cycles. For example, some financial services regulators have imposed guidelines for use of cloud computing services that mandate specific controls or require financial services enterprises to obtain regulatory approval prior to outsourcing certain functions. If we are unable to comply with these guidelines or controls, or if our customers are unable to obtain regulatory approval to use our services where required, our business may be harmed. In addition, an inability to satisfy the standards of certain voluntary third-party certification bodies that our customers may expect, such as an attestation of compliance with the Payment Card Industry (PCI) Data Security Standards, may have an adverse impact on our business and results. Further, there are various statutes, regulations, and rulings relevant to the direct email marketing and text-messaging industries, including the Telephone Consumer Protection Act (TCPA) and related Federal Communication Commission (FCC) orders. The interpretation of many of these statutes, regulations, and rulings is evolving in the courts and administrative agencies and an inability to comply may have an adverse impact on our business and results. If in the future we are unable to achieve or maintain industry-specific certifications or other requirements or standards relevant to our customers, it may harm our business and adversely affect our results.

In some cases, industry-specific laws, regulations or interpretive positions may also apply directly to us as a service provider. Any failure or perceived failure by us to comply with such requirements could have an adverse impact on our business.

If we experience significant fluctuations in our rate of anticipated growth and fail to balance our expenses with our revenue forecasts, our results could be harmed.

Due to the pace of change and innovation in enterprise cloud computing services and the unpredictability of future general economic and financial market conditions and the impact of foreign currency exchange rate fluctuations, we may not be able to accurately forecast our rate of growth. We plan our expense levels and investment on estimates of future revenue and future anticipated rate of growth. We may not be able to adjust our spending appropriately if the addition of new subscriptions or the renewals of existing subscriptions fall short of our expectations. A portion of our expenses may also be fixed in nature for some minimum amount of time, such as with a data center contract or office lease, so it may not be possible to reduce costs in a timely manner or without the payment of fees to exit certain obligations early. As a result, we expect that our revenues, operating results and cash flows may fluctuate significantly on a quarterly basis. Our recent revenue growth rates may not be sustainable and may decline in the future. We believe that historical period-to-period comparisons of our revenues, operating results and cash flows may not be meaningful and should not be relied upon as an indication of future performance.

We rely on third-party computer hardware, software and cloud computing platforms that could cause errors in, or failures of, our services and may be difficult to replace.

We rely on computer hardware purchased or leased from, software licensed from, and cloud computing platforms provided by, third parties in order to offer our services, including database software and hardware from a variety of vendors. Any errors or defects in third-party hardware, software or cloud computing platforms could result in errors in, or a failure of, our services, which could harm our business. These hardware, software and cloud computing platforms may not continue to be available at reasonable prices, on commercially reasonable terms or at all. Any loss of the right to use any of these hardware, software or cloud computing platforms could significantly increase our expenses and otherwise result in delays in the provisioning of our services until equivalent technology is either developed by us, or, if available, is identified, obtained through purchase or license and integrated into our services.

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

The market for enterprise applications and platform services is highly competitive, rapidly evolving and fragmented, and subject to changing technology, shifting customer needs and frequent introductions of new products and services. We compete primarily with vendors of packaged CRM software and companies offering on-demand CRM applications. We also compete with internally developed applications and face competition from enterprise software vendors and online service providers who may develop toolsets and products that allow customers to build new applications that run on the customers' current infrastructure or as hosted services. Our current competitors include:

- on premise offerings from enterprise software application vendors;
- cloud computing application service providers;
- software companies that provide their product or service free of charge, and only charge a premium for advanced features and functionality;
- social media companies;
- traditional platform development environment companies;
- cloud computing development platform companies; and

- internally developed applications (by our potential customers' IT departments).

Many of our current and potential competitors enjoy substantial competitive advantages, such as greater name recognition, longer operating histories and larger marketing budgets, as well as substantially greater financial, technical and other resources. In addition, many of our current and potential competitors have established marketing relationships and access to larger customer bases, and have major distribution agreements with consultants, system integrators and resellers. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. Furthermore, because of these advantages, even if our services are more effective than the products and services that our competitors offer, potential customers might select competitive products and services in lieu of purchasing our services. For all of these reasons, we may not be able to compete successfully against our current and future competitors.

Our quarterly results are likely to fluctuate and our stock price and the value of our common stock could decline substantially.

Our quarterly results are likely to fluctuate. For example, our fiscal fourth quarter has historically been our strongest quarter for new business and renewals. The year-over-year compounding effect of this seasonality in billing patterns and overall new business and renewal activity causes the value of invoices that we generate in the fourth quarter to continually increase in proportion to our billings in the other three quarters of our fiscal year. As a result, our fiscal first quarter has become our largest collections and operating cash flow quarter.

Additionally, some of the important factors that may cause our revenues, operating results and cash flows to fluctuate from quarter to quarter include:

- our ability to retain and increase sales to existing customers, attract new customers and satisfy our customers’ requirements;
- the attrition rates for our services;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- changes in deferred revenue and unbilled deferred revenue balances, which are not reflected in the balance sheet, due to seasonality, the compounding effects of renewals, invoice duration, size and timing, new business linearity between quarters and within a quarter and fluctuations due to foreign currency movements;
- changes in foreign currency exchange rates;
- the number of new employees;
- changes in our pricing policies and terms of contracts, whether initiated by us or as a result of competition;
- the cost, timing and management effort for the introduction of new features to our services;
- the costs associated with acquiring new businesses and technologies and the follow-on costs of integration and consolidating the results of acquired businesses;
- the rate of expansion and productivity of our sales force;
- the length of the sales cycle for our services;
- new product and service introductions by our competitors;
- our success in selling our services to large enterprises;
- variations in the revenue mix of editions of our services;
- technical difficulties or interruptions in our services;
- expenses related to our real estate, our office leases and our data center capacity and expansion;
- changes in interest rates and our mix of investments, which would impact the return on our investments in cash and marketable securities;
- conditions, particularly sudden changes, in the financial markets, which have impacted and may continue to impact the value of and liquidity of our investment portfolio;
- income tax effects;
- our ability to realize benefits from strategic partnerships, acquisition or investments;
- other than temporary impairments in the value of our strategic investments in early-to-late stage privately held companies, which could be material in a particular quarter;
- expenses related to significant, unusual or discrete events, which are recorded in the period in which the events occur;

- general economic conditions, which may adversely affect either our customers' ability or willingness to purchase additional subscriptions or upgrade their services, or delay a prospective customer's purchasing decision, reduce the value of new subscription contracts, or affect attrition rates;
- timing of additional investments in our enterprise cloud computing application and platform services and in our consulting services;
- regulatory compliance costs;
- the timing of customer payments and payment defaults by customers;
- extraordinary expenses such as litigation or other dispute-related settlement payments;
- the impact of new accounting pronouncements;
- equity issuances, including as consideration in acquisitions or due to the conversion of our outstanding convertible notes at the election of the note holders;
- the timing of stock awards to employees and the related adverse financial statement impact of having to expense those stock awards on a straight-line basis over their vesting schedules;
- the timing of commission, bonus, and other compensation payments to employees; and
- the timing of payroll and other withholding tax expenses, which are triggered by the payment of bonuses and when employees exercise their vested stock awards.

Many of these factors are outside of our control, and the occurrence of one or more of them might cause our operating results to vary widely. As such, we believe that historical quarter-to-quarter comparisons of our revenues, operating results, changes in our deferred revenue and unbilled deferred revenue balances and cash flows may not be meaningful and should not be relied upon as an indication of future performance.

Additionally, if we fail to meet or exceed the expectations of securities analysts and investors, or if one or more of the securities analysts who cover us adversely change their recommendation regarding our stock, the market price of our common stock could decline. Moreover, our stock price may be based on expectations, estimates and forecasts of our future performance that may be unrealistic or that may not be met. Further, our stock price may fluctuate based on reporting by the financial media, including television, radio and press reports and blogs.

Our efforts to expand our services beyond the CRM market and to develop our existing services in order to keep pace with technological developments may not succeed and may reduce our revenue growth rate and harm our business.

We derive substantially all of our revenue from subscriptions to our CRM enterprise cloud computing application services, and we expect this will continue for the foreseeable future. The markets for our Analytics Cloud and Communities Cloud remain relatively new and it is uncertain whether our efforts will ever result in significant revenue for us. Further, the introduction of new services beyond the CRM market may not be successful, and early stage interest and adoption of such new services may not result in long term success or significant revenue for us. Our efforts to expand our services beyond the CRM market may not succeed and may reduce our revenue growth rate.

Additionally, if we are unable to develop enhancements to and new features for our existing or new services that keep pace with rapid technological developments, our business will be harmed. The success of enhancements, new features and services depends on several factors, including the timely completion, introduction and market acceptance of the feature, service or enhancement. Failure in this regard may significantly impair our revenue growth. In addition, because our services are designed to operate on a variety of network hardware and software platforms using a standard browser, we will need to continuously modify and enhance our services to keep pace with changes in Internet-related hardware, software, communication, browser and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to market timely. Furthermore, uncertainties about the timing and nature of new network platforms or technologies, or modifications to existing platforms or technologies, could increase our research and development or service delivery expenses. Any failure of our services to operate effectively with future network platforms and technologies could reduce the demand for our services, result in customer dissatisfaction and harm our business.

Sales to customers outside the United States expose us to risks inherent in international sales.

We sell our services throughout the world and are subject to risks and challenges associated with international business. Historically, sales in Europe and Asia Pacific together have represented approximately 30 percent of our total revenues, and we intend to continue to expand our international sales efforts. The risks and challenges associated with sales to customers outside the United States include:

- localization of our services, including translation into foreign languages and associated expenses;
- laws and business practices favoring local competitors;

- pressure on the creditworthiness of sovereign nations, particularly in Europe, where we have customers and a balance of our cash, cash equivalents and marketable securities;
- liquidity issues or political actions by sovereign nations, which could result in decreased values of these balances;
- foreign currency fluctuations and controls;
- compliance with multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy, anti-corruption, import/export, antitrust, data protection and industry-specific laws and regulations, including rules related to compliance by our third-party resellers;
- regional data privacy laws and other regulatory requirements that apply to outsourced service providers and to the transmission of our customers' data across international borders;
- treatment of revenue from international sources and changes to tax codes, including being subject to foreign tax laws and being liable for paying withholding income or other taxes in foreign jurisdictions;
- different pricing environments;
- difficulties in staffing and managing foreign operations;
- different or lesser protection of our intellectual property;
- longer accounts receivable payment cycles and other collection difficulties;
- natural disasters, acts of war, terrorism, pandemics or security breaches; and
- regional economic and political conditions.

Any of these factors could negatively impact our business and results of operations.

Additionally, our international subscription fees are paid either in U.S. dollars or local currency. As a result, fluctuations in the value of the U.S. dollar and foreign currencies may make our services more expensive for international customers, which could harm our business.

Because we recognize revenue from subscriptions for our services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our operating results.

We generally recognize revenue from customers ratably over the terms of their subscription agreements, which are typically 12 to 36 months. As a result, most of the revenue we report in each quarter is the result of subscription agreements entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be reflected in our revenue results for that quarter. Any such decline, however, will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our services, and potential changes in our attrition rate, may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

If our customers do not renew their subscriptions for our services or reduce the number of paying subscriptions at the time of renewal, our revenue will decline and our business will suffer. If we cannot accurately predict subscription renewals or upgrade rates, we may not meet our revenue targets which may adversely affect the market price of our common stock.

Our customers have no obligation to renew their subscriptions for our services after the expiration of their initial subscription period, which is typically 12 to 36 months, and in the normal course of business, some customers have elected not to renew. In addition, our customers may renew for fewer subscriptions, renew for shorter contract lengths, or switch to lower cost offerings of our services. We cannot accurately predict attrition rates given our varied customer base of enterprise and small and medium size business customers and the number of multi-year subscription contracts. Our attrition rates may increase or fluctuate as a result of a number of factors, including customer dissatisfaction with our services, customers' spending levels, decreases in the number of users at our customers, pricing increases or changes and deteriorating general economic conditions.

Our future success also depends in part on our ability to sell additional features and services, more subscriptions or enhanced editions of our services to our current customers. This may also require increasingly sophisticated and costly sales efforts that are targeted at senior management. Similarly, the rate at which our customers purchase new or enhanced services depends on a number of factors, including general economic conditions and that our customers do not react negatively to any price changes related to these additional features and services. If our efforts to upsell to our customers are not successful our business may suffer.

If the market for our technology delivery model and enterprise cloud computing services develops more slowly than we expect, our business could be harmed.

Our success depends on the willingness of third-party developers to build applications that are complementary to our services. Without the development of these applications, both current and potential customers may not find our services sufficiently attractive. In addition, for those customers who authorize a third-party technology partner access to their data, we do not provide any warranty related to the functionality, security and integrity of the data transmission or processing. Despite contract provisions to protect us, customers may look to us to support and provide warranties for the third-party applications, which may expose us to potential claims, liabilities and obligations for applications we did not develop or sell, all of which could harm our business.

We are subject to risks associated with our strategic investments. Other-than-temporary impairments in the value of our investments could negatively impact our financial results.

We invest in early-to-late stage companies for strategic reasons and to support key business initiatives, and may not realize a return on our strategic investments. Many such companies generate net losses and the market for their products, services or technologies may be slow to develop, and, therefore, are dependent on the availability of later rounds of financing from banks or investors on favorable terms to continue their operations. The financial success of our investment in any company is typically dependent on a liquidity event, such as a public offering, acquisition or other favorable market event reflecting appreciation to the cost of our initial investment. The capital markets for public offerings and acquisitions are dynamic and the likelihood of liquidity events for the companies we have invested in could significantly worsen. Further, valuations of privately-held companies are inherently complex due to the lack of readily available market data. If we determine that any of our investments in such companies have experienced a decline in value, we may be required to record an other than temporary impairment, which could be material. We have in the past written off the full value of specific investments. Similar situations could occur in the future and negatively impact our financial results. All of our investments are subject to a risk of total loss of investment capital.

We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows from changes in the value of the U.S. dollar versus local currencies.

We conduct our business in the following locations: United States, Europe, Canada, Asia Pacific and Japan. The expanding global scope of our business exposes us to risk of fluctuations in foreign currency markets. This exposure is the result of selling in multiple currencies, growth in our international investments, including data center expansion, additional headcount in foreign locations, and operating in countries where the functional currency is the local currency. Specifically, our results of operations and cash flows are subject to fluctuations in the following currencies: the Euro, British Pound Sterling, Canadian Dollar, Australian Dollar and Japanese Yen against the U.S. Dollar. These exposures may change over time as business practices evolve and economic conditions change. The fluctuations of currencies in which we conduct business can both increase and decrease our overall revenue and expenses for any given fiscal period. Such volatility, even when it increases our revenues or decreases our expenses, impacts our ability to accurately predict our future results and earnings.

Supporting our existing and growing customer base could strain our personnel resources and infrastructure, and if we are unable to scale our operations and increase productivity, we may not be able to successfully implement our business plan.

We continue to experience significant growth in our customer base and personnel, which has placed a strain on our management, administrative, operational and financial infrastructure. We anticipate that additional investments in our internal infrastructure, data center capacity, research, customer support and development, and real estate spending will be required to scale our operations and increase productivity, to address the needs of our customers, to further develop and enhance our services, to expand into new geographic areas, and to scale with our overall growth. The additional investments we are making will increase our cost base, which will make it more difficult for us to offset any future revenue shortfalls by reducing expenses in the short term.

We regularly upgrade or replace our various software systems. If the implementations of these new applications are delayed, or if we encounter unforeseen problems with our new systems or in migrating away from our existing applications and systems, our operations and our ability to manage our business could be negatively impacted.

Our success will depend in part upon the ability of our senior management to manage our projected growth effectively. To do so, we must continue to increase the productivity of our existing employees and to hire, train and manage new employees as needed. To manage the expected domestic and international growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls, our reporting systems and procedures, and our utilization of real estate. If we fail to successfully scale our operations and increase productivity, we will be unable to execute our business plan.

As more of our sales efforts are targeted at larger enterprise customers, our sales cycle may become more time-consuming and expensive, we may encounter pricing pressure and implementation and customization challenges, and we may have to delay revenue recognition for some complex transactions, all of which could harm our business and operating results.

As we target more of our sales efforts at larger enterprise customers, we may face greater costs, longer sales cycles, greater competition and less predictability in completing some of our sales. In this market segment, the customer's decision to use our services may be an enterprise-wide decision and, if so, these types of sales would require us to provide greater levels of education regarding the use and benefits of our services, as well as education regarding privacy and data protection laws and regulations to prospective customers with international operations. In addition, larger customers may demand more customization, integration services and features. As a result of these factors, these sales opportunities may require us to devote greater sales support and professional services resources to individual customers, driving up costs and time required to complete sales and diverting our own sales and professional services resources to a smaller number of larger transactions, while potentially requiring us to delay revenue recognition on some of these transactions until the technical or implementation requirements have been met.

Pricing and packaging strategies for enterprise and other customers for subscriptions to our existing and future service offerings may not be widely accepted by other new or existing customers. Our adoption of such new pricing and packaging strategies may harm our business.

For large enterprise customers, professional services may also be performed by a third party or a combination of our own staff and a third party. Our strategy is to work with third parties to increase the breadth of capability and depth of capacity for delivery of these services to our customers. If a customer is not satisfied with the quality of work performed by us or a third party or with the type of services or solutions delivered, then we could incur additional costs to address the situation, the profitability of that work might be impaired, and the customer's dissatisfaction with our services could damage our ability to obtain additional work from that customer. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

We have been and may in the future be sued by third parties for various claims including alleged infringement of proprietary rights.

We are involved in various legal matters arising from the normal course of business activities. These may include claims, suits, government investigations and other proceedings involving alleged infringement of third-party patents and other intellectual property rights, and commercial, corporate and securities, labor and employment, class action, wage and hour, and other matters.

The software and Internet industries are characterized by the existence of a large number of patents, trademarks and copyrights and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. We have received in the past and may receive in the future communications from third parties, including practicing entities and non-practicing entities, claiming that we have infringed their intellectual property rights.

In addition, we have been, and may in the future be, sued by third parties for alleged infringement of their claimed proprietary rights. For example, during fiscal 2015, we received a communication from a large technology company alleging that we infringed certain of its patents. While we continue to analyze this claim and no litigation has been filed to date, there can be no assurance that this claim will not lead to litigation in the future. Our technologies may be subject to injunction if they are found to infringe the rights of a third party or we may be required to pay damages, or both. Further, many of our subscription agreements require us to indemnify our customers for third-party intellectual property infringement claims, which would increase the cost to us of an adverse ruling on such a claim.

The outcome of any claims or litigation, regardless of the merits, is inherently uncertain. Any claims and lawsuits, and the disposition of such claims and lawsuits, whether through settlement or licensing discussions, or litigation, could be time-consuming and expensive to resolve, divert management attention from executing our business plan, result in efforts to enjoin our activities, lead to attempts on the part of other parties to pursue similar claims and, in the case of intellectual property claims, require us to change our technology, change our business practices, pay monetary damages or enter into short- or long-term royalty or licensing agreements.

Any adverse determination related to intellectual property claims or other litigation could prevent us from offering our services to others, could be material to our financial condition or cash flows, or both, or could otherwise adversely affect our operating results. In addition, depending on the nature and timing of any such dispute, an unfavorable resolution of a legal matter could materially affect our future results of operations or cash flows or both of a particular quarter.

In addition, our exposure to risks associated with various claims, including the use of intellectual property, may be increased as a result of acquisitions of other companies. For example, we may have a lower level of visibility into the development process with respect to intellectual property or the care taken to safeguard against infringement risks with respect to the acquired company or technology. In addition, third parties may make infringement and similar or related claims after we have acquired technology that had not been asserted prior to our acquisition.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

If we fail to protect our intellectual property rights adequately, our competitors may gain access to our technology, and our business may be harmed. In addition, defending our intellectual property rights may entail significant expense. Any of our patents, trademarks or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. While we have some U.S. patents and many U.S. and international patent applications pending, we may be unable to obtain patent protection for the technology covered in our patent applications or the patent protection may not be obtained quickly enough to meet our business needs. In addition, our existing patents and any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain, and we also may face proposals to change the scope of protection for some intellectual property rights in the U.S. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our services are available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. Also, our involvement in standard setting activity or the need to obtain licenses from others may require us to license our intellectual property. Accordingly, despite our efforts, we may be unable to prevent third parties from using our intellectual property.

We may be required to spend significant resources to monitor and protect our intellectual property rights and we may conclude that in at least some instances the benefits of protecting our intellectual property rights may be outweighed by the expense. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel.

Our continued success depends on our ability to maintain and enhance our brands.

We believe that the brand identities we have developed have significantly contributed to the success of our business. Maintaining and enhancing the Salesforce brand and our other brands are critical to expanding our base of customers, partners and employees. Our brand strength will depend largely on our ability to remain a technology leader and continue to provide high-quality innovative products, services, and features. In order to maintain and enhance our brands, we may be required to make substantial investments that may later prove to be unsuccessful. If we fail to maintain and enhance our brands, or if we incur excessive expenses in our efforts to do so, our business, operating results and financial condition may be materially and adversely affected.

We may lose key members of our management team or development and operations personnel, and may be unable to attract and retain employees we need to support our operations and growth.

Our success depends substantially upon the continued services of our executive officers and other key members of management, particularly our Chief Executive Officer. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives. Such changes in our executive management team may be disruptive to our business. We are also substantially dependent on the continued service of our existing development and operations personnel because of the complexity of our services and technologies. We do not have employment agreements with any of our executive officers, key management, development or operations personnel and they could terminate their employment with us at any time. The loss of one or more of our key employees or groups could seriously harm our business.

In the technology industry, there is substantial and continuous competition for engineers with high levels of experience in designing, developing and managing software and Internet-related services, as well as competition for sales executives and operations personnel. We may not be successful in attracting and retaining qualified personnel. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

Any failure in our delivery of high-quality technical support services may adversely affect our relationships with our customers and our financial results.

Our customers depend on our support organization to resolve technical issues relating to our applications. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. Increased customer demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on our applications and business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation, our ability to sell our enterprise cloud computing solutions to existing and prospective customers, and our business, operating results and financial position.

Periodic changes to our sales organization can be disruptive and may reduce our rate of growth.

We periodically change and make adjustments to our sales organization in response to market opportunities, competitive threats, management changes, product introductions or enhancements, acquisitions, sales performance, increases in sales headcount, cost levels and other internal and external considerations. Any such future sales organization changes may result in a temporary reduction of productivity, which could negatively affect our rate of growth. In addition, any significant change to the way we structure our compensation of our sales organization may be disruptive and may affect our revenue growth.

Unanticipated changes in our effective tax rate and additional tax liabilities may impact our operating results

We are subject to income taxes in the United States and various jurisdictions outside of the United States. Our effective tax rate could fluctuate due to changes in the mix of earnings and losses in countries with differing statutory tax rates. Our tax expense could also be impacted by changes in non-deductible expenses, changes in excess tax benefits related to exercises and vesting of stock-based expense, changes in the valuation of deferred tax assets and liabilities and our ability to utilize them and the applicability of withholding taxes.

We are subject to tax examinations in multiple jurisdictions. While we regularly evaluate new information that may change our judgment resulting in recognition, derecognition or change in measurement of a tax position taken, there can be no assurance that the final determination of any examinations will not have an adverse effect on our operating results and financial position.

Our tax provision could also be impacted by changes in federal, state or international tax laws including court decisions and fundamental tax law changes applicable to corporate multinationals currently being considered by many countries including the United States as well as several European countries.

Additionally, we may be subject to additional tax liabilities due to changes in non-income taxes resulting from changes in federal, state or international tax laws, changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions, results of tax examinations, settlements or judicial decisions, changes in accounting principles, changes to the business operations, including acquisitions, as well as the evaluation of new information that results in a change to a tax position taken in a prior period.

Our debt service obligations and operating lease commitments may adversely affect our financial condition and cash flows from operations.

We have a high level of debt, including our 0.25% Senior Notes due April 1, 2018, the loan we assumed when we purchased 50 Fremont, and capital lease arrangements. Additionally, we have significant contractual commitments in operating lease arrangements, which are not reflected on our condensed consolidated balance sheets. In addition, we have a financing obligation for a leased facility of which we are deemed the owner for accounting purposes. Our maintenance of this indebtedness could:

- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes;
- cause us to dedicate a substantial portion of our cash flows from operations towards debt service obligations and principal repayments;
- make us more vulnerable to downturns in our business, our industry or the economy in general; and
- due to limitations within the revolving credit facility covenants, restrict our ability to incur additional indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends or make distributions, repurchase stock and enter into restrictive agreements, as defined in the credit agreement.

Our ability to meet our expenses and debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. We will not be able to control many of these factors, such as economic conditions and governmental regulations. Further, our operations may not generate sufficient cash to enable us to service our debt. If we fail to make a payment on our debt, we could be in default on such debt. If we are at any time unable to generate sufficient cash flows from operations to service our indebtedness when payment is due, we may be required to attempt to renegotiate the terms of the instruments relating to the indebtedness, seek to refinance all or a portion of the indebtedness or obtain additional financing. There can be no assurance that we would be able to successfully renegotiate such terms, that any such refinancing would be possible or that any additional financing could be obtained on terms that are favorable or acceptable to us.

A failure to comply with the covenants and other provisions of our outstanding debt could result in events of default under such instruments, which could permit acceleration of all of our notes and borrowings under our revolving credit facility. Any required repayment of our notes or revolving credit facility as a result of a fundamental change or other acceleration would lower our current cash on hand such that we would not have those funds available for use in our business.

Weakened global economic conditions may adversely affect our industry, business and results of operations.

Our overall performance depends in part on worldwide economic conditions. The United States and other key international economies have experienced cyclical downturns from time to time in which economic activity was impacted by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies and overall uncertainty with respect to the economy. These conditions affect the rate of information technology spending and could adversely affect our customers' ability or willingness to purchase our enterprise cloud computing services, delay prospective customers' purchasing decisions, reduce the value or duration of their subscription contracts, or affect attrition rates, all of which could adversely affect our operating results.

Natural disasters and other events beyond our control could materially adversely affect us.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers, and could decrease demand for our services. The majority of our research and development activities, corporate headquarters, information technology systems, and other critical business operations, are located near major seismic faults in the San Francisco Bay Area. Because we do not carry earthquake insurance for direct quake-related losses, with the exception of the building that we own in San Francisco, and significant recovery time could be required to resume operations, our financial condition and operating results could be materially adversely affected in the event of a major earthquake or catastrophic event.

Risks Relating to Our Convertible Senior Notes and Our Common Stock

The market price of our common stock is likely to be volatile and could subject us to litigation.

The trading prices of the securities of technology companies have been highly volatile. Accordingly, the market price of our notes and common stock has been and is likely to continue to be subject to wide fluctuations. Factors affecting the market price of our notes and common stock include:

- variations in our operating results, earnings per share, cash flows from operating activities, deferred revenue and other financial metrics and non-financial metrics, and how those results compare to analyst expectations;
- forward-looking guidance to industry and financial analysts related to future revenue and earnings per share;
- changes in the estimates of our operating results or changes in recommendations by securities analysts that elect to follow our common stock;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- announcements by us or by our competitors of mergers or other strategic acquisitions, or rumors of such transactions involving us or our competitors;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- recruitment or departure of key personnel;
- disruptions in our service due to computer hardware, software, network or data center problems;
- the economy as a whole, market conditions in our industry and the industries of our customers;
- trading activity by a limited number of stockholders who together beneficially own a significant portion of our outstanding common stock;
- the issuance of shares of common stock by us, whether in connection with an acquisition, a capital raising transaction or upon conversion of some or all of our outstanding convertible senior notes; and
- issuance of debt or other convertible securities.

In addition, if the market for technology stocks or the stock market in general experiences uneven investor confidence, the market price of our notes and common stock could decline for reasons unrelated to our business, operating results or financial condition. The market price of our notes and common stock might also decline in reaction to events that affect other companies within, or outside, our industry even if these events do not directly affect us. Some companies that have experienced volatility in the trading price of their stock have been the subject of securities class action litigation. If we are the subject of such litigation, it could result in substantial costs and a diversion of management's attention and resources.

We may issue additional shares of our common stock or instruments convertible into shares of our common stock, including in connection with the conversion of the notes, and thereby materially and adversely affect the market price of our common stock and the trading price of the notes.

We are not restricted from issuing additional shares of our common stock or other instruments convertible into, or exchangeable or exercisable for, shares of our common stock during the life of the notes. If we issue additional shares of our common stock or instruments convertible into shares of our common stock, it may materially and adversely affect the market price of our common stock and, in turn, the trading price of the notes. In addition, the conversion of some or all of the notes may dilute the ownership interests of existing holders of our common stock, and any sales in the public market of any shares of our common stock issuable upon such conversion of the notes could adversely affect the prevailing market price of our common stock. In addition, the potential conversion of the notes could depress the market price of our common stock.

We may not have the ability to raise the funds necessary to pay the amount of cash due upon conversion of the notes or the fundamental change purchase price due when a holder submits its notes for purchase upon the occurrence of a fundamental change.

Upon the occurrence of a fundamental change, holders of the notes may require us to purchase, for cash, all or a portion of their notes. In addition, if a holder converts its notes, we will generally pay such holder an amount of cash before delivering to such holder any shares of our common stock.

There can be no assurance that we will have sufficient financial resources, or will be able to arrange financing, to pay the fundamental change purchase price if holders submit their notes for purchase by us upon the occurrence of a fundamental change or to pay the amount of cash due if holders surrender their notes for conversion. In addition, agreements governing any future debt may restrict our ability to make each of the required cash payments even if we have sufficient funds to make them. Furthermore, our ability to purchase the notes or to pay cash upon the conversion of the notes may be limited by law or regulatory authority. If we fail to purchase the notes, to pay interest due on, or to pay the amount of cash due upon conversion, we will be in default under the indenture, which in turn may result in the acceleration of other indebtedness we may then have. If the repayment of the other indebtedness were to be accelerated, we may not have sufficient funds to repay that indebtedness and to purchase the notes or to pay the amount of cash due upon conversion. Our inability to pay for the notes that are tendered for purchase or upon conversion could result in note holders receiving substantially less than the principal amount of the notes, which could harm our reputation, financing opportunities and our business.

The fundamental change provisions may delay or prevent an otherwise beneficial takeover attempt of us.

The fundamental change purchase rights will allow holders of the notes to require us to purchase all or a portion of their notes upon the occurrence of a fundamental change. The provisions requiring an increase to the conversion rate for conversions in connection with a make-whole fundamental change may, in certain circumstances, delay or prevent a takeover of us and the removal of incumbent management that might otherwise be beneficial to investors.

The convertible note hedges and warrant transactions may affect the trading price of the notes and the market price of our common stock.

We entered into privately negotiated convertible note hedge transactions with certain hedge counterparties concurrently with the pricing of the notes. We also entered into privately negotiated warrant transactions with the hedge counterparties. Taken together, the convertible note hedge transactions and the warrant transactions are expected, but not guaranteed, to reduce the potential dilution with respect to our common stock upon conversion of the notes. If, however, the price of our common stock, as measured under the terms of the warrant transactions, exceeds the exercise price of the warrant transactions, the warrant transactions will have a dilutive effect on our earnings per share to the extent that the price of our common stock as measured under the warrant transactions exceeds the strike price of the warrant transactions.

The hedge counterparties and their respective affiliates periodically modify their hedge positions from time to time following the pricing of the notes (and are particularly likely to do so during any observation period relating to a conversion of the notes) by entering into or unwinding various over-the-counter derivative transactions with respect to our common stock, or by purchasing or selling shares of our common stock or the notes in privately negotiated transactions or open market transactions. The effect, if any, of these transactions and activities on the market price of our common stock or the trading price of the notes will depend in part on market conditions and cannot be ascertained at this time. Any of these activities, however, could adversely affect the market price of our common stock and the trading price of the notes.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the notes or our common stock. In addition, we do not make any representation that the counterparties to those transactions will engage in these transactions or activities or that these transactions and activities, once commenced, will not be discontinued without notice; the counterparties or their affiliates may choose to engage in, or discontinue engaging in, any of these transactions or activities with or without notice at any time, and their decisions will be in their sole discretion and not within our control.

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

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

Provisions in our amended and restated certificate of incorporation and bylaws and Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the market price of our common stock.

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions among other things:

- permit the board of directors to establish the number of directors;

- provide that directors may only be removed “for cause” and only with the approval of holders of 66 2/3 percent of our outstanding capital stock;
- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and bylaws;
- authorize the issuance of “blank check” preferred stock that our board could use to implement a stockholder rights plan (also known as a “poison pill”);
- prohibit the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

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

In addition, the fundamental change purchase rights applicable to the notes, which will allow note holders to require us to purchase all or a portion of their notes upon the occurrence of a fundamental change, and the provisions requiring an increase to the conversion rate for conversions in connection with a make-whole fundamental change may in certain circumstances delay or prevent a takeover of us and the removal of incumbent management that might otherwise be beneficial to investors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The documents listed in the Index to Exhibits of this quarterly report on Form 10-Q are incorporated by reference or are filed with this quarterly report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: August 24, 2015

salesforce.com, inc.

By: /s/ Mark J. Hawkins

Mark J. Hawkins

Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Dated: August 24, 2015

salesforce.com, inc.

By: /s/ Joe Allanson

Joe Allanson

Executive Vice President, Chief Accounting Officer
and Corporate Controller
(Principal Accounting Officer)

Index to Exhibits

Exhibit No.	Exhibit Description	Provided Herewith	Incorporated by Reference			
			Form	SEC File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of salesforce.com, inc.		8-K	001-32224	3.1	06/11/2013
3.2	Amended and Restated Bylaws of salesforce.com, inc.		8-K	001-32224	3.2	06/11/2013
10.1	Amended and Restated 2013 Equity Incentive Plan and related forms of agreement		8-K	001-32224	10.1	06/09/2015
10.2	Amended and Restated 2004 Employee Stock Purchase Plan		8-K	001-32224	10.2	06/09/2015
10.3	Amendment No. 1 to Credit Agreement, dated June 17, 2015, by and among salesforce.com, inc., the guarantors from time to time party thereto and Wells Fargo Bank, N.A., as Administrative Agent	X				
10.4	Reseller Agreement, dated August 1, 2015, between salesforce.com, inc. and Salesforce.org	X				
10.5	Resource Sharing Agreement, dated as of August 1, 2015, by and between salesforce.com, inc., the salesforce.com foundation and Salesforce.org	X				
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) or 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	XBRL Instance Document					
101.SCH	XBRL Taxonomy Extension Schema Document					
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	XBRL Extension Definition					
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					

AMENDMENT NO. 1 TO
CREDIT AGREEMENT

This Amendment No. 1 to Credit Agreement (this " Amendment "), dated as of June 17, 2015, is made by **SALESFORCE.COM, INC.** , a Delaware corporation (" Borrower "), the Guarantors party hereto, the financial institutions listed on the signature pages hereof as Lenders, and **WELLS FARGO BANK, NATIONAL ASSOCIATION** , as Administrative Agent (" Administrative Agent ").

RECITALS

Reference is hereby made to the Credit Agreement dated as of October 6, 2014 among the Borrower, the Guarantors from time to time party thereto, the Lenders from time to time party thereto and the Administrative Agent (as amended, restated, modified or supplemented from time to time, the " Credit Agreement ").

The parties hereto agree to amend the Credit Agreement as set forth herein on the terms and conditions set forth herein.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions . Unless otherwise expressly defined herein, all capitalized terms used herein and defined in the Credit Agreement shall be used herein as so defined. Unless otherwise expressly stated herein, all Section references herein shall refer to Sections of the Credit Agreement.

2. Amendments to Credit Agreement . The Credit Agreement is hereby amended as follows:

(a) Clause (b) of the definition of "Change of Control" contained in Section 1.01 is amended and restated in its entirety to read as follows:

(b) during any period of 24 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; or

(b) Section 9.01 is amended by (i) deleting the word "and" appearing after the semi-colon in clause (z); (ii) amending and restating clause (aa) in its entirety to read as set forth below; and (iii) adding a new clause (bb) as set forth below:

(aa) Liens granted by any Foreign Subsidiary to any other Foreign Subsidiary securing Indebtedness permitted under Section 9.03 or any other obligations permitted hereunder; and

(bb) other Liens securing Indebtedness or other obligations permitted hereunder in an aggregate principal amount at any time outstanding not exceeding $100,000,000.

3. Conditions Precedent. This Amendment shall become effective as of the date first above written upon the Administrative Agent's receipt of counterparts of this Amendment properly executed by (a) a Responsible Officer of the Borrower and each Guarantor and (b) the Required Lenders.

4. Representations and Warranties; No Waiver. Each Loan Party hereby represents and warrants to the Administrative Agent and the Lenders that, as of the date hereof and after giving effect to this Amendment, (a) no Default or Event of Default has occurred and is continuing and (b) the Credit Agreement (as amended by this Amendment) and all other Loan Documents are hereby ratified and reaffirmed and remain legal, valid, binding and enforceable obligations of the Borrower and the Guarantors party thereto in accordance with the terms thereof except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles (regardless of whether enforcement is sought in equity or at law). The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor, except as expressly provided herein, constitute a waiver or amendment of any provision of any of the Loan Documents.

5. Reference to Agreement. Each of the Loan Documents, including the Credit Agreement, and any and all other agreements, documents or instruments now or hereafter executed and/or delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement as amended hereby, are hereby amended so that any reference in such Loan Documents to the Credit Agreement, whether direct or indirect, shall mean a reference to the Credit Agreement as amended hereby and as otherwise amended, restated, modified or supplemented from time to time. This Amendment shall constitute a Loan Document.

6. Governing Law. This Amendment shall be construed in accordance with and governed by the laws of the State of New York. This Amendment shall be further subject to the terms and conditions of Sections 12.13, 12.14 and 12.15 of the Credit Agreement, the terms of which are incorporated herein by this reference, *mutatis mutandis*.

7. Execution. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or by any other electronic means (such as by email in .pdf format) shall be effective as delivery of a manually executed counterpart of this Amendment.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BORROWER: **salesforce.com, inc.,**
a Delaware corporation

By /s/ Joachim Wettermark
Name: Joachim Wettermark
Title: SVP & Corporate Treasurer

GUARANTOR: **EXACTTARGET, inc.,**
a Delaware corporation

By /s/ Amy Weaver
Name: Amy Weaver
Title: President

ADMINISTRATIVE AGENT :

WELLS FARGO BANK, NATIONAL ASSOCIATION , as Administrative Agent

By /s/ Matthew Burke
Name: Matthew Burke
Title: Senior Vice President

LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION , as a Lender, Issuing Lender and Swingline Lender

By /s/ Matthew Burke
Name: Matthew Burke
Title: Senior Vice President

BANK OF AMERICA, N.A. , as a Lender and Issuing Lender

By /s/ Jeannette Lu
Name: Jeannette Lu
Title: Vice President

BNP PARIBAS , as a Lender

By /s/ Todd Rodgers
Name: Todd Rodgers
Title: Director

By /s/ Liz Cheng
Name: Liz Cheng
Title: Vice President

JPMORGAN CHASE BANK, N.A. , as a Lender

By /s/ Keith Winzenried
Name: Keith Winzenried
Title: Executive Director

BARCLAYS BANK PLC , as a Lender

By: /s/ May Huang
Name: May Huang
Title: Assistant Vice President

DEUTSCHE BANK AG NEW YORK BRANCH , as a Lender

By /s/ Virginia Cozenza
Name: Virginia Cosenza
Title: Vice President

By /s/ Ming K. Chu
Name: Ming K. Chu
Title: Vice President

U.S. BANK, NATIONAL ASSOCIATION , as a Lender

By /s/ Matt S. Scullin
Name: Matt S. Scullin
Title: Vice President

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. , as a Lender

By /s/ Richard Ong Pho
Name: Richard Ong Pho
Title: Director

RESELLER AGREEMENT

The Parties

This Reseller Agreement (hereinafter the " **Agreement** ") is between **salesforce.com, inc.** , a Delaware corporation having its principal place of business at The Landmark @ One Market, Suite 300, San Francisco, California 94105 (together with any Salesforce.com Entity that becomes a party to this Agreement by way of addendum hereto, hereinafter referred to as " **Salesforce.com** ") and **Salesforce.org** , a nonprofit public benefit corporation having its principal place of business at 50 Fremont Street, Suite 300, San Francisco, California 94105 (together with any Salesforce.org Entity that becomes a party to this Agreement by way of addendum hereto for purposes of reselling Services hereunder, hereinafter referred to as " **Reseller** " or " **Salesforce.org** ").

Salesforce.com and Reseller are each a " **Party** " and collectively the " **Parties** " to this Agreement. This Agreement consists of the sections marked **The Parties** , **Signatures** , **Definitions,** and **Terms and Conditions** , as well as the following attachments which are incorporated herein by reference:

Exhibit A **Pass-Through Terms**	**Exhibit D** **Services available for Resale under this Agreement**	**Exhibit G** **Qualified Customer Exceptions**
Exhibit B **Sales Training; Technical Training and Enablement**	**Exhibit E** **HIPAA Business Associate Addendum**	**Exhibit H** **Use Cases and Decision Trees**
Exhibit C **Sample Reseller Order Form**	**Exhibit F** **Data Processing Addendum**	**Exhibit I** **Licensed Marks**

Signatures

When signed on behalf of both Parties below, the " **Effective Date** " of this Agreement shall be August 1, 2015.

IN WITNESS WHEREOF, the Parties, by their respective authorized signatories, have duly executed this Agreement as of the Effective Date.

SALESFORCE.COM, INC.	**SALESFORCE.ORG**
By: /s/ Mark J Hawkins	By: /s/ Shanti Ariker
Name: Mark J. Hawkins	Name: Shanti Ariker
Title: Chief Financial Officer and Executive Vice President	Title: VP, Global General Counsel
Date: August 1, 2015	Date: August 1, 2015

Definitions

" **Activities** " means Reseller's sales and support activities contemplated under this Agreement

" **Affiliate** " means any entity which directly or indirectly owns or controls, is directly or indirectly owned or controlled by, or is under common ownership or control with the subject entity. "Control" for this purpose means holding more than 50% of the shares or stock having the power to vote at a general meeting or equivalent.

" **Change in Control** " means a merger, acquisition or other corporate transaction in which the owners of all of the subject entity's voting interests immediately prior to the transaction own less than 50% of the voting interests of the successor entity resulting from the transaction.

" **Content** " means information obtained by Salesforce.com from its content licensors or publicly available sources and provided to a Qualified Customer pursuant to its purchase of subscriptions to certain Services from Reseller, as more fully described in the Documentation.

" **Customer** " means a company or other legal entity which purchases Services for its own internal business purposes and which accepts some form of Salesforce.com Service Terms, and Affiliates of that company or entity. " **Qualified Customer** " means any Customer that meets one or more of the following criteria (i) through (v) below:

(i) any organization that has received a determination letter from the U.S. Internal Revenue Service verifying that it qualifies for 501(c)(3) status, excluding certain public sector and health system accounts as specified in **Exhibit G** (Qualified Customer Exceptions);

(ii) fiscally-sponsored organizations (i.e., any organization for which a non-profit organization has extended its tax-exempt status to the sponsored organization (e.g. the Tides Center));

(iii) any charitable organization located outside the United States that has received a determination in its home jurisdiction substantially equivalent to that described in **Sub-part (i)** above;

(iv) any for-profit or not-for profit corporation that meets comprehensive and transparent social and/or environmental standards as agreed in writing by Reseller and the Company from time to time, including 501(c)(4) and microfinance institutions, excluding certain public sector and health system accounts as specified in **Exhibit G** (Qualified Customer Exceptions); and

(v) all for-profit and non-profit public or private institutions whose primary purpose is educational, including for example, K-12 elementary schools, secondary schools, colleges and universities, as well as university consortiums (but excluding for-profit colleges or universities).

" **Customer Data** " means electronic data and information submitted to the Services by or for a Customer or collected and processed by or for a Customer using the Services, excluding Content and Non-Salesforce.com Applications.

" **Decision Tree** " means one of the guidelines and procedural steps described in text and chart format in **Exhibit H** (Use Cases and Decision Trees) to help the Parties resolve any dispute between Salesforce.com and Reseller over whether or not a prospective or existing or transitioning Customer meets the criteria of a Qualified Customer.

" **Direct MSA Customer** " means a Customer who has executed Salesforce.com MSA Terms with Salesforce.com.

" **Documentation** " means Salesforce.com's online user guides, help and training material for the applicable Services, accessible via www.help.salesforce.com or login to the applicable Services, as updated from time to time, including without limitation any notices and license information, external usage policies, and security, privacy and architecture documentation for the applicable Services accessible through the Trust and Compliance section of the help.salesforce.com website at:

help.salesforce.com/apex/HTViewSolution?urlname=Trust-and-Compliance-Documentation&language=en_US
or any successor website, as updated from time to time.

" **Initial Term** " means the initial term of this Agreement, as set out in **Table 1** above.

" **Licensed Mark(s)"** means the names, logos, trademarks and service marks of Salesforce.com identified in the list attached as **Exhibit I** (Licensed Marks) to this Agreement, as Salesforce.com updates such list from time to time.

" **Marketplace** " means an online directory, catalog or marketplace of applications that interoperate with the Services, including, for example, the AppExchange located at www.salesforce.com/appexchange, the Heroku add-ons catalog located at addons.heroku.com, and any successor websites

" **Malicious Code** " means code, files, scripts, agents or programs intended to do harm, including, for example, viruses, worms, time bombs and Trojan horses.

" **Materials** " means any materials, including without limitation literature, brochures, data books, data sheets, website references or advertising that Reseller (or a third party on Reseller's behalf) produces, distributes, sells or displays and which use or incorporate one or more Licensed Marks.

" **Non-Salesforce.com Application** " means a Web-based or offline software application that is provided by Reseller or a third party (including Salesforce.com Labs) and is designed to interoperate with a Service, including, for example, an application that is developed by or for Reseller or its Customer, is listed on a Marketplace, or is identified as Salesforce.com Labs or by a similar designation.

" **Pass-Through Customer** " means a Qualified Customer purchasing Services that has accepted the Pass-Through Terms offered by Reseller in accordance with **Section** 5 (Customer Agreements and Product Specific Terms) and has not previously executed a Salesforce.com MSA, or if the Customer has executed Salesforce.com MSA, it does not apply to the Services the Qualified Customer intends to purchase.

" **Pass-Through Terms** " means the terms attached as **Exhibit A** (Pass-Through Terms) (as such terms may be updated by Salesforce.com from time to time provided that any such update applies generally to all resellers; if updated by Salesforce.com with respect only to Reseller and Qualified Customers, Salesforce.com may make such update only as mutually agreed between the Parties as an amendment hereto).

" **Product Specific Terms** " means additional restrictions on use and/or additional terms and conditions that Reseller must add to a Reseller Order Form that apply specifically to specific Services included in the order.

" **Reseller Order Form** " means ordering documents that Reseller and Qualified Customers enter into that specify the Services that Reseller will resell to the Qualified Customer, substantially in the form of **Exhibit C** (Sample Reseller Order Form) or in such form as the Parties may agree in writing, and including any addenda and supplements thereto.

" **Salesforce.com Entity** " means the Salesforce.com Affiliate authorizing Reseller's resale of Services under this Agreement in a given location as follows:

- With respect to Reseller's resale of Services in the United States or another country in North, South or Central America or the Caribbean, the Salesforce.com entity is salesforce.com, inc. with a principal place of business located at The Landmark @ One Market, Suite 300, San Francisco, CA 94105 USA;
- With respect to Reseller's resale of Services in a country in Europe, the Middle East or Africa, the Salesforce.com authorizing entity is salesforce.com EMEA Ltd., with a principal place of business located at Floor 26, Salesforce Tower, 110 Bishopsgate, London EC2N 4AY, UNITED KINGDOM.

" **Salesforce.com MSA** " means Salesforce.com's standard master subscription agreement that Salesforce.com enters into directly with Customers and that applies to Services a Customer purchases directly

from Salesforce.com. A " **Modified Salesforce.com MSA** " means a Salesforce.com MSA modified in writing by Salesforce.com and the Customer to allow it to apply to Services a Customer purchased from a reseller.

" **Salesforce.com Service Terms** " means the terms which govern a Customer's use of the Services, either the Pass-Through Terms or a Modified Salesforce.com MSA.

" **Salesforce.org Entity** " means the Salesforce.org Affiliate engaged as the Reseller in the resale of Services under this Agreement in a given location as follows:

- With respect to Reseller's resale of Services in the United States or another country in North, South or Central America or the Caribbean, the Salesforce.org Entity acting as the Reseller is Salesforce.org, with a principal place of business located at 50 Fremont Street, Suite 300, San Francisco, CA 94105 USA; and

- With respect to Reseller's resale of Services in a country in Europe, the Middle East or Africa, the Salesforce.org Entity acting as the Reseller is Salesforce.org EMEA Limited, with a principal place of business at Village 9, Floor 26 Salesforce Tower, 110 Bishopsgate, London EC2N 4AY, UNITED KINGDOM.

" **Service" or "Services** " means the Salesforce.com products and services described in **Exhibit D** (Services available for Resale under this Agreement) that a Qualified Customer orders under a Reseller Order Form and which Salesforce.com makes available online, including associated offline components, as described in the Documentation but excluding Content and Non-Salesforce.com Applications.

Upon execution of this Agreement by salesforce.com, inc. and Salesforce.org, " **Territory** " means those countries located in North and South America (including the Caribbean but excluding any countries where sales are prohibited by applicable laws). The "Territory" will expand to include those countries located in Europe, the Middle East and Africa (" **EMEA** ") upon execution of an EMEA-specific addendum to this Agreement authorizing Salesforce.org to resell Services in EMEA. The "Territory" will expand to include those countries located in the Asia Pacific region other than Japan (collectively " **APAC** ") upon execution of an APAC-specific addendum to this Agreement authorizing Salesforce.org to resell Services in APAC.

" **Trademark License** " means the license to Reseller from Salesforce.com authorizing Reseller to use the Licensed Marks as described in **Section 14** (Trademark License).

" **Trademark Usage Policies** " includes the then-current Salesforce.com Trademark List and Trademark and Copyright Usage Guidelines (available on Salesforce.com's main website) and the then-current Salesforce.com Partner Branding and Logo Usage Guidelines and Partner Press Release Guidelines available at:

www2.static.com/assets/pdf/misc/Partner_Branding_Guidelines_Salesforce2014-06.pdf

or such other URL as updated by Salesforce.com from time to time (collectively, "Usage Policies"), together with such other trademark usage policies and guidelines as Salesforce.com makes available from time to time. The Usage Policies are subject to change in Salesforce.com's sole discretion.

"Upgraded Support " means the upgraded support service packages offered by Salesforce.com and marketed by Reseller that are designed to facilitate a Customer's use of the Services and are listed in **Exhibit D** (Services available for Resale under this Agreement).

" **Users** " means an individual who is authorized by Customer to use a Service or Upgraded Support offering, for whom Customer has ordered the Service, and to whom Customer (or Salesforce.com at Customer's request) has supplied a user identification and password. Users may include, for example, employees, consultants, contractors and agents of Customer, and third parties with which Customer transacts business.

Terms and Conditions

1. Marketing Rights.

a. Subject to and conditional upon the terms of this Agreement, Salesforce.com hereby grants to Reseller the non-exclusive, non-transferable, non-sublicensable right to market Services (including related Upgraded Support offerings) in the Territory to potential and existing Qualified Customers during the Term of this Agreement, provided that: (i) Reseller shall not make any representations, warranties or guarantees to Qualified Customers or potential Qualified Customers concerning the Service that are inconsistent with or in addition to those made by Salesforce.com in this Agreement, the Documentation or otherwise specifically authorized by Salesforce.com to Reseller in writing; and (ii) Reseller shall comply at all times with the Trademark Usage Policies as published by Salesforce.com from time to time.

b. Rules of Sales Engagement.

(i) Sales Engagement . Salesforce.com will instruct its sales personnel generally not to sell to Qualified Customers in the Territory.

(ii) Disputes . If a dispute over either Party's right to sell to a Customer arises that cannot be resolved within five (5) days, then the applicable Salesforce.com sales personnel involved must document and submit to Salesforce.com SVP, Business Planning (or other senior executive as directed by Salesforce.com) and Reseller must submit to the CEO of Reseller for resolution of the dispute within fifteen (15) days. If not resolved, then the dispute will be escalated to the Vice Chairman and/or CEO of Salesforce.com for resolution.

(iii) In recognition of mutual efforts to transfer LACA-based Qualified Customers from Salesforce.com to Reseller Order Forms, subscriptions to the Services that were sold to any entities in LACA prior to April 1, 2015 that would qualify as Qualified Customers under this Agreement may not be renewed under the Salesforce.com Master Subscription Agreement applicable to the expiring Salesforce.com Order Form and may only be renewed under a Reseller Order Form referencing the Pass-Through Terms or negotiated equivalent. The Parties will continue to work together to communicate to Qualified Customers generally about this change and specifically as part of the lead up to each Qualified Customer's renewal.

2. Resale Rights.

Subject to and conditional upon the terms of this Agreement, Salesforce.com hereby grants to Reseller the non-exclusive, non-transferable, non-sublicensable right to resell the Service and Upgraded Support offerings (i) in the Territory to Qualified Customers and potential Qualified Customers for their own internal business purposes and not for further resale; (ii) in the Territory to other resellers appointed by Salesforce.com from time to time; and (iii) to companies outside the Territory with Salesforce.com's prior written approval.

3. Services.

Reseller may only market and resell those versions of the Service and Upgraded Support Offerings described in **Exhibit D** (Services available for Resale under this Agreement).

4. Reseller Requirements.

Reseller shall use its best efforts to market and resell the Service and Upgraded Support offerings in the Territory to potential and existing Qualified Customers. Reseller shall not: (i) make the Service and Upgraded Support offerings available to anyone other than Qualified Customers and Qualified Customer's Users; (ii) represent itself as an agent of Salesforce.com for any purpose, or (iii) make or purport to make any representation, warranty, condition or obligation on Salesforce.com's behalf, or commit Salesforce.com to any agreement.

5. Customer Agreements and Product Specific Terms.

a. Upon Reseller's request, Salesforce.com shall confirm whether any Customer has a Salesforce.com MSA or if the Customer has a Modified Salesforce.com MSA, and to which Services the Salesforce.com MSA applies.

b. Reseller shall ensure that each Pass-Through Customer enters into a written agreement with Reseller for the provision of the Service and any Upgraded Support offerings, and such agreement shall include terms and conditions no less restrictive than the Pass-Through Terms or such other end user subscription terms as the Parties may agree in writing. Reseller shall expressly include in its ordering documentation that such Pass-Through Terms or such other end user subscription terms are for the benefit of – and are enforceable by – Salesforce.com as a third party beneficiary. Reseller may implement its agreements with Customers either by way of a legally binding, online click-through process (which allows for tracking of acceptance) or as a Customer-signed paper agreement.

c. Reseller shall advise each of its Pass-Through Customers that it is contracting solely with Reseller and that Pass-Through Customers have no contractual relationship with Salesforce.com.

d. Salesforce.com may from time to time update the Pass-Through Terms on written notice to Reseller, and such revised **Exhibit A** (Pass-Through Terms) shall become effective thirty (30) days after the date of such written notice. For the avoidance of doubt, Reseller is not required to update such Pass-Through Terms with respect to its existing Pass-Through Customers unless or until such existing Pass-Through Customers renew subscriptions to the Services purchased from Reseller.

e. For the avoidance of doubt, pricing of Services and Upgraded Support offerings resold by Reseller will be solely between Reseller and its Customers.

f. With respect to each Qualified Customer's order for Services, Reseller shall ensure that any Product Specific Terms in the applicable Order Form are replicated either identically or as equivalent terms no less restrictive than the Product Specific Terms in Reseller's order form with the same Qualified Customer.

g. Upon request from Salesforce.com, Reseller shall promptly cooperate and provide reasonable assistance to Salesforce.com with respect to Salesforce.com enforcing any right of Salesforce.com under the Pass-Through Terms, or in the event of any reasonably suspected or actual breach of the Pass-Through Terms by the Qualified Customer. Such reasonable assistance shall include without limitation promptly providing notices to the Qualified Customer.

h. Reseller acknowledges that Salesforce.com has certain rights to terminate the Pass-Through Terms with respect to a Qualified Customer as set out in the Pass-Through Terms. Reseller shall ensure that in such a case it has a right to terminate its order forms with such Qualified Customer. In any event, if the Pass-Through Terms are terminated by Salesforce.com for a particular Qualified Customer in accordance with **Section 11** (Term and Termination), Reseller will pay any unpaid fees due to Salesforce.com covering the remainder of the term of all Order Forms with respect to such Qualified Customer.

6. Provisioning of the Service and Upgraded Support Offerings.

Upon receipt of an order for Services and/or Upgraded Support Offerings from a Qualified Customer, Reseller shall provision the applicable Services and/or Upgraded Support Offerings through Salesforce.com's provisioning system.

7. Intentionally Left Blank .

8. Fees.

a. Salesforce.com's Fees to Reseller. Salesforce.com shall not charge any fees to Reseller for Services subscriptions and Upgraded Support offerings provided pursuant to this Agreement, provided

however, that Reseller shall reimburse Salesforce.com for the direct cost of providing Upgraded Support to Qualified Customers in accordance with **Section 10** (Salesforce.com Support) **Sub-parts (d), (e)** and **(f)** .

b. Reseller's Fees to Qualified Customers. Reseller is free to charge each Qualified Customer whatever fees it deems appropriate or shall negotiate with the Qualified Customer for the Service and Upgraded Support. Subscription fees for the Service shall include Salesforce.com's Standard Success Plan in accordance with **Section 10** (Salesforce.com Support) below. Reseller shall not unbundle the Standard Success Plan from the Service or otherwise charge Qualified Customers for the Standard Success Plan.

c. Suggested List Price. Salesforce.com may, in its discretion, publish a "Suggested List Price", or some similar price description, which lists the prices that it suggests are appropriate for the Service. Reseller is under no obligation to charge Suggested List Prices to a Qualified Customer.

d. Taxes. Unless otherwise stated, Salesforce.com's fees do not include any taxes, levies, duties or similar governmental assessments of any nature, including, for example, value-added, sales, use or withholding taxes, assessable by any jurisdiction whatsoever (collectively, " **Taxes** "). Reseller is responsible for paying all Taxes associated with its purchases. Any sales, value added tax, service or registration taxes shall, to the extent required by applicable law, be added to the amount of fees due by Reseller to Salesforce.com as calculated in accordance with the provisions of this Agreement and, except where otherwise stated, will be due and payable by Reseller in accordance with the payment terms set out in this Agreement. For clarity, Salesforce.com is solely responsible for taxes assessable against it based on its income, property and employees. For the purposes of this clause, " **income** " means Salesforce.com's income after deduction of all applicable expenses other than corporate income tax.

e. Platform Reseller Fees for Qualified Customers. For the first year of the Term, and each year thereafter for the remainder of the Term unless Salesforce.com provides Reseller with at least thirty (30) days' written notice prior to an anniversary of the Effective Date of its intention to end or amend this provision, Salesforce.com shall pay to Reseller any fees received by resellers registered in Salesforce.com's Platform reseller Program (" **Platform Resellers** ") for sales to Qualified Customers (" **Platform Reseller Fees for Qualified Customers** "). Each month, Platform Reseller Fees for Qualified Customers will be calculated based on a reconciliation of Salesforce.com's and Reseller's records. Salesforce.com will pay any Platform Reseller Fees for Qualified Customers to Reseller within forty-five (45) days after the end of the calendar month in which they were received by Salesforce.com.

f. Acquired Product Fees. To the extent that Qualified Customers cannot purchase subscriptions for Acquired Products from Reseller but instead must purchase them from Salesforce.com, and fees for any subscriptions for Acquired Products purchased by Qualified Customers are paid to Salesforce.com and not to Reseller, then Salesforce.com shall pay to Reseller a referral fee.

g. Reseller Commission Plans for Acquired Products . Reseller agrees to cooperate in good faith with Salesforce.com on any substantial change it intends to make to the commissions payable by Reseller to Reseller AEs on Acquired Product sales.

9. Invoicing and Payment.

a. Payment Terms. R **ese** ller will pay all fees specified in Order Forms in addition to any Taxes invoiced to Reseller in accordance with **Section** 8 **(d) (Taxes) above.** Except as otherwise stated in the Order Form, (i) fees are based on Services and Content purchased and not actual usage, (ii) payment obligations are non-cancelable and fees paid are non-refundable, (iii) quantities purchased cannot be decreased during the relevant subscription term, (iv) fees shall be invoiced annually in advance, and (v) fees shall be due and payable thirty (30) days from the date of the invoice. The foregoing payment terms shall apply regardless of Reseller's payment arrangements with any Qualified Customer. Reseller is responsible for providing complete and accurate billing and contact information to Salesforce.com and notifying Salesforce.com of any changes to such information.

b. Reseller Responsible for Invoicing Qualified Customers. Reseller is solely responsible for collecting all fees due from each Qualified Customer for the Service, and shall invoice the Qualified Customer directly for such fees. Reseller bears full risk of Customer non-payment, and shall not be relieved of its obligation to pay fees owed to Salesforce.com in the event of any such non-payment.

10. Salesforce.com Support.

a. During the term of each User subscription, Salesforce.com will provide Users with Support Services as described in the Salesforce.com Standard Success Plan description available at

www2.sfdcstatic.com/assets/pdf/misc/salesforce_standardplan.pdf

b. If User purchases Upgraded Support from Reseller, Salesforce.com will provide Upgraded Support to the Users according to the Salesforce.com Premier Success Plans Description available at

www2.sfdcstatic.com/assets/pdf/misc/salesforce_premierplans.pdf

c. Standard Support Services and Upgraded Support include technical support for Reseller products such as NGO Connect, Non-Profit Starter Pack, Advancement Connect. It is Reseller's responsibility to train technical support teams within Salesforce.com on these products.

d. Reseller will reimburse Salesforce.com quarterly for: (1) the cost of a dedicated technical support group within Salesforce.com's technical support organization that provides Tier 1 and Tier 2 support to Qualified Customers; and (2) Salesforce.com's cost to deliver Upgraded Support.

e. Costs to deliver Upgraded Support shall include but not be limited to the cost to Salesforce.com of Success Managers, delivery of any Accelerators, development and maintenance of any Reseller-specific Accelerators, and any additional Upgraded Support cases managed outside the dedicated technical support group described in **Section 10 (d)** above. The amount that Reseller will reimburse Salesforce.com will be calculated quarterly by Salesforce.com's Finance team, using current Salesforce.com costs arising from User's consumption of Upgraded Support in the quarter.

f. Salesforce.com's Finance team will prepare and send an invoice to Reseller by first week of the third month of each quarter of Salesforce.com's fiscal year (February 1 through the following January 31).

g. Payment from Reseller is due by last day of the quarter.

h. Salesforce.com will assign a Support manager to review issues related to the quality of Upgraded Support as delivered to Qualified Customers.

i. Reseller will reimburse Salesforce University for its development and maintenance of Reseller-specific certifications, excluding any pro bono work done by Salesforce.com's employees.

11. Term and Termination

a. Term. This Agreement shall begin on the Effective Date and except as provided herein shall continue for the Initial Term of five (5) years, after which point it shall automatically renew for additional one year renewal periods (each, a "Renewal Term"), unless either Party provides written notice to the other Party of its intention not to renew at least one hundred and eighty (180) days prior to the pending renewal date. The Initial Term and any Renewal Terms shall be considered, collectively, the "Term" of this Agreement.

b. Termination without Cause. Either Party may terminate this Agreement without cause at any time after the first year of the Term upon six months' written notice to the other Party.

c. Termination for Cause. Either Party may terminate this Agreement and/or any Order Form hereunder (i) upon 30 days written notice to the other Party of a material breach if such breach remains uncured at the expiration of such period; (ii) immediately on written notice if the other Party becomes the subject of a petition in bankruptcy or any other proceeding (whether voluntary or involuntary) relating to

insolvency, administration, receivership, administrative receivership, liquidation or assignment for the benefit of creditors, or if the other Party suspends or ceases, or threatens to suspend or cease, carrying on all or a substantial part of its business, or takes or suffers any similar or analogous procedure, action or event in consequence of debt in any jurisdiction; or (iii) immediately if the other Party is subject to a Change in Control in favor of a direct competitor of the terminating Party.

d. Termination of the Trademark License. Without limiting Salesforce.com's rights with respect to the entire Agreement under **Sub-part (c)** (Termination for Cause) immediately above, Salesforce.com may immediately terminate the Trademark License for one or more uses of one or more Licensed Marks on written notice to Reseller if: (i) Reseller's uses of any of the Licensed Marks are inconsistent with the Trademark License; (ii) Reseller uses any marks that are not identified in this Agreement as Licensed Marks without Salesforce.com's permission; (iii) Reseller challenges Salesforce.com's ownership of any Licensed Marks or the validity of one or more Licensed Marks; and/or (iv) any of Reseller's services, Activities or Materials fail to meet Salesforce.com's quality control standards or then-current Trademark Usage Policies. In addition to the foregoing, Salesforce.com may terminate the Trademark License for one or more uses of one or more Licensed Marks (1) without stating any reason upon one hundred and eight (180) days' written notice to Reseller; or (2) immediately if Salesforce.com believes in its sole discretion that such termination will avoid or halt a claim of infringement, unfair competition or false advertising.

e. Effects of Expiration or Termination . Expiration or termination of this Agreement shall not relieve the Parties of any rights or obligations accruing prior to such expiration or termination. Upon expiration or termination for any reason (i) all of Reseller's rights to resell and market the Service and/or Support shall cease; (ii) Reseller shall immediately cease all representations that it is a Salesforce.com Reseller, and (iii) each Party shall return to the other all Confidential Information of the other Party in its possession or under its control. Following expiration of the Agreement (including if a Party elects not to renew), each Order Form (including all User subscriptions, Salesforce.com obligations to provide the Service, and Reseller payment obligations thereunder) outstanding at the time of such termination or expiration shall remain in effect for the duration of its term and shall continue to be governed by this Agreement as if it had not been terminated (" **Legacy Orders** "), except, at Salesforce.com's option, to the extent of any material breach by the applicable Customer of its payment obligations for the Service or the Salesforce.com Service Terms. Additionally, Salesforce.com shall have the option of assuming the Customer relationship and at its option renewing any expiring Legacy Orders directly with a Customer without payment to Reseller. Upon termination or expiration of this Agreement, Reseller shall immediately cease all use of the Licensed Marks in relation to all of its Activities and Materials, including as or within its company name and trade name, unless usage of such Licensed Marks is allowed in a separate written agreement between the parties.

f. Survival. Notwithstanding any other provision of this Agreement: (a) the termination or expiration of this Agreement will not relieve either Party of its outstanding payment obligations at the time of such termination or expiration; and (b) the following provisions of this Agreement and those specified as surviving provisions in this Agreement, and all other provisions necessary to their interpretation or enforcement, will survive indefinitely after the expiration or termination of this Agreement and will remain in full force and effect and be binding upon the Parties as applicable: the obligations of the Parties set forth in **Sections** 9 (Invoicing and Payment), **11** (Term and Termination), **12** (Confidentiality), **13** (Intellectual Property), **(14)(c)** (Ownership), **(15)(d)** (Warranty Disclaimer), **16** (Mutual Indemnification), **17** (Limitation of Liability), and **19** (General) shall survive any expiration or termination of this Agreement.

12. Confidentiality

a. Definition of Confidential Information . " **Confidential Information** " means all information disclosed by a Party (" **Disclosing Party** ") to the other Party (" **Receiving Party** "), whether orally or in writing, that is designated as confidential or that reasonably should be understood to be confidential given the nature of the information and the circumstances of disclosure. Confidential Information of Customer includes Customer Data; Confidential Information of Salesforce.com includes the Services and Content; and

Confidential Information of each Party includes the terms and conditions of this Agreement and all Order Forms (including pricing), as well as business and marketing plans, technology and technical information, product plans and designs, and business processes disclosed by such Party. However, Confidential Information does not include any information that (i) is or becomes generally known to the public without breach of any obligation owed to the Disclosing Party, (ii) was known to the Receiving Party prior to its disclosure by the Disclosing Party without breach of any obligation owed to the Disclosing Party, (iii) is received from a third party without breach of any obligation owed to the Disclosing Party, or (iv) was independently developed by the Receiving Party.

b. Protection of Confidential Information . The Receiving Party will use the same degree of care that it uses to protect the confidentiality of its own confidential information of like kind (but not less than reasonable care) (i) not to use any Confidential Information of the Disclosing Party for any purpose outside the scope of this Agreement, and (ii) except as otherwise authorized by the Disclosing Party in writing, to limit access to Confidential Information of the Disclosing Party to those of its and its Affiliates' employees and contractors who need that access for purposes consistent with this Agreement and who have signed confidentiality agreements with the Receiving Party containing protections no less stringent than those herein. Neither Party will disclose the terms of this Agreement or any Order Form to any third party other than its Affiliates, legal counsel and accountants without the other Party's prior written consent, provided that a Party that makes any such disclosure to its Affiliate, legal counsel or accountants will remain responsible for such Affiliate's, legal counsel's or accountant's compliance with this **Section 12** .

c. Compelled Disclosure . The Receiving Party may disclose Confidential Information of the Disclosing Party to the extent compelled by law to do so, provided the Receiving Party gives the Disclosing Party prior notice of the compelled disclosure (to the extent legally permitted) and reasonable assistance, at the Disclosing Party's cost, if the Disclosing Party wishes to contest the disclosure. If the Receiving Party is compelled by law to disclose the Disclosing Party's Confidential Information as part of a civil proceeding to which the Disclosing Party is a party, and the Disclosing Party is not contesting the disclosure, the Disclosing Party will reimburse the Receiving Party for its reasonable cost of compiling and providing secure access to that Confidential Information

d. Customer Data Obligations. Reseller shall have no right to access Customer Data under this Agreement.

13. Intellectual Property

a. Ownership. Salesforce.com retains all right, title and interest in and to the Service and all material provided by Salesforce.com to Reseller, Customer and Users (" **Salesforce.com IP** "). Salesforce.com reserves all rights not expressly granted to Reseller by this Agreement. Reseller shall not attempt or purport to transfer any ownership interest in any Salesforce.com IP to Customer or to any other third party.

b. Equitable Relief . Reseller acknowledges that any breach of its obligations with respect to the proprietary rights of Salesforce.com may cause Salesforce.com irreparable injury for which there are no adequate remedies at law, in which case Salesforce.com shall be entitled to apply for equitable relief in addition to all other remedies available to it.

c. License by Reseller to Use Feedback . Reseller grants to Salesforce.com and its Affiliates a worldwide, perpetual, transferrable, irrevocable, royalty-free license to use and incorporate into the Services any suggestion, enhancement request, recommendation, correction or other feedback provided by Reseller relating to the operation of the Services.

14. Trademark License.

a. License Grant.

(i) License. Subject to the terms of this Agreement, Salesforce.com hereby grants to Reseller a revocable, non-exclusive, royalty-free, non-transferable, non-sublicensable, license to use the Licensed Marks in the Territory during the Term solely in connection with Activities. Salesforce.com also grants the right to Reseller to include SALESFORCE and SALESFORCE.ORG marks within Reseller's company name and tradename provided that such Reseller's company name and tradename is uses solely for the Activities. Except as expressly permitted, Reseller shall not use the Licensed Marks on or in connection with any goods or services in trade other than as part of the Activities. Nothing in this Agreement shall limit or restrict Salesforce.com's right to grant similar rights or licenses to one or more additional persons, firms, corporations or other entities in Salesforce.com's sole discretion and Salesforce may grant Reseller additional rights under other agreements.

(ii) Additional Licensed Marks. Reseller agrees that it shall not adopt, use or seek to protect in any way, any trademarks, service marks, logos, stylizations, or other source identifiers without Salesforce.com's prior written approval. Reseller may request approval by submitting an email request to Salesforce.com's trademark group at the trademarks@salesforce.com email alias. Salesforce.com shall have sole discretion to permit or prohibit use of said mark(s). If Salesforce.com permits Reseller to use the mark, the Parties agree that (i) Salesforce.com shall own the mark, and may opt to attempt to register the mark at Salesforce.com's sole discretion, (ii) the mark will be deemed added to the list of Licensed Marks, and treated as a Licensed Mark under this Agreement, (iii) Reseller shall use said mark as Salesforce.com's licensee, subject to the terms of this Agreement, and (iv) any such use shall inure to the sole benefit of Salesforce.com.

(iii) List of Licensed Marks. The Parties agree that Salesforce.com shall have the right, at its sole discretion, to update the list of Licensed Marks from time to time for the purpose of adding new marks for use by Reseller as described in Section 14(a)(ii) above, or for the purpose of updating any existing Licensed Marks. Any marks added or updated after the Effective Date shall be treated as Licensed Marks under this Agreement. Reseller agrees that any use by Reseller of any new Licensed Marks (a) which Salesforce.com adds to the list of Licensed Marks after the Effective Date, or (b) to which the Parties agree in a separate agreement shall be made subject to the terms of this Agreement.

b. Quality Control.

(i) Quality Standards. Reseller agrees that the nature and quality of any materials, products and services it supplies in connection with the Licensed Marks shall be of high quality in Salesforce.com's industry and in Reseller's industry, shall not adversely affect the good name of Salesforce.com, and shall conform to the standards as may be prescribed from time to time by Salesforce.com. Reseller further agrees that all materials, products and services made, shipped, promoted, sold or otherwise provided hereunder by Reseller shall be in conformity with all applicable laws and regulations, and Salesforce.com's specification.

(ii) Markings. Reseller will cause the Licensed Marks to be displayed only in such form or manner as may be specifically approved by Salesforce.com. Reseller will also cause to appear on all materials on or in connection with which the Licensed Marks are used, the following legend:

> "Salesforce and the Salesforce logo are trademarks or registered trademarks of salesforce.com, inc. in the U.S and other countries and are used under license."

and such additional markings and notices as Salesforce.com may request in order to give appropriate notice of any trademark, trade name or other rights. No other markings, legends or notices may be used by Reseller except as approved by Salesforce.com in advance of such use.

(iii) Quality Inspection. Reseller agrees to cooperate with Salesforce.com in facilitating Salesforce.com's monitoring and control of the nature and quality of any materials and services provided

by Reseller under the Licensed Marks. Salesforce.com shall have the right to inspect any and all Materials to assess the level of consistency and quality of such use. Reseller shall promptly provide such specimens upon Salesforce.com's request at no cost to Salesforce.com. If, at any time, Salesforce.com reasonably determines that Reseller's services or Materials bearing or offered in connection with the Licensed Marks fail to conform to Salesforce.com's trademark policies and standards, Salesforce.com shall so notify Reseller in writing and Reseller shall correct the non-conformance and provide a corrected specimen displaying the Licensed Marks to Salesforce.com for review within thirty (30) days from the written notice from Salesforce.com regarding such non-conformance. Any failure to so conform shall constitute a material breach of this Agreement.

c. Ownership .

(i) Ownership by Salesforce.com. All right, title, and interest in and to the Licensed Marks shall remain exclusively with Salesforce.com. During the Term and thereafter, Reseller will not contest Salesforce.com's exclusive right, title and interest in and to, or the validity of, the Licensed Marks or their translations or transliterations. In addition, Reseller will not in any manner represent that it has any interest in the Licensed Marks, except for the limited license provided herein. Use of the Licensed Marks by Reseller shall inure to the sole benefit of and be on behalf of Salesforce.com. Except as permitted in this Agreement, Reseller agrees that it shall not adopt or use the Licensed Marks or their translations or transliterations, or any words or combination of words containing the Licensed Marks, or any confusingly similar designation, as a corporate name, trade name, trademark, service mark or certification mark. Reseller acknowledges that its use of the Licensed Marks as provided herein will not create or confer any right, title or interest in any other trademark or service mark of Salesforce.com, or in the Licensed Marks in combination with other words. Except as otherwise provided for in this Agreement, Reseller shall not claim, seek or obtain protection of any kind, including registration, of the Licensed Marks or their translations or transliterations, or any letter-strings words or combination of words containing the Licensed Marks, or any confusingly similar designation, anywhere in the world without the prior written consent of Salesforce.com. Upon termination of this Agreement for any reason, all licensed rights in the Licensed Marks will automatically revert to Salesforce.com.

(ii) Further Action by Reseller. Reseller shall, at any time at Salesforce.com's request, execute any documents reasonably required by Salesforce.com to confirm Salesforce.com's ownership of all rights to the Licensed Marks. If Reseller learns of any use by any person or entity of a trademark or trade name similar to any of the Licensed Marks, Reseller shall promptly notify Salesforce.com in writing of such use.

(iii) Power of Attorney. Reseller hereby constitutes and appoints Salesforce.com as Reseller's true and lawful attorney in fact, with full power of substitution in Reseller's name and stead, to take any and all steps, including proceedings at law, in equity or otherwise, to execute, acknowledge and deliver any and all instruments and assurances necessary or expedient in order to vest or perfect the aforesaid rights more effectively in Salesforce.com, or to protect the same or to enforce any claim or right of any kind with respect thereto. This includes, but is not limited to, any rights with respect to the Licensed Marks that may have accrued in Salesforce.com's favor from the respective date of first use of the Licensed Marks to the Effective Date or to effect Salesforce.com's rights under Section 11(e). Reseller hereby declares that the foregoing power is coupled with an interest and as such is irrevocable.

15. Representations, Warranties and Disclaimers

a. Representations . Each Party represents that it has validly entered into this Agreement and has the legal power to do so.

b. Salesforce.com Warranties . In respect only of Pass-Through Customers, Salesforce.com warrants to Reseller that (a) this Agreement, the Order Forms and the Documentation accurately describe the applicable administrative, physical, and technical safeguards for protection of the security, confidentiality and integrity of Customer Data, (b) Salesforce.com will not materially decrease the overall security of the Services during a subscription term, (c) the Services will perform materially in accordance with the applicable Documentation, (d) subject to **Section 15(e)** (Integration with Non-Salesforce.com Applications) below, Salesforce.com will not materially decrease the functionality of the Services during a subscription term, and (e) the Services and Content will not introduce Malicious Code into Customer's systems. For any breach of an above warranty, Reseller's exclusive remedy shall be to terminate the applicable Order Form for material breach of this Agreement in accordance with the Termination for Cause provisions of this Agreement, and to receive a pro rata refund of the fees which were prepaid by Reseller to Salesforce.com under the applicable Order Form which are allocable to the subscription period after the effective date of such termination. The above warranties shall not apply to the extent of any non-compliance resulting from the combination of the Service with any third party application or service, or modification of the Service not authorized by the Documentation, whether by Reseller, Customer or any third party.

c. Reseller. Reseller warrants to that (i) Reseller has obtained and will maintain any and all consents, approvals, licenses, or other authorizations necessary for the performance of its obligations and the grant of any rights to resell under this Agreement; (ii) Reseller will not make any representations or warranties on Salesforce.com's behalf without Salesforce.com's prior written authorization (i.e., in the form of shared negotiation guidelines) or specific one-off consent (i.e., via email from a subject matter expert within the SFDC legal team); and (iii) Activities conducted by the Reseller, and all Materials supplied in connection with the Activities, bearing or in connection with the Licensed Marks, will comply with the terms of this Agreement and the quality standards set forth in the Trademark License.

d. WARRANTY DISCLAIMER.

(i) EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE PARTIES DO NOT MAKE OR GIVE ANY OTHER REPRESENTATIONS, WARRANTIES, CONDITIONS OR GUARANTEES WHATSOEVER REGARDING THIS AGREEMENT, THE SUBJECT MATTER OF THIS AGREEMENT OR ANY RELATED MATTER, AND EACH PARTY HEREBY DISCLAIMS ALL REPRESENTATIONS, WARRANTIES, CONDITIONS, AND GUARANTEES OF EVERY NATURE AND KIND WHATSOEVER, EXPRESS OR IMPLIED BY LAW, INCLUDING ANY STATUTE OR REGULATION, OR ARISING FROM CUSTOM OR TRADE USAGE OR BY ANY COURSE OF DEALING OR COURSE OF PERFORMANCE, INCLUDING WITHOUT LIMITATION ANY REPRESENTATIONS, WARRANTIES OR CONDITIONS OF MERCHANTABILITY, NONINFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE. WITHOUT PREJUDICE TO THE FOREGOING, CONTENT IS PROVIDED 'AS IS' AND WITHOUT WARRANTY OF ANY KIND, AND EACH PARTY DISCLAIMS ALL LIABILITY AND INDEMNIFICATION OBLIGATIONS FOR ANY HARM, DAMAGES OR OTHER LIABILITY CAUSED BY ANY THIRD PARTY HOSTING PROVIDERS.

(ii) SALESFORCE.COM LICENSES THE LICENSED MARKS TO RESELLER UNDER THE TRADEMARK LICENSE INCLUDED IN THIS AGREEMENT "AS IS" AND WITHOUT WARRANTY OF ANY KIND. SALESFORCE.COM HEREBY DISCLAIMS ANY AND ALL WARRANTIES WITH RESPECT TO THE LICENSED MARKS, WHETHER STATUTORY, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NONINFRINGEMENT OF THIRD PARTY RIGHTS.

e. Integration with Non-Salesforce.com Applications . The Services may contain features designed to interoperate with Non-Salesforce.com Applications. To use such features, Customer may be required to obtain access to Non-Salesforce.com Applications from their providers, and may be required to grant Salesforce.com access to Customer's account(s) on the Non-Salesforce.com Applications. If the provider of a Non-Salesforce.com Application ceases to make the Non-Salesforce.com Application available for interoperation with the corresponding Service features on reasonable terms, Salesforce.com may cease providing those Service features without entitling Customer to any refund, credit, or other compensation.

16. Mutual Indemnification

a. Indemnification by Salesforce.com . Salesforce.com will defend Reseller against any claim, demand, suit or proceeding made or brought against Reseller by a Pass-Through Customer based on a claim, demand, suit or proceeding (i) made or brought against that Customer by a third party alleging that the use of a Service in accordance with this Agreement infringes or misappropriates such third party's intellectual property rights; or (ii) arising from an unauthorized disclosure of Customer Data resulting from SFDC's breach of its obligations under **Section 12** (Confidentiality), **Exhibit E** (HIPAA Addendum) or **Exhibit F** (Data Processing Addendum) (each a " **Claim Against Customer** "), and will indemnify Reseller from any damages, attorney fees and costs finally awarded against Reseller as a result of, or for amounts paid by Reseller under a court-approved settlement of, a Claim Against Customer, provided Reseller (i) promptly gives Salesforce.com written notice of the Claim Against Customer, (ii) gives Salesforce.com sole control of the defense and settlement of the Claim Against Customer (except that Salesforce.com may not settle any Claim Against Customer unless it unconditionally releases Reseller of all liability), and (iii) gives Salesforce.com all reasonable assistance, at Salesforce.com's expense. If Salesforce.com receives information about an infringement or misappropriation claim related to a Service, Salesforce.com may in its discretion and at no cost to Reseller (A) modify the Services so that they no longer infringe or misappropriate, without breaching Salesforce.com's warranties under "Salesforce.com Warranties" above, (B) obtain a license for Reseller's Customer's continued use of that Service in accordance with this Agreement, or (C) terminate Reseller's subscriptions for that Service upon 30 days' written notice and refund Reseller any prepaid fees paid by Reseller covering the remainder of the term of the terminated subscriptions. The above defense and indemnification obligations do not apply to the extent a Claim Against Customer arises from Content, a Non-Salesforce.com Application, Reseller's breach of this Agreement, or its Customer's breach of the Salesforce.com Service Terms.

b. Indemnification by Reseller. Reseller will defend Salesforce.com against any claim, demand, suit or proceeding made or brought against Salesforce.com (i) by a third party or a Customer based on a representation made by Reseller or Reseller's agent to such third party, including without limitation any misrepresentation or any representation made in breach of **Section** 1 **(b)(i)** (Sales Engagement); (ii) by a third party or a Customer based on a breach of **Section 18** (Compliance); (iii) by a third party alleging that the Customer Data, or Customer's use of any Service or Content in breach of the Salesforce.com Service Terms, infringes or misappropriates such third party's intellectual property rights or violates applicable law; or (iv) by a Customer based on acts or omissions of Reseller in breach of this Agreement (each, a " **Claim Against Salesforce.com** "), and will indemnify Salesforce.com from any damages, attorney fees and costs finally awarded against Salesforce.com as a result of, or for any amounts paid by Salesforce.com under a court-approved settlement of, a Claim Against Salesforce.com, provided Salesforce.com (a) promptly gives Reseller written notice of the Claim Against Salesforce.com, (b) gives Reseller sole control of the defense and settlement of the Claim Against Salesforce.com (except that Reseller may not settle any Claim Against Salesforce.com unless it unconditionally releases Salesforce.com of all liability), and (c) gives Reseller all reasonable assistance, at Reseller's expense.

c. Exclusive Remedy. This **Section 16** states the indemnifying Party's sole liability to, and the indemnified Party's exclusive remedy against, the other Party for any type of indemnified claim described herein.

17. Limitation of Liability

a. Limitation of Liability. Subject to **Sub-parts (b)** (Exclusion of Consequential and Related Damages) and **(c)** (Limitation of Restrictions) immediately below, and except for breaches of intellectual property rights and indemnification obligations, neither Party's liability arising out of or related to this Agreement (whether in contact or tort or under any other theory of liability) shall exceed $10 million dollars ($10,000,000). The foregoing shall not limit Reseller's payment obligations under **Sections** 8 (Fees) and 9 (Invoicing and Payment) above.

b. Exclusion of Consequential and Related Damages . Subject to **Sub-part (c)** (Limitation of Restrictions) immediately below, and except for either Party's breach of the other Party's intellectual property rights, in no event shall either Party have any liability to the other Party under or in relation to this Agreement whether in contract, tort or under any other theory of liability for any lost profits or for any indirect, special, incidental, punitive or consequential damages arising from or related to this Agreement, howsoever caused and whether or not such losses are foreseeable, even if that Party has been advised (or is otherwise aware) of the possibility of such losses in advance.

c. Limitation of Restrictions . Nothing in this **Section 17** shall exclude or limit Salesforce.com's liability under its indemnification obligations arising under **Section 16 (a)** (Indemnification by Salesforce.com), **Sub-part (i)** only; or Reseller's liability under its indemnification obligations arising under **Section 16** (b) (Indemnification by Reseller).

18. Compliance.

a. Compliance with Laws. Reseller shall comply with all applicable laws and regulations in its activities hereunder, including marketing and advertising activities. Reseller shall not engage in any deceptive, misleading, illegal or unethical activities, or activities that otherwise may be detrimental to Salesforce.com's brands or Salesforce.com.

b. Export Compliance. Reseller acknowledges that the Services may be subject to the export and import laws, regulations and requirements of the United States and other countries. Reseller agrees to comply with such export and import laws, regulations, requirements, ordinances, and judicial administrative orders restricting or prohibiting trade with certain individuals and/or countries. Without limiting the foregoing, Reseller agrees that it will not export or re-export the Services (i) to any party who is subject to restrictions requiring an export license, as further described in http://export.gov/ecr/eg_main_023148.asp or successor sites, (ii) to any country that is subject to embargo (currently Cuba, Iran, North Korea, Sudan and Syria), or (iii) to any person whom the Reseller knows, or has reason to know, is engaged in the development, production, stockpiling or use of nuclear, chemical or biological weapons, or missiles.

c. Anti-Corruption. Reseller shall comply with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and the anti-corruption laws of other countries, to the extent applicable. Reseller hereby represents and warrants that in its performance under this Agreement Reseller has not, and will not at any time, directly or indirectly (through a third party), pay, offer, give or promise to pay or give, or authorize the payment of, any monies or any other thing of value to any person to influence improper performance or secure an improper advantage or unjust benefit. It is the intent of the Parties that Reseller shall not make any payments or transfer(s) of value which have the purpose or effect of public or commercial bribery, acceptance of or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining or retaining business.

d. Consequences of Violation . Reseller shall promptly inform Salesforce.com in writing upon becoming aware of any violations of laws in connection with this Agreement. Reseller hereby acknowledges and agrees that any violation by Reseller of this **Section 18** will constitute a material breach of this Agreement. In the event of such a violation, Salesforce.com will have the right to terminate this Agreement, without any liability whatsoever to Reseller, immediately upon providing written notice of termination to Reseller. Termination of this Agreement by Salesforce.com under this section shall be in addition to, and not in lieu of, Salesforce.com's other legal rights and remedies.

e. Compliance Training and Certification . Reseller agrees that, to help Reseller comply with applicable law and any obligations set forth in this **Section 18** , it has developed or will develop training and certification programs for employees, third parties, and anyone engaging in sales on Reseller's behalf pursuant to this Agreement, including but not limited to creating an employee code of conduct and associated training. As a part of Salesforce.com's ongoing compliance training and management program, Salesforce.com may request certification from Reseller of its compliance with the obligations set forth in this **Section 18** , and

Reseller agrees to promptly comply with such certification request. In the event Salesforce.com reasonably and in good faith disputes Reseller's certification or reasonably believes Reseller has violated its obligations set forth herein, Salesforce.com shall have the right to review Reseller's records to ensure compliance.

19. General

a. Recordkeeping and Inspection. Reseller shall maintain adequate books and records in connection with its activities hereunder. Such records shall include invoicing, payment and other financial records associated with each transaction, which Reseller and/or Salesforce.com will summarize and confirm in a monthly report. Salesforce.com may audit the relevant books and records of Reseller to ensure compliance with the terms of this Agreement upon reasonable notice to Reseller. Any such audit shall be conducted during regular business hours at Reseller's offices and shall not unreasonably interfere with Reseller's business activities. If an audit reveals that Reseller has underpaid fees to Salesforce.com, Reseller shall be invoiced for such underpaid fees based upon the fees in effect at the time the underpaid fees were incurred and Reseller should repay such invoice within forty-five (45) days. Audits shall be performed no more than twice during any twelve (12) month period.

b. Notice of Any Claim. Reseller will notify Salesforce.com promptly in writing of any claim or proceeding involving the Service that is brought to Reseller's attention.

c. Entire Agreement and Order of Precedence . This Agreement is the entire agreement between Salesforce.com and Reseller regarding Reseller's rights to resell the Services and supersedes all prior and contemporaneous agreements, proposals or representations, written or oral, concerning its subject matter, including, without limitation, that certain Reseller Agreement dated January 30, 2009 by and between Reseller and SFDC. No representation, undertaking or promise shall be taken to have been given or be implied from anything said or written in negotiations between the Parties prior to this Agreement except as expressly stated in this Agreement. Neither Party shall have any remedy with respect to any untrue statement made by the other upon which that Party relied in entering this Agreement (unless such untrue statement was made fraudulently) and that Party's only remedies shall be for breach of contract as provided in this Agreement. Except with respect to updates to **Exhibit A** (Pass-Through Terms) by Salesforce.com in accordance with **Section** 5 (Customer Agreements and Product Specific Terms), no modification, amendment, or waiver of any provision of this Agreement will be effective unless in writing and signed by the Party against whom the modification, amendment or waiver is to be asserted. The Parties agree that any term or condition stated in a Reseller purchase order or in any other Reseller order documentation (excluding Order Forms) is void. In the event of any conflict or inconsistency among the following documents, the order of precedence shall be: (1) any exhibit, schedule or addendum to this Agreement in effect as of the Effective Date or added later in the Term by mutually executed amendment, (2) the body of this Agreement, and (3) the Documentation.

d. Relationship of the Parties . The Parties are independent contractors. This Agreement does not create a partnership, franchise, joint venture, agency, fiduciary or employment relationship between the Parties, and notwithstanding the use of the term "partner" by either Party in reference to the other to describe Reseller's relationship with Salesforce.com as a Salesforce.com reseller or as a participant in a Salesforce partner program in public and private positioning, neither Party will represent that it has any authority to assume or create any obligation, express or implied, on behalf of the other Party, nor to represent the other Party as agent, employee, franchisee, or partner in any other capacity or legal sense. Reseller shall not make any proposals, promises, warranties, guarantees, or representations on Salesforce's behalf or in Salesforce's name.

e. Inurement / No Third Party Beneficiaries. This Agreement will inure to the benefit of and will be binding upon the Parties and their respective successors and permitted assigns. There are no third party beneficiaries to this Agreement. The rights of the Parties to terminate, rescind or agree any variation, waiver or settlement under this Agreement is not subject to the consent of any person that is not a Party to this Agreement

f. Notices . Except as otherwise specified in this Agreement, all notices permissions and approvals related to this Agreement will be in writing and will be deemed to have been given upon (a) personal delivery, (b) the second business day after mailing, (c) the second business day after sending by confirmed facsimile, or (d), except for notices of termination or an indemnifiable claim (" **Legal Notices** "), the day of sending by email. Notices to Salesforce.com shall be addressed to the attention of its VP, Worldwide Sales Operations, with a copy to its General Counsel, at salesforce.com, inc., The Landmark at One Market, Suite 300, San Francisco, California 94105; fax (415) 901-7040. Billing-related notices to Reseller will be addressed to the relevant billing contact designated by Reseller, and Legal Notices to Reseller will be addressed to Reseller (at the "Reseller Address" identified at the beginning of this Agreement, or at the "Reseller Address for Legal Notices (if different from the Reseller Address)") and be clearly identifiable as Legal Notices. All other notices to Reseller will be addressed to the relevant Services system administrator designated by Reseller.

g. Waiver / Cumulative Remedies . No failure or delay by either Party in exercising any right under this Agreement will constitute a waiver of that right. No consent or waiver by a Party to or of any breach or default by the other Party in its performance of its obligations under this Agreement will be: (a) effective unless in writing and signed by both Parties; or (b) deemed or construed to be a consent to or waiver of a continuing breach or default or any other breach or default of those or any other obligations of that other Party. The Parties' respective rights and remedies under this Agreement are cumulative and not exclusive of any other rights or remedies to which the Parties may be lawfully entitled under this Agreement or at law or equity, and the Parties will be entitled to pursue any and all of their respective rights and remedies concurrently, consecutively and alternatively.

h. Waiver of Jury Trial. Each Party hereby irrevocably waives any right to jury trial in connection with any action or litigation relating to this Agreement.

i. Severability. If any provision (or part of a provision) of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, it shall, insofar as it is severable from the remainder of this Agreement, be deemed omitted from this Agreement, and the remaining provisions of this Agreement will remain in effect.

j. Assignment . Neither Party may assign any of its rights or obligations hereunder, whether by operation of law or otherwise, without the other Party's prior written consent (not to be unreasonably withheld); provided, however, Salesforce.com may assign this Agreement in its entirety (including all Order Forms), without Reseller's consent to its Affiliate or in connection with a merger, acquisition, corporate reorganization, or sale of all or substantially all of its assets. Notwithstanding the foregoing, if a Party is acquired by, sells substantially all of its assets to, or undergoes a Change in Control in favor of, a direct competitor of the other Party, then such other Party may terminate this Agreement upon written notice. In the event of such a termination, Salesforce.com will refund Reseller any prepaid fees covering the remainder of the term of all subscriptions. Subject to the foregoing, this Agreement will bind and inure to the benefit of the Parties, their respective successors and permitted assigns.

k. Governing Law . This Agreement shall be governed exclusively by, and construed exclusively in accordance with, the laws of the United States and the State of California, without regard to its conflicts of laws provisions.

l. Venue . The state or federal courts located in San Francisco County, California, will have exclusive jurisdiction to adjudicate any dispute relating to this Agreement. Each Party hereby irrevocably consents to the exclusive jurisdiction of such courts.

m. Counterparts . This Agreement may be executed by facsimile or as attachment (in a standard readable format, such as pdf or jpg) to an email, and in counterparts, each of which shall constitute an original, and which taken together shall constitute the same agreement.

End of Terms and Conditions

Exhibit A

salesforce.com, inc.

Pass-Through Terms

PREAMBLE

These Pass-Through Terms consist of the sections marked **Preamble** , **Definitions** , and **Applicable Terms** . These Pass-Through Terms apply between Salesforce's Reseller and its Customer with respect to Services ordered by Customer from such Reseller.

salesforce.com, inc. is not a party to these Pass-Through Terms, which apply solely between Reseller and Customer, and Customer has no right to enforce or bring any claim against Salesforce.com with respect to these Pass-Through Terms. However, Salesforce.com is a third party beneficiary to these Pass-Through Terms, and shall have the benefit of and the right to enforce these Pass-Through Terms between Customer and Reseller.

DEFINITIONS

" **Affiliate** " means any entity that directly or indirectly controls, is controlled by, or is under common control with the subject entity.

" **Control** ," for purposes of this definition, means direct or indirect ownership or control of more than 50% of the voting interests of the subject entity.

" **Beta Services** " means Salesforce.com services that are not generally available to customers.

" **Content** " means information obtained by Salesforce.com from its content licensors or publicly available sources and provided to Customer pursuant to an Order Form, as more fully described in the Documentation.

" **Customer** " means the customer and its Affiliates ordering Services from Reseller.

" **Customer Data** " means electronic data and information submitted by or for Customer to the Services or collected and processed by or for Customer using the Services, excluding Content and Non-Salesforce.com Applications.

" **Documentation** " means Salesforce's online user guides, help and training material for the applicable Services, accessible via help.salesforce.com or login to the applicable Services, as updated from time to time, including without limitation any notices and license information, external usage policies, and security, privacy and architecture documentation for the applicable Services accessible through the **Trust and Compliance** section of the help.salesforce.com website at

help.salesforce.com/apex/HTViewSolution?urlname=Trust-and-Compliance-Documentation&language=en_US

or any successor website, as updated from time to time.

" **Malicious Code** " means code, files, scripts, agents or programs intended to do harm, including, for example, viruses, worms, time bombs and Trojan horses.

" **Marketplace** " means an online directory, catalog or marketplace of applications that interoperate with the Services, including, for example, the AppExchange located at www.salesforce.com/appexchange, the Heroku add-ons catalog located at addons.heroku.com , and any successor websites.

“ **Non-Salesforce.com Application** ” means a Web-based or offline software application that is provided by Reseller, Customer or a third party and interoperates with a Service, including, for example, an application that is developed by or for Customer, is listed on a Marketplace, or is identified as Salesforce.com Labs or by a similar designation.

“ **Order Form** ” means an ordering document specifying the Services to be provided hereunder that is entered into between Customer and Reseller, including any addenda and supplements thereto. By entering into an Order Form, an Affiliate agrees to be bound by the terms of these Pass-Through Terms as if it were an original party hereto.

“ **Product Specific Terms** ” means standard terms from Salesforce.com that apply specifically to one or more particular Service, as set out in the applicable order from between Salesforce.com and Reseller, which Reseller is obliged to set out in the applicable Order Form.

“ **Reseller** ” means the reseller authorized by Salesforce.com to resell Services from whom Customer orders Services.

“ **Salesforce.com** ” means salesforce.com, inc., a Delaware corporation having its principal place of business at The Landmark @ One Market, Suite 300, San Francisco, California 94105.

“ **Services** ” means the products and services that are ordered by Customer under an Order Form and made available online by Salesforce, including associated offline components, as described in the Documentation. “Services” exclude Content and Non-Salesforce.com Applications .

“ **User** ” means an individual who is authorized by Customer to use a Service, for whom Customer has ordered the Service, and to whom Customer (or Salesforce.com at Customer’s request) has supplied a user identification and password. Users may include, for example, employees, consultants, contractors and agents of Customer, and third parties with which Customer transacts business.

APPLICABLE TERMS

1. Salesforce.com RESPONSIBILITIES

a. Provision of Services. Salesforce.com will (a) make the Services and Content available to Customer pursuant to these Pass-Through Terms and the applicable Order Forms, (b) provide Salesforce.com standard support for the Services to Customer at no additional charge, and/or upgraded support if purchased, (c) use commercially reasonable efforts to make the online Services available 24 hours a day, 7 days a week, except for: (i) planned downtime (of which Salesforce.com shall give at least 8 hours electronic notice and which Salesforce.com shall schedule to the extent practicable during the weekend hours between 6:00 p.m. Friday and 3:00 a.m. Monday Pacific time), and (ii) any unavailability caused by circumstances beyond Salesforce’s reasonable control, including, for example, an act of God, act of government, flood, fire, earthquake, civil unrest, act of terror, strike or other labor problem (other than one involving Salesforce.com employees), Internet service provider failure or delay, Non-Salesforce.com Application, or denial of service attack, and (d) provide the Services in accordance with applicable laws and government regulations when used according to these Pass-Through Terms and the Documentation.

b. Authorized Salesforce.com Personnel. Salesforce.com will be responsible for the performance of its personnel (including its employees and contractors) and their compliance with Salesforce’s obligations under these Pass-Through Terms (including confidentiality and security obligations), except as otherwise specified herein.

c. Beta Services. From time to time, Salesforce.com may invite Customer to try Beta Services at no charge. Customer may accept or decline any such trial in its sole discretion. Beta Services will be clearly designated as beta, pilot, limited release, developer preview, non-production, evaluation or by a description of similar import. Beta Services are for evaluation purposes and not for production use, are not considered

"Services" under these Pass-Through Terms, are not supported, and may be subject to additional terms. Customer's obligations with regards to Customer Data herein shall apply to data submitted to or collected through Beta Services, excluding any data that is Content. Unless otherwise stated, any Beta Services trial period will expire upon the earlier of one year from the trial start date or the date that a version of the Beta Services becomes generally available. Salesforce.com may discontinue Beta Services at any time in its sole discretion and may never make them generally available. Salesforce.com will have no liability for any harm or damage arising out of or in connection with a Beta Service.

2. USE OF SERVICES AND CONTENT

a. Subscriptions. Unless otherwise provided in the applicable Order Form, Services and Content are purchased as subscriptions.

b. Usage Limits. Services and Content are subject to usage limits, including, for example, the quantities specified in Order Forms. Unless otherwise specified, (a) a quantity in an Order Form refers to Users, and the Service or Content may not be accessed by more than that number of Users, (b) a User's password may not be shared with any other individual, and (c) a User identification may be reassigned to a new individual replacing one who no longer requires ongoing use of the Service or Content. If Customer exceeds a contractual usage limit, Salesforce.com may work with Customer and/or Reseller to seek to reduce Customer's usage so that it conforms to that limit. If, notwithstanding Salesforce's efforts, Customer is unable or unwilling to abide by a contractual usage limit, Customer will execute an Order Form with Reseller for additional quantities of the applicable Services or Content promptly upon Salesforce's request, and/or pay any invoice for excess usage in accordance with the "Invoicing and Payment" section below.

c. Customer Responsibilities. Customer will (a) be responsible for Users' compliance with these Pass-Through Terms, (b) comply with Product Specific Terms, including any Product Specific Terms notified to Customer which Reseller has failed to include in the applicable Order Form, (c) be responsible for the accuracy, quality and legality of Customer Data and the means by which Customer acquired Customer Data, (d) use commercially reasonable efforts to prevent unauthorized access to or use of Services and Content, and notify Salesforce.com promptly of any such unauthorized access or use, (e) use Services and Content only in accordance with the Documentation and applicable laws and government regulations, and (f) comply with terms of service of Non-Salesforce.com Applications with which Customer uses Services or Content.

d. Usage Restrictions. Customer will not (a) make any Service or Content available to, or use any Service or Content for the benefit of, anyone other than Customer or Users, (b) sell, resell, license, sublicense, distribute, rent or lease any Service or Content, or include any Service or Content in a service bureau or outsourcing offering, (c) use a Service to store or transmit infringing, libelous, or otherwise unlawful or tortuous material, or to store or transmit material in violation of third-party privacy rights, (d) use a Service to store or transmit Malicious Code, (e) interfere with or disrupt the integrity or performance of any Service or third-party data contained therein, (f) attempt to gain unauthorized access to any Service or Content or its related systems or networks, (g) permit direct or indirect access to or use of any Service or Content in a way that circumvents a contractual usage limit, (h) copy a Service or any part, feature, function or user interface thereof, (i) copy Content except as permitted herein or in an Order Form or the Documentation, (j) frame or mirror any part of any Service or Content, other than framing on Customer's own intranets or otherwise for its own internal business purposes or as permitted in the Documentation, (k) access any Service or Content in order to build a competitive product or service, or (l) reverse engineer any Service (to the extent such restriction is permitted by law).

e. External-Facing Services . If Customer subscribes to a Service for creation and hosting of external-facing websites, Customer will comply with, and be responsible for Users' compliance with, Salesforce's External-Facing Services Policy at www.salesforce.com/company/legal/, and be solely responsible for complying with applicable law in any use of cookies or other tracking technologies on such websites.

f. Removal of Content and Non-Salesforce.com Applications. If Salesforce.com is required by a licensor to remove Content, or receives information that Content provided to Customer may violate applicable law or third-party rights, Salesforce.com may so notify Customer and in such event Customer will promptly remove such Content from its systems. If Salesforce.com receives information that a Non-Salesforce.com Application hosted on a Service by Customer may violate Salesforce's External-Facing Services Policy or applicable law or third-party rights, Salesforce.com may so notify Customer and in such event Customer will promptly disable such Non-Salesforce.com Application or modify the Non-Salesforce.com Application to resolve the potential violation. If Customer does not take required action in accordance with the above, Salesforce.com may disable the applicable Content, Service and/or Non-Salesforce.com Application until the potential violation is resolved.

3. NON-SALESFORCE.COM PROVIDERS

a. Acquisition of Non-Salesforce.com Products and Services. Salesforce.com or third parties may make available (for example, through a Marketplace or otherwise) third-party products or services, including, for example, Non-Salesforce.com Applications and implementation and other consulting services. Any acquisition by Customer of such non-Salesforce.com products or services, and any exchange of data between Customer and any non-Salesforce.com provider, is solely between Customer and the applicable non-Salesforce.com provider. Salesforce.com does not warrant or support Non-Salesforce.com Applications or other non-Salesforce.com products or services, whether or not they are designated by Salesforce.com as "certified" or otherwise.

b. Non-Salesforce.com Applications and Customer Data. If Customer installs or enables Non-Salesforce.com Applications for use with the Services, Customer acknowledges that Salesforce.com may allow providers of those Non-Salesforce.com Applications to access Customer Data as required for the interoperation and support of such Non-Salesforce.com Applications with the Services. Separate terms shall apply between Customer and the Non-Salesforce.com Application providers regarding the use of such Non-Salesforce.com Applications , and Customer shall be responsible for evaluating whether such terms with the Non-Salesforce.com Application providers ensure appropriate protection of and access to Customer Data, and address responsibility for any disclosure, modification or deletion of Customer Data by the Non-Salesforce.com Application providers, or any breach of applicable privacy and data protection laws and regulations resulting from Non-Salesforce.com Application providers' access to Customer Data. Non-Salesforce.com Application providers shall not be considered subcontractors or sub-Data Processors of Salesforce.com or any of its Affiliates. Salesforce.com and its Affiliates shall not be responsible for any disclosure, modification, corruption, loss or deletion of Customer Data, or any breach of applicable privacy and data protection laws and regulations, resulting from any access by a Non-Salesforce.com Application provider to Customer Data through a Non-Salesforce.com Application installed by Customer or the Users.

c. Integration with Non-Salesforce.com Applications. The Services may contain features designed to interoperate with Non-Salesforce.com Applications. To use such features, Customer may be required to obtain access to Non-Salesforce.com Applications from their providers, and may be required to grant Salesforce.com access to Customer's account(s) on the Non-Salesforce.com Applications. If the provider of a Non-Salesforce.com Application ceases to make the Non-Salesforce.com Application available for interoperation with the corresponding Service features on reasonable terms, Salesforce.com may cease providing those Service features without entitling Customer to any refund, credit, or other compensation.

4. FEES AND PAYMENT

a. Fees and Payment. Payment of fees due under any Order Form, and the related payment terms, is exclusively between Customer and Reseller. Except as otherwise specified herein or in an Order Form, (i) fees are based on Services and Content purchased and not actual usage, (ii) payment obligations are non-cancelable and fees paid are non-refundable, and (iii) quantities purchased cannot be decreased during the relevant subscription term.

b. Suspension of Service. Customer acknowledges that if any charge is owed by Reseller to Salesforce.com with respect to Customer, and is 30 days or more overdue, Salesforce.com may, without limiting its other rights and remedies, suspend Services after following this process:

(i) Salesforce.com shall give both Customer and Reseller 10 or more days' prior notice that Reseller's account is overdue;

(ii) if after such period such charges still remain unpaid, Salesforce.com shall give Customer notice ("Second Notice") that Reseller's account is still overdue, and upon such Second Notice (a) Customer may by written notice to the Reseller withdraw its designation as Customer's Reseller (becoming a " **Former Reseller** "), and (b) either Customer and Salesforce.com shall in good faith and without delay negotiate with and appoint an alternative Reseller (" **New Reseller** ") and Salesforce.com and Former Reseller shall assign the applicable order from between Salesforce.com and the Former Reseller to the New Reseller, provided such assignment is effective within 30 days of the date of the Second Notice, or Customer shall elect not to appoint a New Reseller in which case Customer shall engage good faith discussions with Salesforce.com to agree a mutually acceptable payment schedule;

(iii) if Salesforce.com and Customer are unable to appoint an alternative Reseller and assign the order form within 30 days of the date of the Second Notice, or if Customer elects not to appoint an alternative Reseller, Customer shall have 30 days (or such later date as Customer and Salesforce.com agree) from the date of the Second Notice to pay directly to Salesforce.com the outstanding fees due from the Former Reseller and to execute an assignment to assign the applicable order from between Salesforce.com and the Former Reseller from Former Reseller to Customer;

(iv) if following such 30 days (or such later date as Customer and Salesforce.com agree) period the charges still remain overdue, Salesforce.com may suspend the Services until such amounts are paid in full.

c. Future Functionality. Customer agrees that its purchases are not contingent on the delivery of any future functionality or features, or dependent on any oral or written public comments made by Salesforce.com or Reseller regarding future functionality or features.

5. PROPRIETARY RIGHTS AND LICENSES

a. Reservation of Rights. Subject to the limited rights expressly granted hereunder, Salesforce.com and its licensors reserve all of their right, title and interest in and to the Services and Content, including all of their related intellectual property rights. No rights are granted to Customer hereunder other than as expressly set forth herein.

b. Access to Content . Access to Content is subject to the terms of applicable Order Forms, these Pass-Through Terms and the Documentation.

c. License by Customer to Host Customer Data and Applications . Customer grants Salesforce.com and its Affiliates a worldwide, limited-term license to host, copy, transmit and display Customer Data, and any Non-Salesforce.com Applications and program code created by or for Customer using a Service, as necessary for Salesforce.com to provide the Services in accordance with these Pass-Through Terms. Subject to the limited licenses granted herein, Salesforce.com acquires no right, title or interest from Customer or its licensors under these Pass-Through Terms in or to any Customer Data, Non-Salesforce.com Application or program code.

d. License by Customer to Use Feedback . Customer grants to Salesforce.com and its Affiliates a worldwide, perpetual, irrevocable, royalty-free license to use and incorporate into the Services any suggestion, enhancement request, recommendation, correction or other feedback provided by Customer or Users relating to the operation of the Services.

6. CONFIDENTIALITY: COMPELLED DISCLOSURE

Either Customer or Salesforce.com (the " **Receiving Party** ") may disclose confidential information of the other party (the " **Disclosing Party** ") to the extent compelled by law to do so, provided the Receiving Party gives the Disclosing Party prior notice of the compelled disclosure (to the extent legally permitted) and reasonable assistance, at the Disclosing Party's cost, if the Disclosing Party wishes to contest the disclosure. If the Receiving Party is compelled by law to disclose the Disclosing Party's Confidential Information as part of a civil proceeding to which the Disclosing Party is a party, and the Disclosing Party is not contesting the disclosure, the Disclosing Party will reimburse the Receiving Party for its reasonable cost of compiling and providing secure access to that Confidential Information.

7. DISCLAIMERS

a. Disclaimers. Salesforce.com makes no warranties of any kind and excludes all warranties, representations, terms, conditions or other commitments of any kind, whether express or implied, statutory or otherwise, and Salesforce.com specifically disclaims all implied warranties, including (without limitation) any warranties, representations, terms, conditions or other commitments of merchantability or fitness for a particular purpose or of satisfactory quality or of reasonable skill and care, in each case, to the maximum extent permitted by applicable law. Without prejudice to the foregoing, Content and Beta Services are provided 'as is' and without warranty of any kind, and each party disclaims all liability and indemnification obligations for any harm, damages or other liability caused by any third party hosting providers.

b. Warranties and Indemnities between Reseller and Customer. For the avoidance of doubt, Reseller and Customer are free to agree to warranties and indemnities with respect to the Services. Any such warranties and indemnities shall not form part of these Pass-Through Terms.

8. LIMITATION OF LIABILITY

a. No Liability of Salesforce. Subject to section the "Limitation of Restrictions" section below, in no event shall Salesforce.com or any of its Affiliates have any liability to the Customer under or in relation to these Pass-Through Terms whether in contract, tort or under any other theory of liability including without limitation for direct, indirect or consequential loss or damage, howsoever caused and whether or not such losses are foreseeable, even if that party has been advised (or is otherwise aware) of the possibility of such losses in advance.

b. Limitation of Liability. Subject to the "Exclusion of Consequential and Related Damages" and "Limitation of Restrictions" sections below, Customer's liability with respect to any single incident arising out of or related to these Pass-Through Terms (whether in contact or tort or under any other theory of liability) shall not exceed the amount paid by Customer to Reseller in the 12 months immediately preceding the relevant incident, provided that in no event shall Customer's total aggregate liability arising out of or related to these Pass-Through Terms (whether in contact or tort or under any other theory of liability) exceed the total amount paid by Customer to Reseller.

c. Exclusion of Consequential and Related Damages. Subject to section the "Limitation of Restrictions" section below, in no event shall Customer have any liability to Salesforce.com under or in relation to these Pass-Through Terms whether in contract, tort or under any other theory of liability for any indirect or consequential loss or damage arising from or related to these Pass-Through Terms, howsoever caused and whether or not such losses are foreseeable, even if that party has been advised (or is otherwise aware) of the possibility of such losses in advance.

9. TERM AND TERMINATION

a. Term of Pass-Through Terms. These Pass-Through Terms commence on the first subscription start date in the Order Form(s) and continues until all subscriptions have expired or have been terminated.

b. Term of Subscriptions. The term of each subscription shall be as specified in the applicable Order Form. Except as otherwise expressly specified in an Order Form, subscriptions will automatically

renew for additional periods equal to the expiring subscription term or one year (whichever is shorter), unless Customer gives the Reseller notice of non-renewal at least 45 days before the end of the relevant subscription term or the Reseller gives Customer notice of non-renewal at least 30 days before the end of the relevant subscription term.

c. Termination. Salesforce.com may terminate these Pass-Through Terms for cause (i) upon 30 days written notice to the Customer of a material breach if such breach remains uncured at the expiration of such period, or (ii) immediately on written notice if the Customer becomes the subject of a petition in bankruptcy or any other proceeding (whether voluntary or involuntary) relating to insolvency, administration, receivership, administrative receivership, liquidation or assignment for the benefit of creditors, or if the other party suspends or ceases, or threatens to suspend or cease, carrying on all or a substantial part of its business, or takes or suffers any similar or analogous procedure, action or event in consequence of debt in any jurisdiction.

d. Customer Data Portability and Deletion. Upon request by Customer made within 30 days after the effective date of termination or expiration of these Pass-Through Terms, Salesforce.com will make the Customer Data available to Customer for export or download as provided in the Documentation. After such 30-day period, Salesforce.com will have no obligation to maintain or provide any Customer Data, and will thereafter delete or destroy all copies of Customer Data in its systems or otherwise in its possession or control as provided in the Documentation, unless legally prohibited.

e. Surviving Provisions. The sections titled “Removal of Content and Non-Salesforce.com Applications ”, “Proprietary Rights and Licenses”, “Confidentiality: Compelled Disclosure”, “Disclaimers”, “Limitation of Liability”, “Customer Data Portability and Deletion”, “Surviving Provisions” and “General Provisions” will survive any termination or expiration of these Pass-Through Terms.

10. GENERAL PROVISIONS

a. Export Compliance. The Services, Content, other Salesforce.com technology, and derivatives thereof may be subject to export laws and regulations of the United States and other jurisdictions. Customer represents that it is not named on any U.S. government denied-party list. Customer will not permit any User to access or use any Service or Content in a U.S.-embargoed country (currently Cuba, Iran, North Korea, Sudan or Syria) or in violation of any U.S. export law or regulation.

b. Anti-Corruption. Customer has not received or been offered any illegal or improper bribe, kickback, payment, gift, or thing of value from a Salesforce.com or Reseller employee or agent in connection with these Pass-Through Terms, and shall comply with all applicable laws, regulations and sanctions relating to anti-bribery and anti-corruption including without limitation the Bribery Act 2010 (as such statute is amended from time to time). If Customer learns of any violation of the above restriction, it will use reasonable efforts to promptly notify Salesforce’s Legal Department at legalcompliance@salesforce.com.

c. Third-Party Beneficiaries. Except for Salesforce.com and its Salesforce’s Content licensors, who shall have the benefit of Salesforce’s rights and protections hereunder with respect to the applicable Content, nothing in these Pass-Through Terms shall confer, or is intended to confer, on any third party any benefit or the right to enforce any term of these Pass-Through Terms. The rights of the parties to terminate, rescind or agree any variation, waiver or settlement under these Pass-Through Terms is not subject to the consent of any person that is not a party to these Pass-Through Terms.

d. Notices. Except as otherwise specified in these Pass-Through Terms, all notices related to these Pass-Through Terms will be in writing and will be effective upon (a) personal delivery, (b) the second business day after mailing, (c) the second business day after sending by confirmed facsimile, or (d), except for notices of termination (“ **Legal Notices** ”), the day of sending by email. Legal Notices to Customer will be addressed to Customer and be clearly identifiable as Legal Notices. All other notices to Customer will be addressed to the relevant Services system administrator designated by Customer.

e. Severability. If any provision (or part of a provision) of these Pass-Through Terms is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, it shall, insofar as it is severable from the remainder of these Pass-Through Terms, be deemed omitted from these Pass-Through Terms, and the remaining provisions of these Pass-Through Terms will remain in effect.

f. Assignment. Neither party may assign any of its rights or obligations hereunder, whether by operation of law or otherwise, without the other party's prior written consent (not to be unreasonably withheld); provided, however, that Salesforce.com may assign these Pass-Through Terms in their entirety, without Customer's consent to its Affiliate or in connection with a merger, acquisition, corporate reorganization, or sale of all or substantially all of its assets.

g. Governing Law. These Pass-Through Terms shall be governed exclusively by, and construed exclusively in accordance with, the laws of the United States and the State of California, without regard to its conflicts of laws provisions.

h. Venue. The state or federal courts located in San Francisco County, California, will have exclusive jurisdiction to adjudicate any dispute arising out of or relating to these Pass-Through Terms. Each party hereby irrevocably consents to the exclusive jurisdiction of such courts.

End of Applicable Terms

Exhibit B – Sales Training; Technical Training and Enablement

Sales Training.

Reseller agrees that all of its Salesforce.com business representatives (sales, alliances and marketing personnel) will attend a Salesforce.com bootcamp training within 90 days of their hire and from that time onward maintain their Salesforce.com proficiency through ongoing participation in Salesforce.com product release and sales training. Salesforce.com will provide ongoing sales training to Reseller free of charge.

Technical Training and Enablement

Reseller agrees that all of its Salesforce.com technical representatives (pre-sale engineers, consultants and support personnel) will attend workshops including the following: Salesforce.com Administrator, Advanced Administrator, as well as other technical certifications and various developer workshops. Reseller personnel will be allowed to take additional examinations in conjunction with such workshops and technical certification training at no charge.

Ongoing technical training for new products and/or for additional personnel may be offered by Salesforce.com at no cost.

Salesforce.com Certification

Salesforce.com agrees to provide a certification program for the following verticals: Not-for-profit and Higher Education at no charge. The Parties will work together to align the training to the needs of both Parties.

Exhibit C
Sample Reseller Order Form

salesforce foundation

Salesforce.org
San Francisco, CA 94105
US

ORDER FORM for
Proposal Number: P-00083355
Approved
Proposed by: Loven Ko

ORDER FORM

Address Information

Billing Company Name:
Billing Contact Name:
Billing Email Address:

Billing Phone:
Billing Fax:
Billing Language:

Terms and Conditions

Related Contract*:
Start Date*:
Contract End Date*:

Payment Method:
Payment Terms:
Billing Frequency:

Products

Product	Order Start Date*	Order End Date*	Order Term (months)*	Monthly Price+	Quantity	Total Price
						Total: USD 0.00

+ The Monthly Price shown above has been rounded to two decimal places for display purposes. As many as eight decimal places may be present in the actual price. The totals for this order were calculated using the actual price, rather than the Monthly Price displayed above, and are the true and binding totals for this order.

* If this Order Form is executed and/or returned to Salesforce.org by Customer after the Order Start Date above, Salesforce.org may adjust these terms, without increasing the Total Price, based on the date Salesforce.org activates the products above.

Prices shown above do not include any taxes that may apply. Any such taxes are the responsibility of Customer. This is not an invoice.

Purchase Order Information

Is a Purchase Order (PO) required for the purchase or payment of the products on this Order Form?

Please Select: (Customer to Complete)

[] No

[] Yes.

If yes, please complete the following:

PO Number: ______________________

PO Amount: ______________________

Upon signature by Customer and submission to salesforce.org, this Order Form shall become legally binding and governed by the Master Subscription Agreement between salesforce.org and Customer, unless this Order Form is rejected by Salesforce.org. Salesforce.org may reject this order form if: (1) the signatory below does not have the authority to bind Customer to this Order Form, (2) changes have been made to this order Form (other than completion of the purchase order information and the signature block), or (3) the requested purchase order information or signature is incomplete or does not match the rest of the Order Form. Subscriptions are non-cancelable before their Order End Date.

Signature Block

Signature: ______________________

Name: ______________________

Title: ______________________

Date: ______________________

Exhibit D

Services available for Resale under this Agreement

Reseller may resell any Salesforce.com online subscription service or Salesforce.com products that Salesforce.com adds to any Salesforce.com pricelists for direct sales and that Salesforce.com makes available for sale by Salesforce.com sales teams, including Upgraded Support but excluding any Salesforce.com products that meet one or more of the definitions of "Excluded Products" below.

For purposes of this Agreement,

"Upgraded Support" means the then-standard versions (at time of purchase) of Salesforce.com's Premier Success Plan, Premier+ Success Plan, and Premier Points (that allow Qualified Customer to consume Accelerators) support offerings;

and

"Excluded Products" means:

1. Third party products that Salesforce resells as Salesforce.com products and/or as part of a Salesforce.com product, or that Salesforce.com resells on a pass through basis (e.g., Remedyforce) under a Salesforce.com Order Form, including any Services for which Salesforce.com incurs fixed costs in the form of fees payable to a third party such as royalty fees or per subscription data center infrastructure fees (e.g., Data.com);

2. Products previously offered by entities that Salesforce has since acquired but that Salesforce.com has not yet itself made generally available to customers under Order Forms submitted by customers directly to Salesforce.com; and/or

3. Salesforce.com products that are not yet available through the Reseller's quoting tool, notwithstanding both Parties' commercially reasonable efforts to identify and resolve such technical and/or resource limitations nor the Parties' shared commitment to a common goal of making such Salesforce.com products available through Reseller's quoting tool.

4. Services and support offerings that are not Upgraded Support.

Salesforce will use commercially reasonable efforts to make Salesforce.com products that do not qualify as Excluded Products available for resale by Reseller in a timely manner, and to the extent commercially reasonable and practicable in Salesforce.com's sole discretion, within 90 days of becoming generally available directly from Salesforce.com.

Exhibit E

HIPAA Business Associate Addendum

This HIPAA Business Associate Addendum (this "Addendum") is made a part of, and incorporated into, the Agreement. The purpose of this Addendum is to implement certain of the requirements of the Health Insurance Portability and Accountability Act of 1996 and the rules and regulations promulgated thereunder as supplemented and amended by the requirements of Subtitle D of the Health Information Technology for Economic and Clinical Health (HITECH) Act provisions of the American Recovery and Reinvestment Act of 2009 and the rules and regulations promulgated thereunder (collectively, "HIPAA").

WHEREAS, the Parties acknowledge that those regulations include both the federal privacy regulations, as amended from time to time, issued pursuant to HIPAA and codified at 45 CFR Parts 160 and 164 (**Sub-parts A** & **E**) (the "Privacy Rule") and the federal security regulations, as amended from time to time, issued pursuant to HIPAA and codified at 45 CFR Parts 160 and 164 (**Sub-parts A** & **C**) (the "Security Rule").

WHEREAS, in the course of providing the Services to Qualified Customers on Reseller's behalf, pursuant to the Agreement, Salesforce.com may, on behalf of such Qualified Customers, receive, maintain or transmit information entered into the Services as Customer Data that constitutes Protected Health Information, as defined in 45 CFR §160.103 ("PHI"), and as a result may, for certain purposes and under certain circumstances, be deemed a Business Associate, as such term is defined in 45 CFR §160.103, of Reseller under HIPAA. For clarity, neither Salesforce.com nor its Subcontractors "create" Protected Health Information in the provision of the Services. This Addendum governs Reseller's and Salesforce.com's respective responsibilities with respect to such PHI as and when Salesforce.com acts as a Business Associate of Reseller, including Salesforce.com's Use and Disclosure of PHI, as such terms are defined in 45 CFR §160.103. A capitalized term not defined herein shall have the meaning ascribed to that term in the Agreement, or, if any such term has no meaning ascribed in the Agreement, then such term shall have the meaning ascribed to it under HIPAA.

Accordingly, the Parties agree as follows:

1. Use and Disclosure of PHI by Reseller. Reseller shall Use and Disclose PHI only as permitted by HIPAA. Reseller shall not authorize, request or require Salesforce.com to Use or Disclose PHI in any manner that would violate HIPAA if the Use or Disclosure were carried out by Reseller except as permitted under HIPAA and set forth in this Addendum.

2. Use and Disclosure of PHI by Salesforce.com. Salesforce.com shall Use or Disclose PHI only in the manner and for the purposes set forth in this Addendum and not in any other manner or for any other purposes. Reseller hereby authorizes Salesforce.com to do the following:

(i) Use and Disclose PHI as necessary to provide the Services, to prevent or address service or technical problems and, as may be set forth in the Agreement, to help resolve technical support issues; and

(ii) Use and Disclose PHI as Required by Law.

3. Protection of PHI. In connection with its receipt, maintenance or transmission of PHI on behalf of Reseller, Salesforce.com agrees to do the following:

(i) in accordance with 45 CFR § 164.502(e)(1), ensure that any Subcontractors that receive, maintain or transmit PHI on behalf of Salesforce.com agree to restrictions and conditions no less restrictive than those that apply to Salesforce.com in this Addendum with respect to such PHI;

(ii) use appropriate administrative, technical and physical safeguards, and comply, where applicable, with the Security Rule with respect to any PHI that constitutes Electronic Protected Health Information, to prevent Use or Disclosure of PHI other than as provided for by this Addendum; and

(iii) to the extent Salesforce.com is to carry out the Reseller's obligations under the Privacy Rule, comply with the requirements of the Privacy Rule that apply to the Reseller in the performance of those obligations; notwithstanding the foregoing, the Parties acknowledge that, under the Agreement and this Addendum, unless otherwise agreed upon by the Parties in writing, Salesforce.com has no obligations to carry out any of Reseller's obligations under the Privacy Rule.

4. Breach Notification.

(i) Salesforce.com shall report to Reseller any Use or Disclosure of PHI not provided for in this Addendum of which Salesforce.com becomes aware, including any Breach of Unsecured Protected Health Information in accordance with 45 CFR § 164.410. In addition, Salesforce.com shall provide to the Reseller all information required by 45 CFR § 164.410(c) to the extent known and provide any additional available information reasonably requested by a Qualified Customer for purposes of investigating the Breach. For purposes of this Addendum, "Breach" means the acquisition, access, Use or Disclosure of PHI in a manner not permitted by the Privacy Rule that compromises the security or privacy of the PHI as defined, and subject to the exclusions set forth, in 45 CFR § 164.402.

(ii) Salesforce.com shall be required to report to Reseller, without unreasonable delay, only successful Security Incidents pertaining to the PHI of which Salesforce.com becomes aware. The Parties agree that throughout the term of the applicable Order Form, Salesforce.com will make information regarding unsuccessful Security Incident attempts available to active Qualified Customers' Users with appropriate administrative rights via the "Login History" feature.

5. Access by HHS. Salesforce.com shall make its internal practices, books and records relating to the Use and Disclosure of PHI available to the Secretary of the United States Department of Health and Human Services for purposes of determining the Qualified Customer's compliance with HIPAA.

6. Individual Access Requests. Salesforce.com shall forward any requests Salesforce.com receives from an Individual for access to the Individual's PHI that is entered in the Services to which Reseller or Qualified Customer, as the case may be, shall respond in accordance with the requirements of 45 CFR § 164.524. By virtue of providing the Services, Salesforce.com shall make available to Reseller all PHI that is entered in the Services, including PHI about an Individual, to facilitate compliance with the requirements of 45 CFR § 164.524.

7. Individual Amendment Requests. Salesforce.com shall forward any requests Salesforce.com receives from an Individual for amendments to the Individual's PHI that is entered in the Services. Salesforce.com shall not be responsible for responding to requests by Individuals for amendment to their PHI in accordance with HIPAA. By virtue of providing the Services, Salesforce.com shall make available all PHI that is entered in the Services by a Qualified Customer, including any PHI required to be made available for amendment in accordance with 45 CFR § 164.526, in a manner that allows the Qualified Customer to reasonably incorporate any amendments to the PHI in accordance with 45 CFR § 164.526.

8. Individual Accounting Requests. Salesforce.com shall in accordance with and as required by 45 CFR § 164.504(e)(2) document Disclosures of PHI made by Salesforce.com and maintain information related to such Disclosures. Salesforce.com shall make related information reasonably available to Reseller to assist Reseller, comply with its legal obligations under 45 CFR § 164.528 and for Reseller to respond to requests by Individuals for an accounting of Disclosures of their respective PHI.

9. Applicable Services. For the avoidance of doubt, the obligations set forth under this HIPAA Addendum apply only with respect to those Services Reseller is permitted to resell that are branded as Sales Cloud, Service Cloud, Communities, Force.com and Chatter, and shall not apply to any Heroku products or services, including the Heroku Services.

10. Termination. Within 30 days post termination/expiration of a Qualified Customer's final Order Form with Reseller, the Qualified Customer may request return of Customer Data submitted to the Services. Salesforce.com shall provide such Customer Data via a downloadable file in comma separated value (.csv) format and attachments in their native format. Unless legally prohibited or unless otherwise required by an applicable Qualified Customer's agreement with Salesforce.com, after termination of the applicable Qualified Customer's final Order Form with Reseller, Customer Data submitted to the Services is retained in inactive status within the Services for 180 days and a transition period of up to 30 days, after which it is securely overwritten or deleted. In accordance with the foregoing, Customer Data submitted to the Services (including Customer Data retained in inactive status) will be stored on backup media for an additional 90 days after it is securely overwritten or deleted from the Services. This process is subject to applicable legal requirements. Without limiting the ability for Qualified Customers to request return of Customer Data submitted to the Services, Salesforce.com reserves the right to reduce the number of days it retains such data after termination of the applicable **Order Form** . If return or destruction of Customer Data that constitutes PHI is not feasible, Salesforce.com shall extend the protections of this Addendum to that Customer Data and limit further Uses and Disclosures of that Customer Data to those purposes that make the return or destruction of the Customer Data infeasible.

11. **Non-Compliance.** In the event either Party becomes aware that the other Party has engaged in a pattern of activity or practice that constitutes a material breach or violation of this Addendum, the non-breaching Party may request in writing that the breaching Party cure the breach or violation. If the breach or violation is not cured within 30 days of the written notice, the non-breaching Party may terminate this Addendum and the Agreement.

12. **General**

12.1 **Regulatory References.** A reference in this Addendum to a section in HIPAA means the section as then in effect or as amended.

12.2 **Communications.** Salesforce.com may, in its discretion, fulfill certain communication obligations to Reseller hereunder by making such communications to a Qualified Customer on Reseller's behalf. Such communications may include the following: forwarding a request or making certain information available.

12.3 **Amendment.** The Parties shall take such action as is necessary to amend the Agreement and this Addendum from time to time as is necessary for the Parties to comply with changes to the rules and regulations under HIPAA. If the Parties cannot agree as to a necessary amendment, either Party may terminate the Agreement and this Addendum with 30 days prior written notice to the other Party.

12.4 **Interpretation.** Any ambiguity in this Addendum shall be resolved to permit the Parties to comply with HIPAA.

[*End of HIPAA BUSINESS ASSOCIATE ADDENDUM*]

Exhibit F
Data Processing Addendum

[Based on the standard Salesforce.com template last updated 2015-06-08]

This Data Processing Addendum ("DPA") is made a part of the Platform Solution Agreement between Reseller and Salesforce.com (the "Agreement"), to reflect the Parties' agreement with regard to the Processing of Customer Data (as defined in the Agreement), including Personal Data (as defined below), in accordance with the requirements of European Directive 95/46/EC (the "Directive") and EU Member States' national implementations thereof and Switzerland's Federal Act on Data Protection (collectively, "European Data Protection Laws").

All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

Whereas, in the course of providing the Services to Reseller pursuant to the Agreement, Salesforce.com may come to have access to Personal Data as may be submitted to Salesforce.com's systems by or for Pass-Through Customers as Customer Data which is accessible to the Pass-Through Customer while resident on Salesforce.com's systems. This DPA applies exclusively to the provision of the Services.

Whereas, Reseller and Salesforce.com acknowledge that with regard to the Processing of Customer Data pursuant to the Agreement, the Pass-Through Customer is the Data Controller, Reseller is a Data Processor, and in the event Salesforce.com Processes Customer Data, Salesforce.com is a further Data Processor of Reseller.

Whereas, the obligations set forth herein apply only with respect to those Services Reseller is permitted to resell under the Agreement and that are branded by Salesforce.com as Sales Cloud, Service Cloud, Communities, Force.com and Chatter.

Whereas, the obligations set forth herein are not applicable to Heroku products or services.

Accordingly, Reseller and Salesforce.com agree as follows:

1. Definitions

"**Data Controller**"	has the meaning specified for "controller" in European Data Protection Laws.
"**Data Processor**"	has the meaning specified for "processor" in European Data Protection Laws.
"**Data Subject**"	has the meaning specified for "data subject" in European Data Protection Laws.
"**Personal Data**"	has the meaning specified for "personal data" in European Data Protection Laws where such data is submitted by or for Pass-Through Customer to the Services as Customer Data.
"**Processing**"	has the meaning specified for "processing" in European Data Protection Laws.
"**Salesforce Affiliates**"	means Affiliates (as defined in the Agreement) of salesforce.com, inc.
"**Sub-processor**"	means any Data Processor engaged by Salesforce.com or by any other Sub-processor of Salesforce.com that Processes Personal Data on behalf of Pass-Through Customer.

2. Processing. Reseller and Salesforce.com acknowledge that with regard to the Processing of Customer Data pursuant to the Agreement, Pass-Through Customer is the Data Controller, Reseller is the Data Processor, and in the event Salesforce.com Processes Customer Data, Salesforce.com is a further Data Processor of Reseller.

3. Salesforce.com Obligations

3.1 Salesforce.com's obligations under this DPA shall apply to its Processing of Customer Data, including Personal Data. For the avoidance of doubt, the obligations set forth under this DPA apply only with respect to those Services Reseller is permitted to resell that are branded as Sales Cloud, Service Cloud, Communities, Force.com and Chatter, and shall not apply to any Heroku products or services, including the Heroku Services.

3.2 Salesforce.com shall Process Personal Data in accordance with the requirements of European Data Protection Laws, as they apply to Salesforce.com's Processing of Personal Data, and Pass-Through Customer's instructions as set forth in the Agreement and this DPA. The following is deemed an instruction by Reseller and/or Pass-Through Customer to Process Personal Data: (a) Processing necessary for the exercise and performance of Salesforce.com's rights and obligations under the Agreement and this DPA, respectively; and (b) Processing initiated by Pass-Through Customer Users in their use of Services.

3.3 Salesforce.com shall promptly comply with any commercially reasonable request from Pass-Through Customer or Reseller, as appropriate, requiring Salesforce.com to amend or delete Personal Data, to the extent legally permitted, to the extent Pass-Through Customer or Reseller, as appropriate, does not have the ability to do so itself in its use of the Services, as appropriate.

3.4 **Salesforce Cooperation** .

(1) If Salesforce.com receives any complaint, notice, or communication in which Reseller or Pass-Through Customer is named that relates directly to (i) Salesforce.com's Processing of Personal Data or (ii) either Party's compliance with European Data Protection Laws in connection with Salesforce.com's Processing of Personal Data, it shall promptly notify Reseller and it shall provide Reseller with commercially reasonable cooperation and assistance in relation to any such complaint, notice, or communication, to the extent legally permitted.

(2) In accordance with the requirements of European Data Protection Laws, and only if required by a Pass-Through Customer, Salesforce agrees to provide Reseller and/or its Pass-Through Customers with commercially reasonable cooperation and assistance in relation to any regulatory (whether from the CNIL or any other regulatory body) inquiry, injunction, complaint or similar decision involving Reseller's processing of Personal Data arising from this Agreement.

3.5 Salesforce.com acknowledges that certain Pass-Through Customers may submit Customer Data, including Personal Data, from around the world to Salesforce.com data centers located in the United States. Salesforce.com represents that it is self-certified to the EU/US and Swiss/US Safe Harbor frameworks, as administered by the U.S. Department of Commerce, and that it will maintain its self-certification or any successor programs for the duration of the term of the Agreement. Details of salesforce.com, inc.'s Safe Harbor self-certification are available at www.export.gov/safeharbor. For the avoidance of doubt, Salesforce.com represents that it shall comply with the relevant Safe Harbor principles ("Principles") available at http://export.gov/safeharbor/ or any equivalent successor principles in its Processing of Personal Data, including the "Onward transfer principle", which requires that where Salesforce.com transfers Personal Data to a third party that is acting as an agent, it may do so if it first either ascertains that the third party subscribes to the Principles or is subject to the Directive or another adequacy finding or enters into a written agreement with such third party requiring that the third party provide at least the same level of privacy protection as is required by the relevant Principles. To the extent the EU/US and/or Swiss/US Safe Harbor frameworks are replaced by a successor program, Salesforce.com represents that the Salesforce Affiliate self-certified to the EU/US and/or Swiss/US Safe Harbor frameworks as of the effective date of the Agreement will also comply and participate in any such successor program or an alternative transfer mechanism that is recognized by Directive 95/46/EC.

3.6 Salesforce.com shall not store or transfer for storage any Customer Data stored on a server located in the United States or European Economic Area to a server located outside the United States or European Economic Area, unless Salesforce.com has received prior written consent from Reseller or Pass-Through Customer, as applicable.

3.7 Notwithstanding clause 3.6 above, Salesforce.com may store on servers located in the jurisdictions where its data centers are, which may include jurisdictions outside the United States and European Economic

Area, and transfer for storage to such servers identifying information about all Pass-Through Customer's instance(s) of the Services and such Pass-Through Customer's Users for the purposes of operating the Services, such as facilitating the login process and the provision of customer support. Such identifying information shall only include the following personal data about Users, as provided by Pass-Through Customer or Reseller in its provision of User accounts: first and last name, email address, username, phone number, and physical business address.

3.8 In accordance with the Agreement, including Documentation as applicable, Salesforce.com shall maintain appropriate administrative, physical, and technical safeguards for protection of the security, confidentiality, and integrity of Customer Data

3.9 Without limiting the generality of the foregoing Section 3.6, Salesforce.com shall notify Reseller within 48 hours, or such shorter time period as mandated by European Data Protection Laws applicable to Salesforce.com in its provision of the Services , if Salesforce.com becomes aware of any unauthorized disclosure by Salesforce.com or its agents of any Personal Data (" **Security Breach** "). Salesforce.com shall make reasonable efforts to mitigate any Security Breach that is known to Salesforce.com to the extent such Security Breach is caused by a violation of the requirements of this DPA by Salesforce.com.

3.10 **Certain Obligations** . Salesforce.com may fulfill certain obligations to Reseller under this DPA by fulfilling such obligations to the Pass-Through Customer on Reseller's behalf. Such obligations may include, but are not limited to, the following: forwarding a request from a Data Subject, providing notice of a Security Breach, providing notice of certain complaints, notices, or communications, and accessing, retrieving and making certain information available to Reseller and/or to Pass-Through Customer.

4. Reseller Obligations

4.1 Reseller shall, and shall contractually obligate Pass-Through Customers to, Process Personal Data in accordance with requirements of European Data Protection Laws, including those pertaining to transfers of or access to Customer Data initiated by Users of the Services.

4.2 In addition to Reseller's obligations set forth in the Agreement, Reseller will comply, and will ensure that its personnel and subcontractors comply, with all applicable laws regarding the protection of personal information and privacy including but not limited to the Directive as it applies to the performance of Reseller's obligations under the Agreement. To the extent Reseller is a Data Processor, Reseller shall promptly notify Data Controller if it receives any complaint, notice or communication which relates directly or indirectly to the processing of Personal Data under the Agreement, provide full co-operation and assistance in relation to any such complaint, notice or communication .

5. Salesforce.com Personnel

5.1 Salesforce.com shall ensure that Salesforce.com's access to Personal Data is limited to those personnel who need such access to meet or exercise Salesforce.com's obligations or rights under the Agreement, respectively.

5.2 Salesforce.com shall ensure that its personnel who have access to Personal Data are informed of the confidential nature of the Personal Data and have received appropriate training on their responsibilities with respect to such access.

5.3 Salesforce.com shall take commercially reasonable steps to ensure the reliability of any of Salesforce.com's personnel that have access to Personal Data.

5.4 Data Protection Officer. Salesforce Affiliates have appointed a data protection officer to the extent this is required by European Data Protection Laws and Regulations. Upon reasonable request by Reseller, Salesforce.com will provide the contact details of such appointed persons.

6. Sub-processors

6.1 Reseller agrees that Salesforce.com is entitled to retain salesforce.com, inc. and other Salesforce Affiliates as Sub-Processors for Salesforce.com. Reseller acknowledges and agrees that Salesforce.com and/or Salesforce Affiliates respectively may engage third party service providers as Sub-Processors that may provide customer support, including Processing of Personal Data (in connection with the Services), to Reseller or Pass-Through Customer, as applicable.

6.2 A list of Sub-Processors as of the Effective Date is provided in Attachment 1 to this DPA. Salesforce.com shall provide Reseller with prior notice of any new Sub-Processors by emailing Reseller at the following email address (which may be added to and updated from time to time by Reseller):

Email 1: sfdocompliance@salesforce.com

6.3 Sub-processors of Personal Data will be subject to data protection obligations at least equivalent to those contained in this DPA, and such Sub-Processors shall be obliged to (i) comply with European Data Protection Laws and (ii) to provide at the least the same level of privacy protection as is required by the relevant Principles.

6.4 Subject to the terms of the Agreement and except as otherwise set forth therein, Salesforce.com shall be liable for the acts and omissions of its Sub-Processors to the same extent Salesforce.com would be liable if performing the services of each Sub-Processor directly under the terms of this DPA,

7. Rights of the Data Subject

7.1 Salesforce.com shall promptly notify Reseller, if it receives a request from a Data Subject for access to that person's Personal Data, to the extent legally permitted. Salesforce.com shall provide Reseller or Pass-Through Customer, as appropriate, with commercially reasonable cooperation and assistance in relation to any request made by a Data Subject for access to that person's Personal Data, to the extent legally permitted and to the extent Reseller or Pass-Through Customer, as appropriate, does not have access to such Personal Data through its use of the Services.

7.2 Salesforce.com shall not disclose the Data Subject's Personal Data to the Data Subject or to a third party other than at the written instruction of Reseller or Pass-Through Customer, as appropriate, which may be provided via email, unless otherwise permitted in the Agreement or this DPA or as required by law. For clarity, Salesforce.com's disclosures of Personal Data to Users as contemplated under the Agreement shall be permitted and is not in violation of non-disclosure provisions set forth herein.

8. Third Party Certifications

8.1 For the duration of the Agreement, Salesforce.com and Salesforce Affiliates shall maintain ISO 27001 certification to the extent they are Data Processors.

8.2 Salesforce.com shall audit third party Sub-Processors that are not Salesforce Affiliates at least once per year to ensure they have appropriate physical, technical, organizational, and administrative controls in place. Upon Reseller's reasonable request at reasonable intervals, Salesforce.com shall provide Reseller with an executive summary of the most recent audits of such third party Sub-Processors. Salesforce Affiliates that are Sub-Processors are audited at least once per year pursuant to salesforce.com, inc.'s ISO 27001 certification.

8.3 Upon Reseller's written request at reasonable intervals, Salesforce.com shall provide to Reseller a copy of any external certifications such as SSAE 16 (formerly SAS-70 Type II) or ISO 27001 reports detailing Salesforce.com's compliance with industry information security standards.

9. Audit Rights

9.1 The terms in this Section 9 shall only apply if the Reseller is subject to the European Data Protection Laws and Regulations of a member state of the European Economic Area. Salesforce.com shall allow Reseller

to audit Salesforce.com or a Salesforce Affiliate, or have Salesforce.com or a Salesforce Affiliate audited for compliance with the technical and organizational measures set forth in Attachment 2 as follows:

(1) Following any notice from Salesforce.com to Reseller of an actual or reasonably suspected unauthorized disclosure of Customer Data submitted to the Services, Reseller shall have the right to conduct, with reasonable prior written notice, either itself or through a third party independent contractor selected by Reseller at Reseller's expense, an on-site audit of Salesforce.com's or a Salesforce Affiliate's systems, policies and procedures relevant to the security and integrity of Customer Data submitted to the Services; or

(2) Upon Reseller's reasonable belief that Salesforce.com is not in compliance with its security policies and procedures under the Agreement regarding Customer Data submitted to the Services or if such audit is required by Reseller's governmental regulators, Reseller may conduct, either itself or through a third party independent contractor selected by Reseller at Reseller's expense, an on-site audit of Salesforce.com's or a Salesforce Affiliate's systems, policies and procedures relevant to the security and integrity of Customer Data submitted to the Services. Such audit may be conducted up to one time per year, with at least three week's advance written notice.

9.2 Reseller must promptly provide Salesforce.com with information regarding any non-compliance discovered during the course of an audit.

9.3 Audits shall be conducted during reasonable times and shall be of reasonable duration and shall not unreasonably interfere with Salesforce.com's day-to-day operations. In the event that Reseller conducts an audit through a third party independent contractor, such independent contractor shall be required to enter into a non-disclosure agreement containing confidentiality provisions substantially similar to those set forth in the Agreement to protect Salesforce.com's proprietary information. Additionally, such independent contractor must not be a competitor of Salesforce.com.

9.4 If an audit requires the equivalent of more than one business day of time expended by Salesforce.com or a Salesforce Affiliate employee, Reseller agrees to reimburse Salesforce.com for any additional time expended at Salesforce.com's then current professional services rates. Reseller may share a summary of the results of its audit or inspection with a Pass-Through Customer, provided that prior to sharing such summary, the Pass-Through Customer has entered into a non-disclosure agreement containing confidentiality provisions substantially similar to those set forth in the Agreement to protect Salesforce.com's proprietary information.

10. General. To the extent a privacy and/or data protection law becomes effective after the date of the Agreement and is inconsistent with the terms the Agreement or otherwise requires amendments thereto, Reseller shall notify Salesforce.com and the Parties agree to enter into good faith negotiations to make necessary amendments to the Agreement.

Exhibit F- Data Processing Addendum

Attachment 1

Services: Legal Entities Engaged in Processing Customer Data

Entity Name	Entity Type	Entity Country
salesforce.com, inc.	Salesforce Affiliate	United States
Salesforce Australia Pty. Ltd.	Salesforce Affiliate	Australia
salesforce.com Canada Corporation	Salesforce Affiliate	Canada
salesforce.com France S.A.S.	Salesforce Affiliate	France
salesforce.com EMEA Ltd. (formerly Salesforce UK Ltd.)	Salesforce Affiliate	UK
Salesforce Netherlands B.V.	Salesforce Affiliate	The Netherlands
salesforce.com Germany GmbH	Salesforce Affiliate	Germany
salesforce.com Sàrl	Salesforce Affiliate	Switzerland
salesforce.com India Private Limited	Salesforce Affiliate	India
Salesforce Ireland Limited	Salesforce Affiliate	Ireland
Kabushiki Kaisha salesforce.com (salesforce.com Co., Ltd.)	Salesforce Affiliate	Japan
salesforce.com Singapore Pte. Ltd.	Salesforce Affiliate	Singapore
Cognizant Technology Solutions U.S. Corporation	Third-Party Service Provider: Customer Support*	United States
Cognizant Technology Solutions Hungary Kft.	Third-Party Service Provider: Customer Support*	Hungary
Cognizant Technology Solutions India Pvt. Ltd.	Third-Party Service Provider: Customer Support*	India
Cognizant Technology Solutions Philippines, Inc	Third-Party Service Provider: Customer Support*	Philippines
HCL Technologies Limited - Contracting Entity	Third-Party Service Provider: Customer Support*	India
HCL Technologies Philippines, Inc.	Third-Party Service Provider: Customer Support*	Philippines
HCL America, Inc.	Third-Party Service Provider: Customer Support*	United States
HCL Poland sp. z o.o.	Third-Party Service Provider: Customer Support*	Poland
SFDC EMEA Data Centre Limited	Salesforce Affiliate	Japan

* *Salesforce.com's third-party service providers assist in the provision of customer support only and are not involved in technical operations such as preventing or addressing technical or service problems. Salesforce.com's third-party service providers only have access to Customer Data to the extent Qualified Customer's Users grant such access via the Services as described in the Documentation. Such service providers may also have access to the following identifying information about Qualified Customer's Users for the purpose of routing and facilitating customer support requests: first and last name, email address, username, phone number, and physical business address.*

Services: Legal Entities Operating Data Centers**

Entity Name	Entity Type	Entity Country
salesforce.com, inc.	Salesforce Affiliate	United States
Kabushiki Kaisha salesforce.com (salesforce.com Co., Ltd.)	Salesforce Affiliate	Japan

** *Salesforce may store in all data centers identifying information about Qualified Customer's instance(s) of the Services and identifying information about Qualifying Customer's Users authorized by Qualified Customer or Reseller, as appropriate, to use the Services for the purposes of operating the Services, such as facilitating the login process and the provision of customer support. Such identifying information shall only include the following personal data about Qualified Customer's Users, as provided by Qualified Customer and/or Reseller, as appropriate, in its provision of User accounts: first and last name, email address, username, phone number, and physical business address.*

salesforce.com, inc.

Exhibit F- Data Processing Addendum
Attachment 2

SECURITY DATASHEET

1. Access control to premises and facilities to prevent unauthorized persons from gaining access to data processing systems for processing or using Personal Data.

- Salesforce's production data centers have an access system that controls access to the data center. This system permits only authorized personnel to have access to secure areas. The facility is secured by around-the-clock guards, biometric access screening, and escort-controlled access.

2. Access control to systems to prevent data processing systems from being used without authorization.

In providing the Services, Salesforce implements the following controls:

- Unique User identifiers (User IDs) to ensure that activities can be attributed to the responsible individual.
- User passwords are stored using a one-way hashing algorithm (SHA-256) and are never transmitted unencrypted.
- Access to the Services require a valid User ID and password combination, which are encrypted via SSL while in transmission. Following a successful authentication, a random session ID is generated and stored in the User's browser to preserve and track session state.
- Controls to ensure generated initial passwords must be reset on first use.

The Services provide the following functionality that may be implemented by Reseller in its use of the Services:

- Controls to revoke access after several consecutive failed login attempts.
- Controls on the number of invalid login requests before locking out a User.
- Controls to force a User password to expire after a period of use.
- Controls to terminate a User session after a period of inactivity.
- Password history controls to limit password reuse.
- Password length controls
- Password complexity requirement (requires letters and numbers).
- Verification question before resetting password.
- The ability to accept logins to the Services from only certain IP address ranges.
- The ability to restrict logins to the Services to specific time periods (Developer Edition, Enterprise Edition, and Unlimited Edition only).
- Ability to delegate user authentication or federate authentication via SAML.

3. Access control to data to ensure that persons authorized to use a data processing system have access only to those data they are authorized to access, and that Personal Data cannot be read, copied, altered, or removed without authorization during use and after recording.

- Reseller and/or Qualified Customer may implement a granular sharing model and User permission profiles to limit data accessible to different Users.
- Reseller and/or Qualified Customer, as applicable, may create custom fields that are encrypted at rest and are only visible to Users that have been granted the "View Encrypted Data" permission by Reseller or Qualified Customer's, as applicable, designated system administrators.

4. Disclosure control to ensure that Personal Data cannot be read, copied, altered, or removed without authorization during electronic transfer or transfer or transport or while being recorded onto data storage media, and that it is possible to check and establish to which parties Personal Data are to be transferred by means of data transmission facilities.

- Salesforce uses industry accepted encryption products to protect Customer Data and communications during transmissions between Reseller and/or Pass-Through Customer's network and the Reseller Services, including minimum 128-bit VeriSign SSL Certification and minimum 2048-bit RSA public keys.

5. Input control to ensure that it is possible to after-the-fact check and establish whether Personal Data has been entered into, altered, or removed from data processing systems, and if so, by whom.

In providing the Services, Salesforce implements the following controls:

- User access log entries will be maintained, containing date, time, User ID, URL executed or entity ID operated on, operation performed (viewed, edited, etc.) and source IP address. Note that source IP address might not be available if NAT (Network Access Translation) or PAT (Port Address Translation) is used by Reseller and/or Qualified Customer or its ISP.
- If there is a suspicion of inappropriate access, Salesforce can provide Reseller log entry records to assist in forensic analysis. This service will be provided to Reseller on a time and materials basis.

The Services provide the following functionality that may be implemented by Reseller and/or Qualified Customer in its use of the Services:

- Certain administrative changes to the Services (such as password changes and adding custom fields) are tracked in an area known as the "Setup Audit Log" and are available for viewing by Qualified Customer's designated system administrator(s). Qualified Customer may download and store this data locally.
- Successful and failed login attempts for Qualified Customer's instance(s) of the Services are tracked in an area known as the "Login History" and are available for viewing by Qualified Customer's designated system administrator(s). Qualified Customer may download and store this data locally.
- Qualified Customer may implement functionality known as "Set History Tracking" to track the history of specific objects or fields within the Customer's instance(s) of the Services. All entries include the date, time, nature of the change, and the User who made the change.

6. Job control to ensure that personal data processed on behalf of others are processed strictly in compliance with the Data Controller's instructions.

- As set forth in the DPA, Salesforce shall process Personal Data in accordance with the instructions of Reseller and/or Qualified Customer, including to provide the Services as set forth in the Agreement and as instructed by Users in their use of the Services.

7. Availability control to ensure that Personal Data are protected against accidental destruction or loss.

- Disaster recovery. Salesforce can utilize disaster recovery facilities that are geographically remote from primary data centers, along with required hardware, software, and Internet connectivity, in the event Salesforce production facilities at the primary data center were to be rendered unavailable. Salesforce has disaster recovery plans in place and tests them at least once per year. Salesforce will discuss results of these tests with Reseller on request.
- Reliability and Backup. All networking components, SSL accelerators, load balancers, Web servers, and application servers are configured in a redundant configuration. All Customer Data is stored on a primary database server that is clustered with a backup database server for redundancy. All Customer Data is stored on carrier-class disk storage RAID disks and multiple data paths. All Customer Data, up to the last committed transaction, is automatically backed up on a regular basis. Any backup tapes are verified for integrity stored in an offsite facility in a secure, fire-resistant location.
- Viruses. The Services will not introduce any viruses to Reseller's systems; however, the Services do not scan for viruses that could be included in attachments or other Customer Data uploaded into the Services by Reseller and/or Qualified Customer. Any such uploaded attachments will not be executed in the Services and therefore will not damage or compromise the Services.

8. Segregation control to ensure that data collected for different purposes can be processed separately.
In providing the Services, Salesforce implements the following controls:

- Strong logical separation of Customer Data, which is achieved via Reseller and/or Qualified Customer-specific "Organization IDs" that permit only Users to view related Customer Data.

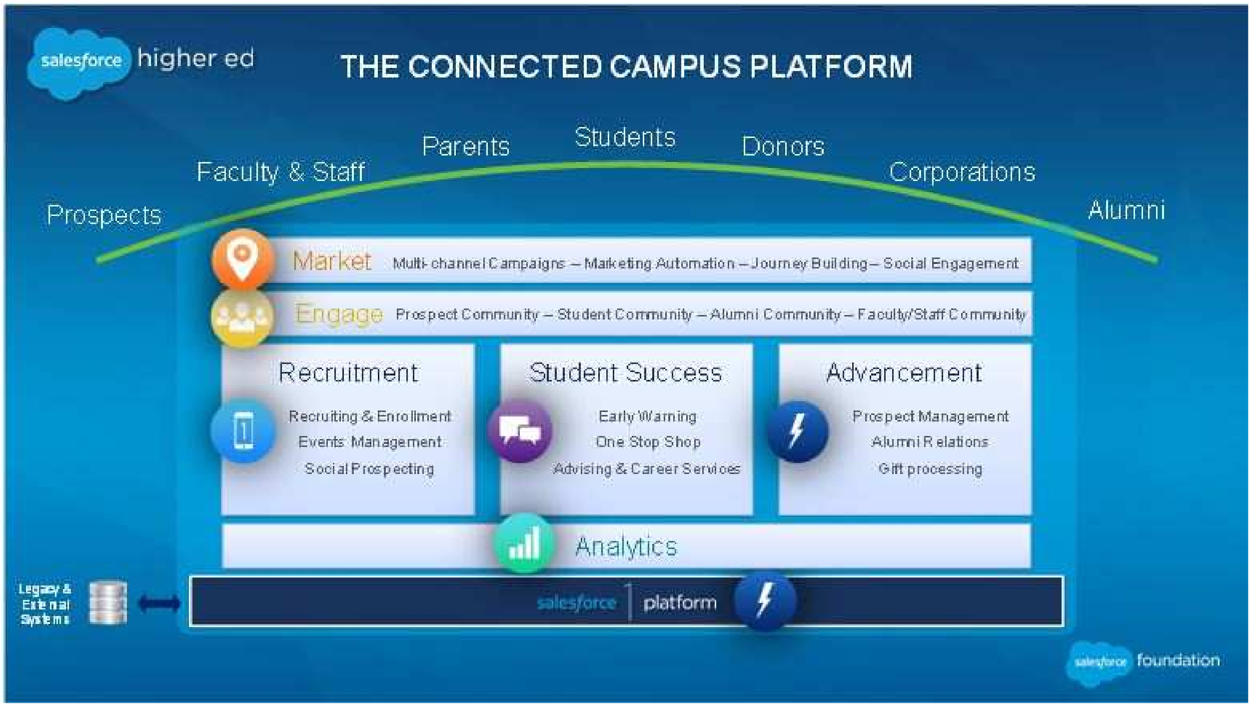
The Services provide the following functionality, which may be implemented by Qualified Customer in its use of the Services:

- Qualified Customer may implement a granular sharing model and User permission profiles to limit data accessible to different Users.

salesforce.com, inc.

Exhibit G

Qualified Customer Exceptions



For the definition of Qualified Customer, the following are exceptions to **Sub-part (i)** thereof:

A. Public Sector accounts

1. Economic Development organizations, such as:
    - Chambers of Commerce (excluding foundations)
    - Business Improvement Districts
    - Local and regional economic development organizations
2. Government-managed/owned non-profits
    - Non-profits funded by local, state or federal government that function without an independent board of directors, or which are managed by a government agency

B. Health System accounts

1. Hospitals
    - Academic Medical Center use cases:
        - Reseller eligible: full-time/part time students, faculty, alumni, donors, staff, and fundraising.
        - Salesforce.com eligible: patient care and clinical use cases only
    - Separate accounts may be created for the same organization to distinguish between patient care and educational use cases.
2. Health insurance organizations

3. Group or individual health practices
4. Inpatient care facilities
5. Excluding associated foundations or fund-raising organizations
6. Excluding providers of social services, as defined by NTEE Classification
    - Elder Care
    - Hospice
    - Community Health Services
    - Mental Health Treatment
    - Substance Abuse Treatment
    - Blood & Organ Transplant Banks
    - Developmental Services
    - Disability Services
    - Reproductive Health Services

◦

Exhibit H

Use Cases and Decision Trees

Foundation Customer Definition – HLS Eligibility

SECTION A – EXCEPTIONS

Account Ownership of Academic Medical Centers (AMCs) are structured with split ownership between Foundation and Commercial.

In this arrangement, the original parent is owned by the Foundation. Any associated child account for a healthcare facility is owned by Commercial (either EBU or CBU) as a separate parent company.

Any child account for fundraising and/or higher education remains with the original parent, as part of Foundation. All associate accounts to the original parent and separate parent should have the Ultimate DUNS tying back to the original parent.

a) Example:
- Parent Company: University of the California
- Foundation Child Account: UCLA Boosters
- New Commercial Parent Company: UCLA Medical Center
- Commercial Child Account: UCLA Optometry

The use cases:

For Higher Education use cases owned by Foundation/.Org this includes full-time/part time students, faculty, alumni, donors, staff, and fundraising use cases. For HLS at Salesforce this includes all patient care and clinical use cases. HLS use cases should be subject to commercial pricing and Higher Education use cases should be subject to Foundation/.Org pricing. Never should patient care/clinical use cases be running on same instance as the University use cases or vice versa. It is not good for the customer and not compliant (HIPPA, etc.)

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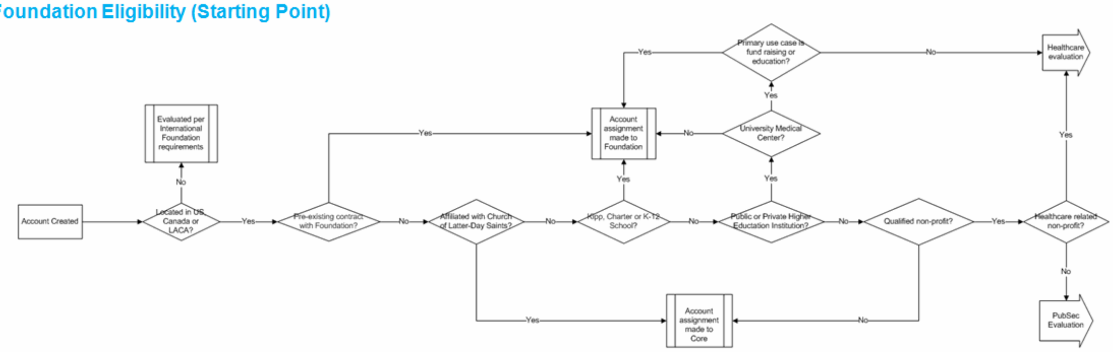
Foundation Customer Decision Tree – Foundation Eligibility

Foundation Eligibility (Starting Point)



Primary requirement:

- Not-for-Profit , K-12 or Higher Education Institution:
  - US: 501c non-profit designation from the IRS or
  - CAN: Charity status from the Canadian Revenue Agency (CRA)

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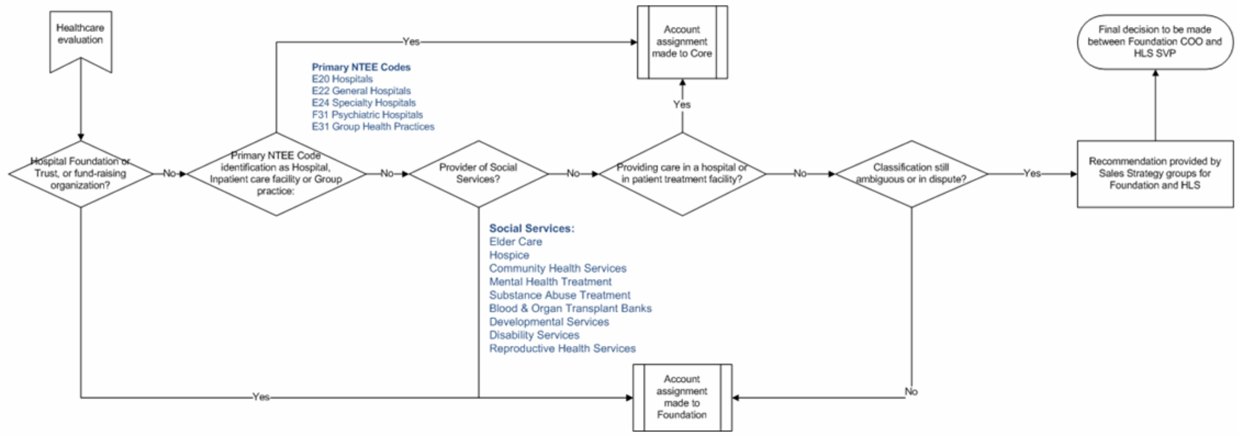
Foundation Customer Decision Tree – Health Care Eligibility

Health Care Decision Tree



Primary requirement:

- Not-for-Profit organization:
  - Hospital fundraising or foundation organization
  - Social service provider, not primary care

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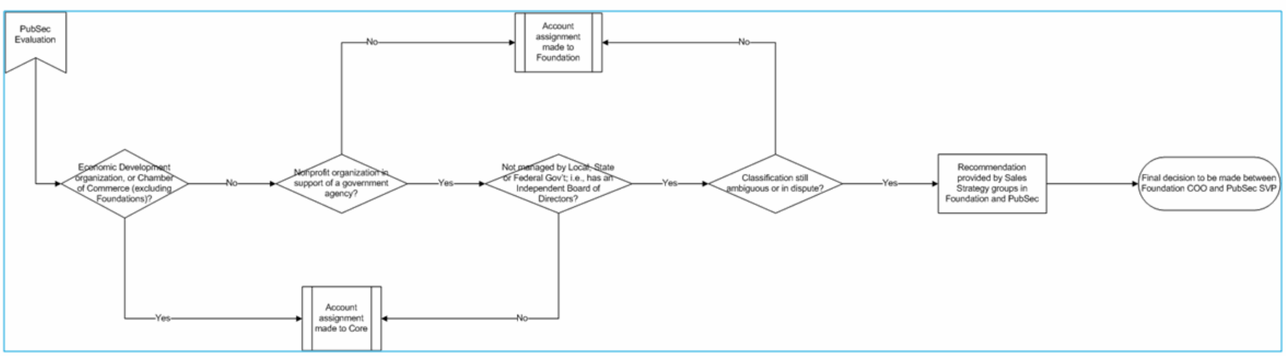
Foundation Customer Decision Tree – Public Sector

Public Sector Decision Tree



Primary requirement:

- Not-for-Profit designation
  - Not managed or controlled by government agency
  - Has an independent Board of Directors

salesforce foundation

Exhibit I

Licensed Marks

1. Salesforce

2. Power of Us

and

3. any marks that are currently being applied for on behalf of Salesforce.org for its use in connection with this Agreement.

RESOURCE SHARING AGREEMENT

This Resource Sharing Agreement (the " Agreement ") is made as of August 1, 2015 (the " Effective Date "), by and between: salesforce.com, inc. (together with its Affiliates, " SFDC "), a Delaware corporation, having its principal place of business at 50 Fremont, Suite 300, San Francisco, California 94105; the salesforce.com foundation (the " Foundation "), a California nonprofit public benefit corporation, having its principal place of business at 50 Fremont, Suite 300, San Francisco, California 94105; and salesforce.org (together with its Affiliates, " SFDO "), a California nonprofit public benefit corporation, having its principal place of business at 50 Fremont, Suite 300, San Francisco, California 94105 (each individually, a " Party ," and collectively, the " Parties "). " Affiliate " means any present or future entity controlling, controlled by, or under common control with, a Party.

RECITALS

A. The Foundation is a non-profit entity, exempt from income tax under Internal Revenue Code §501(c)(3) and corresponding provisions of state law, and as a result of federal tax law, the Foundation is not legally permitted to reimburse certain related Parties for expenses.

B. SFDO is a non-profit entity that became taxable as of February 1, 2015.

C. Both SFDC and SFDO desire to provide employees, office space, furniture, equipment, facilities, services and other resources (collectively, the " Resources ") to the Foundation, and SFDC desires to provide Resources to SFDO.

D. The Parties desire to enter into a contractual relationship regarding the sharing of the Resources within North America, South America, Europe, the Middle East, Africa and countries located in or that border the Caribbean Sea (the " Regions ").

NOW, THEREFORE, the Parties agree as follows:

1. Resources . SFDC and SFDO may provide Resources in the Regions to the Foundation, and SFDC may provide Resources in the Regions to SFDO, as mutually agreed from time to time. Unless otherwise agreed by the Parties in writing, all Resources provided by SFDC or SFDO to the Foundation will be at no cost to the Foundation, and Resources provided by SFDC to SFDO will be at no cost to SFDO. For clarity, and without limiting the foregoing:

(a) Employees . To the extent feasible, each Party will hire, compensate, supervise, discipline, and discharge its own full-time and part-time employees, who will be under the sole control and ultimate supervision of its own board of directors. Unless otherwise agreed by the Parties (including with respect to certain retirement plans to which each Parties' employees may participate), each Party will be solely responsible for: (i) compensating and providing benefits to its own full-time and part-time employees, (ii) withholding and paying all amounts required for any employer or employee tax or contribution, including local, state, and federal income tax, unemployment insurance, and disability insurance; and (iii) compliance with all applicable employments laws and regulations. Part-time employees of any Party may also be part-time employees of another Party. Full-time and part-time employees of SFDC may, from time to time, perform services for SFDO and the Foundation. Services provided by SFDC employees to SFDO or the Foundation will be at no cost to SFDO or the Foundation.

(b) Office Space and Equipment . SFDC owns or leases office space in the Regions (including office space located at 50 Fremont, San Francisco, CA 94105, the " Premises "), portions of which SFDC has assigned, and will continue to assign, to SFDO and the Foundation for their direct use. The Foundation and SFDO also make use of, and will continue to make use of, a proportionate share of common space within the Premises. Permitted use of the Premises by SFDO and the Foundation also includes, and will continue to include, use of: (i) office furniture and equipment located at the Premises (including, for example, chairs, desks, phones, printers, fax machines, and copiers); (ii) office supplies (including, for example, paper, pens, and binders); (iii) incidental mailing and printing; and (iv) kitchen supplies, including food and drinks. Permitted use of the Premises will be at no cost to SFDO or the Foundation, and SFDC will be solely responsible for all costs associated with use of the Premises by SFDO and the Foundation, including utilities, insurance and similar overhead costs.

(c) Networking and Information Technology. SFDC allows, and will continue to allow, SFDO and the Foundation to use certain network and telecommunication equipment and facilities owned or licensed by SFDC, including servers, bandwidth, ISP, and data center and hosting services. Use of such networking and information technology equipment and facilities will be at no cost to SFDO or the Foundation.

(d) Hardware. SFDC allows, and will continue to allow, SFDO and the Foundation to use certain hardware licensed to, or purchased by, SFDC (including, for example, laptop computers and mobile devices), subject to any applicable license terms between SFDC and applicable third parties. Use of such hardware will be at no cost to SFDO or the Foundation.

(e) Software. SFDC allows, and will continue to allow, SFDO and the Foundation to use certain productivity software licensed to, or purchased by, SFDC (including, for example, email and file-sharing software applications), subject to any applicable license terms between SFDC and applicable third parties. Use of such third party productivity software will be at no cost to SFDO or the Foundation.

(f) Internal Business Applications. SFDC allows, and will continue to allow, SFDO and the Foundation to use certain SFDC-owned internal business applications (including Org62). Use of such internal business applications will be at no cost to SFDO or the Foundation. Notwithstanding the foregoing, SFDO and the Foundation will each be responsible for implementing and maintaining their own billing and collection systems.

2. Valuation. From time to time, the Parties may calculate the allocable share of expenses related to SFDO and the Foundation's use of the Resources described in Section 1 (Resources) of this Agreement. For example, the Parties may calculate the expenses related to SFDO and the Foundation's use of the Premises by considering the number of SFDO and/or Foundation personnel using the Premises versus the total number of SFDC, SFDO, and Foundation personnel using the Premises. The calculations to be performed under this paragraph are for the Parties' valuation purposes only, and the Resources will be at no cost to SFDO or the Foundation.

3. Confidentiality.

(a) Definition of Confidential Information. As used herein, "Confidential Information" means all confidential information of a Party hereunder ("Disclosing Party") to which another Party hereunder (a "Receiving Party") may have access through the sharing of Resources contemplated hereunder, whether such information is in oral, written or electronic form. Confidential Information will include, without limitation, information and data concerning or being held for a Party's customers or employees ("Customer and Employee Data"). However, Confidential Information (other than Customer and Employee Data) will not include any information that (i) is or becomes generally known to the public without breach of any obligation owed to the Disclosing Party, (ii) was known to the Receiving Party prior to its disclosure by the Disclosing Party without breach of any obligation owed to the Disclosing Party, (iii) is received from a third party without breach of any obligation owed to the Disclosing Party, or (iv) was independently developed by the Receiving Party.

(b) Protection of Confidential Information. Except as otherwise permitted in writing by the Disclosing Party, (i) the Receiving Party will use the same degree of care that it uses to protect the confidentiality of its own confidential information of like kind (but in no event less than reasonable care) not to disclose or use any

Confidential Information of the Disclosing Party for any purpose outside the scope of this Agreement, and (ii) the Receiving Party will limit access to Confidential Information of the Disclosing Party to those of its employees, contractors and agents who need such access for purposes consistent with this Agreement and who have signed confidentiality agreements with the Receiving Party containing protections no less stringent than those herein.

(c) Protection of Customer and Employee Data. Without limiting the above, each Party will maintain appropriate administrative, physical, and technical safeguards for the protection, security, confidentiality and integrity of Customer and Employee Data.

(d) Compelled Disclosure. The Receiving Party may disclose Confidential Information of the Disclosing Party if it is compelled by law to do so, provided the Receiving Party gives the Disclosing Party prior notice of such compelled disclosure (to the extent legally permitted) and reasonable assistance, at the Disclosing Party's cost, if the Disclosing Party wishes to contest the disclosure. If the Receiving Party is compelled by law to disclose the Disclosing Party’s Confidential Information as part of a civil proceeding to which the Disclosing Party is a Party, and the Disclosing Party is not contesting the disclosure, the Disclosing Party will reimburse the Receiving Party for its reasonable cost of compiling and providing secure access to such Confidential Information. Notwithstanding the foregoing, the Parties acknowledge and agree that the terms and conditions of this Agreement may be filed publicly, as required by law or regulation, without further consent of the Parties.

4. Term and Termination. This Agreement will begin on the Effective Date and continue in effect until terminated by a Party upon one hundred eighty (180) days’ written notice.

5. General.

(a) Governing Law. This Agreement will be governed by the internal laws of the State of California.

(b) Waiver. No failure or delay by either Party in exercising any right under this Agreement will constitute a waiver of that right.

(c) Entire Agreement. This Agreement represents the entire agreement of the Parties with respect to its subject matter and supersedes any prior or contemporaneous agreements, proposals or representations, written or oral, concerning its subject matter, including the Resource Sharing Agreement, dated January 29, 2009, between the Parties.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have executed this Resource Sharing Agreement as of the Effective Date.

SALESFORCE.COM, INC.

By: /s/ Mark J. Hawkins

Name: Mark J. Hawkins

Title: Executive Vice President and Chief Financial Officer (Principal Financial Officer)

SALESFORCE.COM/FOUNDATION

By: /s/ Shanti Ariker

Name: Shanti Ariker

Title: VP, Global General Counsel

SALESFORCE.ORG

By: /s/ Shanti Ariker

Name: Shanti Ariker

Title: VP, Global General Counsel

Exhibit 31.1

CERTIFICATION

I, Marc Benioff, certify that:

1. I have reviewed this report on Form 10-Q of salesforce.com, inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

August 24, 2015

/s/ MARC BENIOFF

Marc Benioff

Chairman of the Board of Directors and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Mark J. Hawkins, certify that:

1. I have reviewed this report on Form 10-Q of salesforce.com, inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

August 24, 2015	/s/ MARK J. HAWKINS
	Mark J. Hawkins
	Executive Vice President and Chief Financial Officer **(Principal Financial Officer)**

Exhibit 32.1

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

Based on my knowledge, I, Marc Benioff, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of salesforce.com, inc. on Form 10-Q for the period ended July 31, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of salesforce.com, inc.

August 24, 2015	/s/ MARC BENIOFF
	Marc Benioff
	Chairman of the Board of Directors and Chief Executive Officer

Based on my knowledge, I, Mark J. Hawkins, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of salesforce.com, inc. on Form 10-Q for the period ended July 31, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of salesforce.com, inc.

August 24, 2015	/s/ MARK HAWKINS
	Mark J. Hawkins
	Executive Vice President and Chief Financial Officer (Principal Financial Officer)