

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, 2017

OR

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

Commission File Number: 001-32224

salesforce.com, inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-3320693

(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, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 31, 2017, there were approximately 718.7 million shares of the Registrant's Common Stock outstanding.

INDEX

	<u>Page No.</u>
	<u>PART I. FINANCIAL INFORMATION</u>
Item 1.	<u>Financial Statements:</u>
	<u>Consolidated Balance Sheets as of July 31, 2017 and January 31, 2017</u> <u>3</u>
	<u>Consolidated Statements of Operations for the three and six months ended July 31, 2017 and 2016</u> <u>4</u>
	<u>Consolidated Statements of Comprehensive Income for the three and six months ended July 31, 2017 and 2016</u> <u>5</u>
	<u>Consolidated Statements of Cash Flows for the three and six months ended July 31, 2017 and 2016</u> <u>6</u>
	<u>Notes to Consolidated Financial Statements</u> <u>8</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> <u>34</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> <u>52</u>
Item 4.	<u>Controls and Procedures</u> <u>55</u>
	<u>PART II. OTHER INFORMATION</u>
Item 1.	<u>Legal Proceedings</u> <u>56</u>
Item 1A.	<u>Risk Factors</u> <u>57</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> <u>72</u>
Item 3.	<u>Defaults Upon Senior Securities</u> <u>72</u>
Item 4.	<u>Mine Safety Disclosures</u> <u>72</u>
Item 5.	<u>Other Information</u> <u>72</u>
Item 6.	<u>Exhibits</u> <u>72</u>

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

salesforce.com, inc.
Consolidated Balance Sheets
(in thousands)

	July 31, 2017	January 31, 2017		
	(unaudited)			
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,949,110	\$ 1,606,549		
Marketable securities	1,552,135	602,338		
Accounts receivable, net	1,569,322	3,196,643		
Deferred commissions	302,528	311,770		
Prepaid expenses and other current assets	438,246	279,527		
Total current assets	<u>5,811,341</u>	<u>5,996,827</u>		
Property and equipment, net	1,866,576	1,787,534		
Deferred commissions, noncurrent	224,232	227,849		
Capitalized software, net	140,703	141,671		
Strategic investments	657,687	566,953		
Goodwill	7,294,381	7,263,846		
Intangible assets acquired through business combinations, net	965,887	1,113,374		
Other assets, net	457,996	486,869		
Total assets	<u>\$ 17,418,803</u>	<u>\$ 17,584,923</u>		
Liabilities, temporary equity and stockholders' equity				
Current liabilities:				
Accounts payable, accrued expenses and other liabilities	\$ 1,576,822	\$ 1,752,664		
Deferred revenue	4,818,634	5,542,802		
Convertible 0.25% senior notes, net	1,130,729	0		
Total current liabilities	<u>7,526,185</u>	<u>7,295,466</u>		
Convertible 0.25% senior notes, net	0	1,116,360		
Term loan	497,796	497,221		
Loan assumed on 50 Fremont	198,403	198,268		
Revolving credit facility	0	196,542		
Other noncurrent liabilities	727,882	780,939		
Total liabilities	<u>8,950,266</u>	<u>10,084,796</u>		
Temporary equity:				
Convertible 0.25% senior notes (See Note 8)	17,223	0		
Stockholders' equity:				
Common stock	719	708		
Additional paid-in capital	8,889,441	8,040,170		
Accumulated other comprehensive income (loss)	17,535	(75,841)		
Accumulated deficit	(456,381)	(464,910)		
Total stockholders' equity	<u>8,451,314</u>	<u>7,500,127</u>		
Total liabilities, temporary equity and stockholders' equity	<u>\$ 17,418,803</u>	<u>\$ 17,584,923</u>		

See accompanying Notes.

salesforce.com, inc.
Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Revenues:				
Subscription and support	\$ 2,368,499	\$ 1,886,080	\$ 4,569,407	\$ 3,661,573
Professional services and other	193,090	150,538	379,761	291,648
Total revenues	2,561,589	2,036,618	4,949,168	3,953,221
Cost of revenues (1)(2):				
Subscription and support	493,879	376,456	956,800	727,557
Professional services and other	176,788	149,123	364,422	295,003
Total cost of revenues	670,667	525,579	1,321,222	1,022,560
Gross profit	1,890,922	1,511,039	3,627,946	2,930,661
Operating expenses (1)(2):				
Research and development	386,447	291,506	762,528	552,476
Marketing and sales	1,170,749	934,931	2,280,253	1,830,791
General and administrative	282,933	252,051	543,254	462,857
Total operating expenses	1,840,129	1,478,488	3,586,035	2,846,124
Income from operations	50,793	32,551	41,911	84,537
Investment income	8,754	11,916	14,020	20,038
Interest expense	(21,629)	(20,708)	(43,825)	(42,719)
Other income (expense) (1)	(7,465)	524	(4,616)	(13,282)
Gains from acquisitions of strategic investments	0	0	0	12,864
Income before benefit from (provision for) income taxes	30,453	24,283	7,490	61,438
Benefit from (provision for) income taxes	(12,717)	205,339	1,039	206,943
Net income	\$ 17,736	\$ 229,622	\$ 8,529	\$ 268,381
Basic net income per share	\$ 0.02	\$ 0.34	\$ 0.01	\$ 0.40
Diluted net income per share	\$ 0.02	\$ 0.33	\$ 0.01	\$ 0.39
Shares used in computing basic net income per share	712,039	681,126	709,157	678,929
Shares used in computing diluted net income per share	729,386	695,968	726,222	691,714

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Cost of revenues	\$ 43,483	\$ 25,544	\$ 87,069	\$ 47,759
Marketing and sales	30,563	23,151	61,207	38,537
Other non-operating expense	376	642	751	1,348

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Cost of revenues	\$ 32,202	\$ 23,495	\$ 63,712	\$ 50,129
Research and development	66,644	38,624	130,559	73,792
Marketing and sales	120,550	86,323	239,546	181,797
General and administrative	37,089	33,868	74,237	65,511

See accompanying Notes.

salesforce.com, inc.
Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Net income	\$ 17,736	\$ 229,622	\$ 8,529	\$ 268,381
Other comprehensive income, before tax and net of reclassification adjustments:				
Foreign currency translation and other gains (losses)	16,384	(10,407)	30,408	(151)
Unrealized gains (losses) on marketable securities and strategic investments	(8,362)	25,896	62,968	36,980
Other comprehensive income, before tax	8,022	15,489	93,376	36,829
Tax effect	0	1,873	0	1,873
Other comprehensive income, net of tax	8,022	17,362	93,376	38,702
Comprehensive income	<u>\$ 25,758</u>	<u>\$ 246,984</u>	<u>\$ 101,905</u>	<u>\$ 307,083</u>

See accompanying Notes.

salesforce.com, inc.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Operating activities:				
Net income	\$ 17,736	\$ 229,622	\$ 8,529	\$ 268,381
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	192,257	149,361	377,365	282,133
Amortization of debt discount and issuance costs	7,753	6,868	15,470	14,053
Gains from acquisitions of strategic investments	0	0	0	(12,864)
Amortization of deferred commissions	107,868	88,783	214,010	177,297
Expenses related to employee stock plans	256,485	182,310	508,054	371,229
Changes in assets and liabilities, net of business combinations:				
Accounts receivable, net	(129,447)	(73,167)	1,628,060	1,234,145
Deferred commissions	(116,703)	(70,643)	(201,152)	(134,162)
Prepaid expenses and other current assets and other assets	32,296	(9,728)	(151,115)	(66,399)
Accounts payable, accrued expenses and other liabilities	187,042	(46,666)	(114,200)	(332,894)
Deferred revenue	(224,018)	(206,062)	(724,168)	(499,179)
Net cash provided by operating activities	331,269	250,678	1,560,853	1,301,740
Investing activities:				
Business combinations, net of cash acquired	0	(2,798,194)	(19,781)	(2,799,993)
Strategic investments, net	(42,958)	(390)	(43,416)	(22,451)
Purchases of marketable securities	(501,333)	(285,795)	(1,199,894)	(875,131)
Sales of marketable securities	139,628	1,610,724	243,465	1,833,658
Maturities of marketable securities	9,420	27,253	13,270	50,538
Capital expenditures	(128,388)	(96,030)	(284,990)	(179,331)
Net cash used in investing activities	(523,631)	(1,542,432)	(1,291,346)	(1,992,710)
Financing activities:				
Proceeds from term loan, net	0	495,550	0	495,550
Proceeds from employee stock plans	183,009	133,878	342,816	223,019
Principal payments on capital lease obligations	(65,731)	(12,795)	(75,174)	(62,763)
Payments on revolving credit facility	0	0	(200,000)	0
Net cash provided by financing activities	117,278	616,633	67,642	655,806
Effect of exchange rate changes	(710)	(8,736)	5,412	(7,973)
Net increase (decrease) in cash and cash equivalents	(75,794)	(683,857)	342,561	(43,137)
Cash and cash equivalents, beginning of period	2,024,904	1,799,083	1,606,549	1,158,363
Cash and cash equivalents, end of period	\$ 1,949,110	\$ 1,115,226	\$ 1,949,110	\$ 1,115,226

See accompanying Notes.

salesforce.com, inc.
Consolidated Statements of Cash Flows
Supplemental Cash Flow Disclosure
 (in thousands)
 (unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Supplemental cash flow disclosure:				
Cash paid during the period for:				
Interest	\$ 20,543	\$ 6,285	\$ 27,265	\$ 30,035
Income taxes, net of tax refunds	\$ 9,335	\$ 6,322	\$ 26,682	\$ 14,231
Non-cash investing and financing activities:				
Fixed assets acquired under capital leases	\$ 0	\$ 0	\$ 2,471	\$ 585
Fair value of equity awards assumed	\$ 0	\$ 9,344	\$ 0	\$ 20,793
Fair value of common stock issued as consideration for business combinations	\$ 0	\$ 0	\$ 6,193	\$ 278,372
Non-cash equity liability (See Note 9)	\$ 5,476	\$ 76,043	\$ 12,961	\$ 76,043

See accompanying Notes.

salesforce.com, inc.
Notes to 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 software, delivered through the cloud, with a focus on customer relationship management, or CRM. The Company introduced its first CRM solution in 2000, and has since expanded its service offerings into new areas and industries with new editions, features and platform capabilities.

The Company's core mission is to empower its customers to connect with their customers in entirely new ways through cloud, mobile, social, Internet of Things ("IoT") and artificial intelligence technologies.

The Company's Customer Success Platform is a comprehensive portfolio of service offerings providing sales force automation, customer service and support, marketing automation, digital commerce, community management, analytics, application development, IoT integration, collaborative productivity tools and its professional cloud services.

Fiscal Year

The Company's fiscal year ends on January 31. References to fiscal 2018, for example, refer to the fiscal year ending January 31, 2018.

Basis of Presentation

The accompanying consolidated balance sheet as of July 31, 2017 and the consolidated statements of operations, the consolidated statements of comprehensive income and the consolidated statements of cash flows for the three and six months ended July 31, 2017 and 2016, respectively, are unaudited.

These 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 consolidated financial statements include all adjustments necessary for the fair presentation of the Company's balance sheet as of July 31, 2017, and its results of operations, including its comprehensive income, and its cash flows for the three and six months ended July 31, 2017 and 2016. All adjustments are of a normal recurring nature. The results for the three and six months ended July 31, 2017 are not necessarily indicative of the results to be expected for any subsequent quarter or for the fiscal year ending January 31, 2018.

These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2017, filed with the Securities and Exchange Commission (the "SEC") on March 6, 2017.

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 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 certain stock awards issued;
- the useful lives of intangible assets, property and equipment and building and structural components; and
- the valuation of strategic investments and the determination of other-than-temporary impairments.

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 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 a number of 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, including as a result of the Company's acquisitions, the Company's business operates in one operating segment because the majority 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 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 accounts receivable. In addition, in connection with the Company's 0.25% Senior Notes (as defined in Note 8 "Debt"), the Company entered into convertible note hedge transactions with respect to its common stock which are exposed to concentrations of credit risk. Collateral is not required for accounts receivable or the note hedge transactions. The Company maintains an allowance for its doubtful accounts receivable. 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. Receivables are written-off and charged against its recorded allowance when the Company has exhausted collection efforts without success.

No single customer accounted for more than five percent of accounts receivable at July 31, 2017 and January 31, 2017. No single customer accounted for five percent or more of total revenue during the three and six months ended July 31, 2017 and 2016.

Geographic Locations

As of July 31, 2017 and January 31, 2017, assets located outside the Americas were 13 percent and 12 percent of total assets, respectively. As of July 31, 2017 and January 31, 2017, assets located in the United States were 85 percent and 86 percent of total assets, respectively.

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Americas	\$ 1,854,169	\$ 1,495,201	\$ 3,609,527	\$ 2,908,430
Europe	464,371	347,320	873,986	675,174
Asia Pacific	243,049	194,097	465,655	369,617
	<u>\$ 2,561,589</u>	<u>\$ 2,036,618</u>	<u>\$ 4,949,168</u>	<u>\$ 3,953,221</u>

Revenues by geography are determined based on the region of the Salesforce contracting entity, which may be different than the region of the customer. Americas revenue attributed to the United States was approximately 96 percent during the three and six months ended July 31, 2017 and 2016. No other country represented more than ten percent of total revenue during the three and six months ended July 31, 2017 and 2016.

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 Company's professional services contracts are either on a time and materials, fixed fee or subscription basis. These revenues are recognized as the services are rendered for time and materials contracts, when the milestones are achieved and accepted by the customer or on a proportional performance basis for fixed price contracts and ratably over the contract term for subscription professional services contracts. The milestone method for revenue recognition is used when there is substantive uncertainty at the date the contract is entered into whether the milestone will be achieved. 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 at contract inception, 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, dollar size and new business linearity within the quarter.

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 consolidated statements of operations.

During the six months ended July 31, 2017, the Company deferred \$201.2 million of commission expenditures and amortized \$214.0 million to sales expense. During the same period a year ago, the Company deferred \$134.2 million of commission expenditures and amortized \$177.3 million to sales expense. Deferred commissions on the Company's consolidated balance sheets totaled \$526.8 million at July 31, 2017 and \$539.6 million at January 31, 2017.

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

The Company considers all of its marketable debt securities as available for use in current operations, including those with maturity dates beyond one year, and therefore classifies these securities within current assets on the consolidated balance sheets. 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 consolidated statements of comprehensive income until realized. 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 reduction to 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. For the purposes of computing realized and unrealized gains and losses, 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.

Strategic Investments

The Company holds certain marketable equity and non-marketable debt and equity securities within its strategic investments portfolio. Marketable equity securities are measured using quoted prices in their respective active markets, non-marketable debt securities are recorded at their estimated fair value and the non-marketable equity securities are recorded at cost.

Marketable equity securities and non-marketable debt securities, which consist of noncontrolling debt investments in privately held companies, are recorded at fair value with changes in fair value recorded through accumulated other comprehensive income. Equity investments without readily determinable fair values for which the Company does not have the ability to exercise significant influence are accounted for using the cost method of accounting. Under the cost method of accounting, the non-marketable securities are carried at cost and are adjusted only for other-than-temporary impairments, certain distributions and additional investments. 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. The estimated fair value is based on quantitative and qualitative factors including, but not limited to, subsequent financing activities by the investee and projected discounted cash flows. Fair value is not estimated for non-marketable equity securities if there are no identified events or changes in circumstances that may have an effect on the fair value of the investment.

The carrying value of the Company's strategic investments is impacted by various events such as entering into new investments, dispositions due to acquisitions, fair market value adjustments or initial public offerings. The cash inflows from exits and cash outflows for new investments are disclosed as strategic investments within the investing activities section of the statement of cash flows and any gains or losses are recorded within the operating activities of the statements of cash flows for each of the respective fiscal quarter periods.

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 the Euro, British Pound Sterling, Japanese Yen, Canadian Dollar and Australian Dollar. 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, 2017 and January 31, 2017, the foreign currency derivative contracts that were not settled were recorded at fair value on the 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.

Fair Value Measurement

The Company measures its cash and 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 4 "Fair Value Measurement."

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:

Computers, equipment and software	3 to 9 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of the estimated lease term or 10 years
Building and structural components	Average weighted useful life of 32 years
Building - leased facility	27 years
Building improvements	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 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.

Intangible Assets acquired through Business Combinations

Intangible assets are amortized over their estimated 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.

Impairment Assessment

The Company evaluates intangible assets and long-lived assets for possible impairment whenever events or changes in 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. Recoverability of these assets is measured by comparing 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, the carrying amount of such assets is reduced to fair value.

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

There was no impairment of intangible assets, long-lived assets or goodwill during the three and six months ended July 31, 2017 and 2016.

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 consolidated statements of operations.

In the event the Company acquires an entity with which the Company has a preexisting relationship, the Company will recognize a gain or loss to settle that relationship as of the acquisition date, which is recorded in other income (expense) within the statements of operations. In the event that the Company acquires an entity in which the Company previously held a strategic investment, the difference between the fair value of the shares as of the date of the acquisition and the carrying value of the strategic investment is recorded as a gain or loss and disclosed separately within the 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.

In the event the Company is 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. To the extent there are losses associated with the sublease, they are recognized in the period the sublease is executed. Gains are recognized over the sublease life. 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, net of forfeitures, 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 related to performance share grants are measured based on grant date fair value and expensed on a straight-line basis over the service period of the awards, which is generally the vesting term of three years.

The Company, at times, grants unvested restricted shares to employee stockholders of certain acquired companies in lieu of cash consideration. These awards are generally subject to continued post-acquisition employment. Therefore, the Company accounts for them as post-acquisition stock-based expense. The Company recognizes stock-based expense equal to the grant date fair value of the restricted stock awards on a straight-line basis over the requisite service period of the awards, which is generally four years.

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 consolidated statements of operations in the period that includes the enactment date.

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.

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.

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 consolidated statements of comprehensive income. Foreign currency transaction gains and losses are included in Other income (expense) in the consolidated statements of operations 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 material liabilities related to such obligations in the accompanying 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 Pronouncements Adopted in Fiscal 2018

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2017-01, "Business Combinations (Topic 805) Clarifying the Definition of a Business" ("ASU 2017-01") which amended the existing FASB Accounting Standards Codification. The standard provides additional guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting, including acquisitions, disposals, goodwill, and consolidation. ASU 2017-01 is effective for fiscal 2019 with early adoption permitted. The Company early adopted the standard in the first quarter of fiscal 2018 on a prospective basis. Since the Company has not acquired any material businesses since the start of the year, this standard has had no impact on the Company's financial statements.

In May 2017, the FASB issued Accounting Standards Update No. 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting" ("ASU 2017-09") which amended the existing FASB Accounting Standards Codification. The standard provides clarity and reduces the cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. ASU 2017-09 is effective for fiscal 2019 with early adoption permitted. The Company early adopted the standard in the second quarter of fiscal 2018 on a prospective basis and does not expect it to have any impact on the Company's financial statements.

Pending Accounting Pronouncements

In May 2014, the 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, replaces existing revenue recognition guidance with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. The standard also provides guidance on the recognition of costs related to obtaining customer contracts. ASU 2014-09, as amended, will be effective for the beginning of fiscal 2019, including interim periods within that reporting period.

The Company currently anticipates adopting the standard using the full retrospective method to restate each prior reporting period presented. The Company's ability to adopt this standard using the full retrospective method is dependent upon system readiness for both revenue and commissions and the completion of the analysis of information necessary to restate prior period financial statements.

The Company is continuing to assess the impact of adopting ASU 2014-09 on its financial position, results of operations and related disclosures and has not yet determined whether the effect of the revenue portion will be material. Additionally, as the Company continues to assess the new standard along with industry trends and additional interpretive guidance, the Company may adjust its implementation plan accordingly.

The Company believes that the new standard will impact the following policies and disclosures:

- removal of the current limitation on contingent revenue will result in revenue being recognized earlier for certain contracts;
- allocation of subscription and support revenue across different clouds and to professional services revenue;
- estimation of variable consideration for arrangements with overage fees;
- required disclosures including information about the remaining transaction price and when the Company expects to recognize revenue; and
- accounting for deferred commissions including costs that qualify for deferral and the amortization period.

The commission accounting under the new standard is significantly different than the Company's current commission capitalization policy. The new standard will result in additional types of costs being capitalized. Additionally, all amounts capitalized will be amortized over a period longer than the Company's current policy of amortizing the deferred amounts over the specific revenue contract terms. While the Company has not yet finalized its assessment of the impact the new commission accounting policy will have on its financial position and results of operations, the Company believes it will be material.

The Company does not expect the adoption of ASU 2014-09 to have any impact on its operating cash flows.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, "Financial Instrument-Overall (Subtopic 825-10)" ("ASU 2016-01"), which requires entities to measure equity instruments at fair value and recognize any changes in fair value in net income. The guidance provides for electing the measurement alternative or defaulting to the fair value option. The Company plans to elect the measurement alternative for equity investments that do not have readily determinable fair values. These investments will be measured at cost, less any impairment, plus or minus adjustments resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, which are recorded in net income. For those investments with readily determinable fair values, the Company will record the investments at fair value on a quarterly basis and record the change in net income. The new standard is effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted. The Company plans to adopt the new standard in its first quarter of fiscal 2019 and expects the adoption of ASU 2016-01 will impact its strategic investments portfolio. The Company is currently evaluating the impact to its consolidated financial statements and expects it could have a material impact, including additional volatility to other income (expense) within the Company's statements of operations, in future periods.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which requires lessees to record most leases on their balance sheets but recognize the expenses on their statements of operations in a manner similar to current accounting rules. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The new standard is effective for interim and annual periods beginning after December 15, 2018 on a modified retrospective basis and early adoption is permitted. The Company expects its leases designated as operating leases in Note 13, "Commitments," will be reported on the consolidated balance sheets upon adoption. The Company is currently evaluating the impact to its consolidated financial statements as it relates to other aspects of the business. While the Company has not yet finalized its assessment, the Company currently plans to adopt the new standard in its first quarter of fiscal 2020.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" ("ASU 2016-16"), which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The new standard is effective for annual periods beginning after December 15, 2017, with early adoption permitted as of the beginning of a fiscal year. The Company plans to adopt the new standard in its first quarter of fiscal 2019 and does not expect it to have a material impact on its consolidated financial statements.

Reclassifications

Certain reclassifications to fiscal 2017 balances were made to conform to the current period presentation in the consolidated balance sheets and consolidated statement of operations. These reclassifications include cost of revenues professional services and other, cost of revenues subscription and support, deferred revenue and deferred revenue, noncurrent.

2. Investments

Marketable Securities

At July 31, 2017, 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	\$ 952,187	\$ 3,659	\$ (593)	\$ 955,253
U.S. treasury securities	114,816	128	(195)	114,749
Mortgage backed obligations	107,789	141	(354)	107,576
Asset backed securities	206,874	202	(108)	206,968
Municipal securities	61,909	117	(137)	61,889
Foreign government obligations	56,562	94	(25)	56,631
U.S. agency obligations	2,995	5	0	3,000
Covered bonds	46,078	5	(14)	46,069
Total marketable securities	\$ 1,549,210	\$ 4,351	\$ (1,426)	\$ 1,552,135

At January 31, 2017, 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	\$ 321,284	\$ 887	\$ (1,531)	\$ 320,640
U.S. treasury securities	62,429	68	(674)	61,823
Mortgage backed obligations	74,882	39	(669)	74,252
Asset backed securities	101,913	74	(197)	101,790
Municipal securities	33,523	35	(183)	33,375
Foreign government obligations	10,491	3	(36)	10,458
Total marketable securities	<u>\$ 604,522</u>	<u>\$ 1,106</u>	<u>\$ (3,290)</u>	<u>\$ 602,338</u>

The contractual maturities of the investments classified as marketable securities are as follows (in thousands):

	As of	
	July 31, 2017	January 31, 2017
Due within 1 year	\$ 283,148	\$ 104,631
Due in 1 year through 5 years	1,261,051	494,127
Due in 5 years through 10 years	7,936	3,580
	<u>\$ 1,552,135</u>	<u>\$ 602,338</u>

As of July 31, 2017, 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	\$ 197,097	\$ (593)	\$ 0	\$ 0	\$ 197,097	\$ (593)
U.S. treasury securities	75,471	(195)	0	0	75,471	(195)
Mortgage backed obligations	71,945	(324)	2,520	(30)	74,465	(354)
Asset backed securities	88,623	(101)	941	(7)	89,564	(108)
Municipal securities	33,555	(137)	0	0	33,555	(137)
Foreign government obligations	8,878	(25)	0	0	8,878	(25)
Covered bonds	24,467	(14)	0	0	24,467	(14)
	<u>\$ 500,036</u>	<u>\$ (1,389)</u>	<u>\$ 3,461</u>	<u>\$ (37)</u>	<u>\$ 503,497</u>	<u>\$ (1,426)</u>

The unrealized losses for each of the fixed rate marketable securities were less than \$62,000. 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, 2017, such as the Company's intent to hold and whether it is more likely than not that the Company will be required to sell the investment before recovery of the investment's amortized basis. The Company expects to receive the full principal and interest on all of these marketable securities.

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,	
	2017	2016	2017	2016
Interest income	\$ 8,748	\$ 6,546	\$ 14,395	\$ 14,319
Realized gains	353	6,507	512	7,561
Realized losses	(347)	(1,137)	(887)	(1,842)
Total investment income	<u>\$ 8,754</u>	<u>\$ 11,916</u>	<u>\$ 14,020</u>	<u>\$ 20,038</u>

Reclassification adjustments out of accumulated other comprehensive income into net income were immaterial for the three and six months ended July 31, 2017 and 2016.

Strategic Investments

As of July 31, 2017, the Company had four investments in marketable equity securities with a fair value of \$119.1 million, which included an unrealized gain of \$64.7 million. As of January 31, 2017, the Company had six investments in marketable equity securities with a fair value of \$41.0 million, which included an unrealized gain of \$24.5 million. The change in the fair value of the investments in publicly held companies is recorded in the consolidated balance sheets within strategic investments and accumulated other comprehensive income.

As of July 31, 2017 and January 31, 2017, the carrying value of the Company's non-marketable debt and equity securities was \$538.5 million and \$526.0 million, respectively. The estimated fair value of the non-marketable debt and equity securities was approximately \$762.1 million and \$758.3 million as of July 31, 2017 and January 31, 2017, respectively.

3. Derivatives

Details on outstanding foreign currency derivative contracts are presented below (in thousands):

	As of	
	July 31, 2017	January 31, 2017
Notional amount of foreign currency derivative contracts	\$ 1,268,065	\$ 1,280,953
Fair value of foreign currency derivative contracts	\$ (2,827)	\$ 10,205

The fair value of the Company's outstanding derivative instruments not designated as hedging instruments are summarized below (in thousands):

	Balance Sheet Location	As of	
		July 31, 2017	January 31, 2017
Derivative Assets			
Foreign currency derivative contracts	Prepaid expenses and other current assets	\$ 5,111	\$ 13,238
Derivative Liabilities			
Foreign currency derivative contracts	Accounts payable, accrued expenses and other liabilities	\$ 7,938	\$ 3,033

Gains/losses on derivative instruments not designated as hedging instruments recorded in Other income (expense) in the consolidated statements of operations during the three and six months ended July 31, 2017 and 2016, respectively, are summarized below (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Foreign currency derivative contracts	\$ 3,420	\$ (33,836)	\$ 10,279	\$ (47,176)

4. Fair Value Measurement

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. Significant other inputs that are directly or indirectly observable in the marketplace.

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

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 following table presents information about the Company's assets and liabilities that are measured at fair value as of July 31, 2017 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, 2017
Cash equivalents (1):				
Time deposits	\$ 0	\$ 457,739	\$ 0	\$ 457,739
Money market mutual funds	773,617	0	0	773,617
Marketable securities:				
Corporate notes and obligations	0	955,253	0	955,253
U.S. treasury securities	0	114,749	0	114,749
Mortgage backed obligations	0	107,576	0	107,576
Asset backed securities	0	206,968	0	206,968
Municipal securities	0	61,889	0	61,889
Foreign government obligations	0	56,631	0	56,631
U.S. agency obligations	0	3,000	0	3,000
Covered bonds	0	46,069	0	46,069
Foreign currency derivative contracts (2)	0	5,111	0	5,111
Total assets	\$ 773,617	\$ 2,014,985	\$ 0	\$ 2,788,602
Liabilities:				
Foreign currency derivative contracts (3)	0	7,938	0	7,938
Total liabilities	\$ 0	\$ 7,938	\$ 0	\$ 7,938

(1) Included in "cash and cash equivalents" in the accompanying consolidated balance sheet as of July 31, 2017, in addition to \$717.8 million of cash.

(2) Included in "prepaid expenses and other current assets" in the accompanying consolidated balance sheet as of July 31, 2017.

(3) Included in "accounts payable, accrued expenses and other liabilities" in the accompanying consolidated balance sheet as of July 31, 2017.

The following table presents information about the Company's assets and liabilities that are measured at fair value as of January 31, 2017 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, 2017
Cash equivalents (1):				
Time deposits	\$ 0	\$ 25,100	\$ 0	\$ 25,100
Money market mutual funds	956,479	0	0	956,479
Marketable securities:				
Corporate notes and obligations	0	320,640	0	320,640
U.S. treasury securities	0	61,823	0	61,823
Mortgage backed obligations	0	74,252	0	74,252
Asset backed securities	0	101,790	0	101,790
Municipal securities	0	33,375	0	33,375
Foreign government obligations	0	10,458	0	10,458
Foreign currency derivative contracts (2)	0	13,238	0	13,238
Total assets	\$ 956,479	\$ 640,676	\$ 0	\$ 1,597,155
Liabilities:				
Foreign currency derivative contracts (3)	0	3,033	0	3,033
Total liabilities	\$ 0	\$ 3,033	\$ 0	\$ 3,033

(1) Included in "cash and cash equivalents" in the accompanying consolidated balance sheet as of January 31, 2017, in addition to \$625.0 million of cash.

(2) Included in "prepaid expenses and other current assets" in the accompanying consolidated balance sheet as of January 31, 2017.

(3) Included in "accounts payable, accrued expenses and other liabilities" in the accompanying consolidated balance sheet as of January 31, 2017.

5. Property and Equipment

Property and Equipment

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

	As of	
	July 31, 2017	January 31, 2017
Land	\$ 183,888	\$ 183,888
Buildings and building improvements	623,411	621,377
Computers, equipment and software	1,555,572	1,440,986
Furniture and fixtures	125,858	112,564
Leasehold improvements	741,466	627,069
	3,230,195	2,985,884
Less accumulated depreciation and amortization	(1,363,619)	(1,198,350)
	\$ 1,866,576	\$ 1,787,534

Depreciation and amortization expense totaled \$94.9 million and \$80.1 million during the three months ended July 31, 2017 and 2016, respectively, and \$183.0 million and \$155.7 million during the six months ended July 31, 2017 and 2016, respectively.

Computers, equipment and software at July 31, 2017 and January 31, 2017 included a total of \$729.6 million and \$729.0 million acquired under capital lease agreements, respectively. Accumulated amortization relating to computers, equipment and software acquired under capital leases totaled \$430.4 million and \$386.9 million, respectively, at July 31, 2017 and January 31, 2017. Amortization of assets acquired under capital leases is included in depreciation and amortization expense.

Building - 350 Mission

In December 2013, 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, which is the total office space available in the building. As a result of the Company’s involvement during the construction period, the Company is considered for accounting purposes to be the owner of 350 Mission. As a result, the Company has capitalized the construction costs as Building with a corresponding current and noncurrent financing obligation liability and has accounted for the underlying land implicitly as an operating lease. As of July 31, 2017, the Company had capitalized \$178.8 million of construction costs, based on the construction costs incurred to date by the landlord, and recorded a corresponding current and noncurrent financing obligation liability of \$19.8 million and \$199.5 million, respectively. As of January 31, 2017, the Company had capitalized \$178.8 million of construction costs, based on the construction costs incurred to date by the landlord, and recorded a corresponding current and noncurrent financing obligation liability of \$19.6 million and \$200.7 million, respectively. The total expected financing obligation in the form of minimum lease payments inclusive of the amounts currently recorded is \$311.7 million, including interest (see Note 13 “Commitments” for future commitment details). The obligation will be settled through monthly lease payments to the landlord, which commenced in October 2015. To the extent that operating expenses for 350 Mission are material, the Company, as the deemed accounting owner, will record the operating expenses.

6. Business Combinations

In February 2017, the Company acquired Sequence, Inc. for an aggregate of \$26.0 million in cash and equity, net of cash acquired, and has included the financial results of the company in its consolidated financial statements from the date of acquisition. The costs associated with this acquisition were not material. The Company accounted for this acquisition as a business combination. In allocating the purchase consideration based on estimated fair values, the Company recorded \$2.7 million of intangible assets and \$23.0 million of goodwill. The goodwill balance associated with this business combination is deductible for U.S. income tax purposes. The Company expects to finalize the valuation as soon as practicable, but not later than one year from the acquisition date.

The Company finalized its purchase accounting for several acquisitions in the three months ended July 31, 2017 resulting in adjustments to goodwill, intangible assets and other balance sheet accounts.

7. Intangible Assets Acquired Through Business Combinations and Goodwill

Intangible assets acquired through business combinations

Intangible assets acquired through business combinations are as follows (in thousands):

	Intangible Assets, Gross			Accumulated Amortization			Intangible Assets, Net		Weighted Average Useful Life
	Jan 31, 2017	Additions	July 31, 2017	Jan 31, 2017	Expense	July 31, 2017	Jan 31, 2017	July 31, 2017	
Acquired developed technology	\$ 1,092,161	\$ 0	\$ 1,092,161	\$ (577,929)	\$ (86,362)	\$ (664,291)	\$ 514,232	\$ 427,870	3.2
Customer relationships	843,614	1,690	845,304	(254,035)	(60,204)	(314,239)	589,579	531,065	4.9
Trade names and trademarks	45,950	0	45,950	(41,349)	(1,020)	(42,369)	4,601	3,581	1.8
Territory rights and other	15,786	0	15,786	(12,256)	(840)	(13,096)	3,530	2,690	8.5
50 Fremont lease intangibles	7,713	0	7,713	(6,281)	(751)	(7,032)	1,432	681	2.9
Total	\$ 2,005,224	\$ 1,690	\$ 2,006,914	\$ (891,850)	\$ (149,177)	\$ (1,041,027)	\$ 1,113,374	\$ 965,887	4.1

Amortization of intangible assets and unfavorable lease liabilities, which are not reflected in the table above, resulting from business combinations for the three months ended July 31, 2017 and 2016 was \$74.4 million and \$49.3 million, respectively, and for the six months ended July 31, 2017 and 2016 was \$149.0 million and \$87.6 million, respectively.

The expected future amortization expense for intangible assets as of July 31, 2017 is as follows (in thousands):

Fiscal Period:

Remaining six months of Fiscal 2018	\$ 139,173
Fiscal 2019	266,233
Fiscal 2020	225,039
Fiscal 2021	169,481
Fiscal 2022	111,353
Thereafter	54,608
Total amortization expense	\$ 965,887

Goodwill

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

The changes in the carrying amounts of goodwill, which is generally not deductible for tax purposes, were as follows (in thousands):

Balance as of January 31, 2017	\$ 7,263,846
Sequence, Inc. acquisition	22,982
Adjustments of acquisition date fair values, including the effect of foreign currency translation	7,553
Balance as of July 31, 2017	\$ 7,294,381

8. Debt

Convertible Senior Notes

(in thousands)	Par Value Outstanding	Equity Component Recorded at Issuance	Liability Component of Par Value as of	
			July 31, 2017	January 31, 2017
0.25% Convertible Senior Notes due April 1, 2018	\$ 1,150,000	\$ 122,421 (1)	\$ 1,130,729	\$ 1,116,360

(1) This amount represents the equity component recorded at the initial issuance of the 0.25% convertible senior notes. As of July 31, 2017, \$17.2 million was reclassified to temporary equity on the accompanying consolidated balance sheet as these notes are convertible for the three months ending October 31, 2017 based on the conversion criteria below.

In March 2013, the Company issued at par value \$1.15 billion of 0.25% convertible senior notes (the “0.25% Senior Notes”, or “Notes”) due April 1, 2018, unless earlier purchased by the Company or converted and are therefore classified as current on the consolidated balance sheet as of July 31, 2017 as they are due within one year. 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 (as described in the indenture).

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 any period when holders of the 0.25% Senior Notes are eligible to exercise their conversion option, the equity component related to convertible debt instruments is required to be reclassified from permanent equity to temporary equity. Therefore, if in any future period the holders of the 0.25% Senior Notes are able to exercise their conversion rights, then the difference between (1) the amount of cash deliverable upon conversion (i.e., par value of debt) and (2) the carrying value of the debt component will be reclassified from permanent equity to temporary equity, and will continue to be reported as temporary equity for any period in which the debt remains currently convertible.

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 stockholders' equity.

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

	As of	
	July 31, 2017	January 31, 2017
Liability component:		
Principal (1)	\$ 1,150,000	\$ 1,150,000
Less: debt discount, net (2)	(17,223)	(29,954)
Less: debt issuance cost	(2,048)	(3,686)
Net carrying amount	\$ 1,130,729	\$ 1,116,360

(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 consolidated balance sheets within Convertible 0.25% Senior Notes (which is classified as a current liability as of July 31, 2017 and a noncurrent liability as of January 31, 2017) 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, 2017 was \$1.6 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 2018.

Based on the closing price of the Company's common stock of \$90.80 on July 31, 2017, the if-converted value of the 0.25% Senior Notes exceeded their principal amount by approximately \$421.6 million.

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 ("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 ("0.25% Warrants"), whereby the Company sold warrants to acquire, subject to anti-dilution adjustments, shares of the Company's common stock. If the 0.25% Warrants are not exercised on their exercise dates, which are in fiscal 2019, they will expire. If the market value per share of the Company's common stock exceeds the applicable exercise price of the 0.25% Warrants, the 0.25% Warrants will have a dilutive effect on the Company's earnings per share if the Company has achieved profitability at that time. 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.

Term Loan

In July 2016, the Company entered into a credit agreement ("Term Loan Credit Agreement") with Bank of America, N.A. and certain other institutional lenders for a \$500.0 million term loan facility ("Term Loan") that matures on July 11, 2019. The Term Loan will bear interest, at the Company's option, at either a base rate plus a spread of 0.00% to 0.75% or an adjusted LIBOR rate plus a spread of 1.00% to 1.75%, in each case with such spread being determined based on the Company's consolidated leverage ratio for the preceding four fiscal quarter period.

In July 2016, the Company borrowed the full \$500.0 million under the Term Loan. All of the net proceeds of the Term Loan were for the purpose of partially funding the acquisition of Demandware.

Interest on the Term Loan is due and payable in arrears quarterly for loans bearing interest at a rate based on the base rate and at the end of an interest period in the case of loans bearing interest at the adjusted LIBOR rate.

All outstanding amounts under the Term Loan Credit Agreement will be due and payable on July 11, 2019. The Company may prepay the Term Loan, in whole or in part, at any time without premium or penalty, subject to certain conditions, and amounts repaid or prepaid may not be reborrowed. The Company's obligations under the Term Loan Credit Agreement are required to be guaranteed by certain of its subsidiaries meeting certain thresholds set forth in the Term Loan Credit Agreement.

The Term Loan Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the Company and its subsidiaries' ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends or make distributions and repurchase stock. The Company is also required to maintain compliance with a consolidated leverage

ratio and a consolidated interest coverage ratio. The Term Loan Credit Agreement includes customary events of default. Under certain circumstances, a default interest rate will apply on all obligations during the existence of an event of default under the Term Loan Credit Agreement at a per annum rate equal to 2.00% above the applicable interest rate for any overdue principal and 2.00% above the rate applicable for base rate loans for any other overdue amounts. The occurrence of an event of default could result in the acceleration of obligations under the Term Loan Credit Agreement. The Company was in compliance with the Term Loan Credit Agreement's covenants as of July 31, 2017.

The weighted average interest rate on the Term Loan was 2.1% for the three months ended July 31, 2017. Accrued interest on the Term Loan was \$0.4 million as of July 31, 2017. As of July 31, 2017, the noncurrent outstanding principal portion was \$500.0 million.

Revolving Credit Facility

In July 2016, the Company entered into an Amended and Restated Credit Agreement ("Revolving Loan Credit Agreement") with Wells Fargo Bank, National Association, and certain other institutional lenders that provides for \$1.0 billion unsecured revolving credit facility ("Credit Facility") that matures in July 2021. The Revolving Loan Credit Agreement amended and restated the Company's existing revolving credit facility dated October 2014. The Company may use the proceeds of future borrowings under the Credit Facility for refinancing other indebtedness, working capital, capital expenditures and other general corporate purposes, including permitted acquisitions.

The borrowings under the Credit Facility bear interest, at the Company's option, at a base rate plus a spread of 0.00% to 0.75% or an adjusted LIBOR rate plus a spread of 1.00% to 1.75%, in each case with such spread being determined based on the Company's consolidated leverage ratio for the preceding four fiscal quarter period. Interest is due and payable in arrears quarterly for loans bearing interest at a rate based on the base rate and at the end of an interest period in the case of loans bearing interest at the adjusted LIBOR rate. Regardless of what amounts, if any, are outstanding under the Credit Facility, the Company is also obligated to pay an ongoing commitment fee on undrawn amounts at a rate of 0.125% to 0.25%, with such rate being based on the Company's consolidated leverage ratio for the preceding four fiscal quarter period, payable in arrears quarterly.

The Revolving Loan Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the Company and its subsidiaries' ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends or make distributions and repurchase stock. The Company is also required to maintain compliance with a consolidated leverage ratio and a consolidated interest coverage ratio. The Revolving Loan Credit Agreement includes customary events of default. Under certain circumstances, a default interest rate will apply on all obligations during the existence of an event of default under the Revolving Loan Credit Agreement at a per annum rate equal to 2.00% above the applicable interest rate for any overdue principal and 2.00% above the rate applicable for base rate loans for any other overdue amounts. The occurrence of an event of default could result in the acceleration of obligations under the Revolving Loan Credit Agreement. The Company was in compliance with the Revolving Loan Credit Agreement's covenants as of July 31, 2017.

In February 2017, the Company paid down the remaining \$200.0 million of outstanding borrowings under the Credit Facility. There were no outstanding borrowings under the Credit Facility as of July 31, 2017. The Company continues to pay a commitment fee on the available amount of the Credit Facility.

Loan Assumed on 50 Fremont

The Company assumed a \$200.0 million loan with the acquisition of 50 Fremont ("Loan"). The Loan bears an interest rate of 3.75% per annum and is due in June 2023. For the remainder of fiscal 2018, the Loan requires interest only payments. Beginning in fiscal 2019, principal and interest payments are required, with the remaining principal due at maturity. For the three months ended July 31, 2017 and 2016, total interest expense recognized was \$1.9 million and \$1.9 million, respectively. For the six months ended July 31, 2017 and 2016, total interest expense recognized was \$3.8 million and \$3.8 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, 2017.

Interest Expense on Convertible Senior Notes, Term Loan, Revolving Credit Facility and Loan Assumed on 50 Fremont

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Contractual interest expense	\$ 5,596	\$ 3,377	\$ 11,278	\$ 6,191
Amortization of debt issuance costs	1,332	1,701	2,664	2,729
Amortization of debt discount	6,423	6,264	12,806	12,490
	<u>\$ 13,351</u>	<u>\$ 11,342</u>	<u>\$ 26,748</u>	<u>\$ 21,410</u>

9. 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, 2017	January 31, 2017
Prepaid income taxes	\$ 75,031	\$ 26,932
Other taxes receivable	36,634	34,177
Prepaid expenses and other current assets	326,581	218,418
	<u>\$ 438,246</u>	<u>\$ 279,527</u>

Capitalized Software, net

Capitalized software, net at July 31, 2017 and January 31, 2017 was \$140.7 million and \$141.7 million, respectively. Accumulated amortization relating to capitalized software, net totaled \$287.9 million and \$250.9 million, respectively, at July 31, 2017 and January 31, 2017.

Capitalized internal-use software amortization expense totaled \$19.0 million and \$15.9 million for the three months ended July 31, 2017 and 2016, respectively and \$37.0 million and \$30.9 million for the six months ended July 31, 2017 and 2016, respectively.

The Company capitalized \$2.0 million and \$1.6 million of stock-based expenses related to capitalized internal-use software development during the three months ended July 31, 2017 and 2016, respectively, and \$3.9 million and \$3.4 million for the six months ended July 31, 2017 and 2016, respectively.

Other Assets, net

Other assets consisted of the following (in thousands):

	As of	
	July 31, 2017	January 31, 2017
Deferred income taxes, noncurrent, net	\$ 29,926	\$ 28,939
Long-term deposits	24,305	23,597
Domain names and patents, net	30,662	39,213
Customer contract asset (1)	229,597	281,733
Other	143,506	113,387
	<u>\$ 457,996</u>	<u>\$ 486,869</u>

(1) Customer contract asset reflects the fair value of future billings of amounts that are contractually committed by acquired companies' existing customers as of the acquisition date.

Domain names and patents amortization expense was \$4.3 million and \$4.6 million for the three months ended July 31, 2017 and 2016, respectively, and \$8.7 million and \$7.8 million for the six months ended July 31, 2017 and 2016, 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, 2017	January 31, 2017
Accounts payable	\$ 148,279	\$ 115,257
Accrued compensation	517,433	730,390
Non-cash equity liability (1)	55,394	68,355
Accrued other liabilities	452,398	419,299
Accrued income and other taxes payable	196,670	239,699
Accrued professional costs	46,579	38,254
Accrued rent	21,384	19,710
Capital lease obligation, current	118,888	102,106
Financing obligation - leased facility, current	19,797	19,594
	<hr/> <u>\$ 1,576,822</u>	<hr/> <u>\$ 1,752,664</u>

(1) Non-cash equity liability represents the purchase price of shares issued to non-executive employees, for those shares exceeding previously registered ESPP shares at the time of sale to the extent the shares had not been subsequently sold by the employee purchaser. The Company expects this liability will be relieved within a year or earlier as the shares are subsequently sold.

Other Noncurrent Liabilities

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

	As of	
	July 31, 2017	January 31, 2017
Deferred income taxes and income taxes payable	\$ 111,404	\$ 99,378
Financing obligation - leased facility	199,539	200,711
Long-term lease liabilities and other	416,939	480,850
	<hr/> <u>\$ 727,882</u>	<hr/> <u>\$ 780,939</u>

10. Stockholders' Equity

The Company maintains the following stock plans: the ESPP, the 2013 Equity Incentive Plan and the 2014 Inducement Equity Incentive Plan ("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.

As of July 31, 2017, \$52.8 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 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.

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

Stock Options	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Volatility	30.8 %	32.3 %	30.8 - 31.4 %	32.1 - 32.3 %
Estimated life	3.5 years	3.5 years	3.5 years	3.5 years
Risk-free interest rate	1.6 %	0.9 - 1.1 %	1.4 - 1.6 %	0.9 - 1.1 %
Weighted-average fair value per share of grants	\$ 22.20	\$ 20.22	\$ 21.08	\$ 18.76

	Three Months Ended July 31,	
	2017	2016
ESPP		
Volatility	26.8 - 27.6 %	34.0 %
Estimated life	0.75 years	0.75 years
Risk-free interest rate	1.1 - 1.2 %	0.5 - 0.6 %
Weighted-average fair value per share of grants	\$ 21.13	\$ 21.93

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.

The estimated life for the stock options was based on an analysis of historical exercise activity. The risk-free interest rate 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.

ESPP assumptions and the related fair value per share table will only be disclosed in the three month period in which there is ESPP activity, such as an ESPP purchase. The Company's ESPP allows for two purchases during the year, one during the second quarter and one during the fourth quarter. The estimated life of the ESPP will be based on the two purchase periods within each offering period.

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.

During fiscal 2016, the Company granted a performance-based restricted stock unit award to the Chairman of the Board and Chief Executive Officer and during fiscal 2017, the Company granted performance-based restricted stock unit awards to certain executive officers, including the Chairman of the Board and Chief Executive Officer. The performance-based restricted stock unit awards are subject to vesting based on a performance-based condition and a service-based condition. At the end of the three-year service period, based on the Company's share price performance, these performance-based restricted stock units will vest in a percentage of the target number of shares between 0 and 200%, depending on the extent the performance condition is achieved.

Stock activity excluding the ESPP is as follows:

	Shares Available for Grant	Outstanding Stock Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Balance as of January 31, 2017	16,531,822	30,353,076	\$ 59.88	
Increase in shares authorized:				
2013 Equity Incentive Plan	37,009,109	0	0.00	
2014 Inducement Plan	15,233	0	0.00	
Options granted under all plans	(624,256)	624,256	84.36	
Restricted stock activity	(1,783,395)	0	0.00	
Stock grants to board and advisory board members	(114,550)	0	0.00	
Exercised	0	(5,241,224)	41.31	
Plan shares expired	(32,469)	0	0.00	
Canceled	686,925	(686,925)	71.54	
Balance as of July 31, 2017	51,688,419	25,049,183	\$ 64.06	\$ 669,906
Vested or expected to vest		23,264,036	\$ 63.45	\$ 636,380
Exercisable as of July 31, 2017		10,102,024	\$ 56.48	\$ 346,679

The total intrinsic value of the options exercised during the six months ended July 31, 2017 and 2016 was \$234.6 million and \$124.8 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 5 years.

As of July 31, 2017, options to purchase 10,102,024 shares were vested at a weighted average exercise price of \$56.48 per share and had a remaining weighted-average contractual life of approximately 4.3 years. The total intrinsic value of these vested options as of July 31, 2017 was \$346.7 million.

During the six months ended July 31, 2017, the Company recognized stock-based expense related to its equity plans for employees and non-employee directors of \$508.1 million. As of July 31, 2017, the aggregate stock compensation remaining to be amortized to costs and expenses was approximately \$2.2 billion. The Company will amortize this stock compensation balance as follows: \$487.8 million during the remaining six months of fiscal 2018; \$770.7 million during fiscal 2019; \$561.3 million during fiscal 2020; \$283.8 million during fiscal 2021; \$27.1 million during fiscal 2022 and \$25.2 million thereafter. The expected amortization reflects only outstanding stock awards as of July 31, 2017 and assumes no forfeiture activity.

The aggregate stock compensation remaining to be amortized to costs and expenses will be recognized over a weighted average period of 1.9 years.

The following table summarizes information about stock options outstanding as of July 31, 2017:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	
\$0.86 to \$52.30	5,359,081	4.5	\$ 35.63	4,089,957	\$ 40.90	
\$53.60 to \$58.86	795,195	4.0	55.57	457,494	55.62	
\$59.34	5,102,948	4.3	59.34	3,109,676	59.34	
\$59.37 to \$75.01	1,691,499	5.4	69.42	389,487	69.47	
\$75.57	5,834,266	6.3	75.57	0	0.00	
\$76.48 to \$80.62	590,034	5.9	78.52	114,718	78.96	
\$80.99 to \$89.69	5,676,160	5.5	81.39	1,940,692	81.01	
	<u>25,049,183</u>	<u>5.2</u>	<u>\$ 64.06</u>	<u>10,102,024</u>	<u>\$ 56.48</u>	

Restricted stock activity is as follows:

	Restricted Stock Outstanding		
	Outstanding	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Balance as of January 31, 2017	27,453,498	\$ 0.001	
Granted - restricted stock units and awards	1,886,779	0.001	
Canceled	(1,100,273)	0.001	
Vested and converted to shares	(3,930,974)	0.001	
Balance as of July 31, 2017	24,309,030	\$ 0.001	\$ 2,207,260
Expected to vest	<u>21,017,129</u>	<u>\$ 0.001</u>	<u>\$ 1,908,355</u>

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 four years.

The weighted-average grant date fair value of the restricted stock issued for the six months ended July 31, 2017 and 2016 was \$85.96 and \$75.86, respectively.

Common Stock

The following number of shares of common stock were reserved and available for future issuance at July 31, 2017 :

Options outstanding	25,049,183
Restricted stock awards and units and performance stock units outstanding	24,309,030
Stock available for future grant:	
2013 Equity Incentive Plan	51,117,833
2014 Inducement Plan	488,180
Amended and Restated 2004 Employee Stock Purchase Plan	8,629,807
Acquired equity plans	82,406
Convertible Senior Notes	17,308,880
Warrants	17,308,880
	<hr/>
	144,294,199

11. 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, 2017, the Company reported a tax benefit of \$1.0 million on a pretax income of \$7.5 million, which resulted in an effective tax rate of negative 14 percent. The Company recorded year-to-date tax provision primarily from profitable jurisdictions outside of the United States; however, due to various discrete tax benefits, including excess tax benefits from stock options and vesting of restricted stocks, the result was a small net tax benefit.

The Company regularly assesses the realizability of the deferred tax assets and establishes a valuation allowance if it is more-likely-than-not that some or all of the Company's deferred tax assets will not be realized. The Company evaluates and weighs all available positive and negative evidence such as historic results, future reversals of existing deferred tax liabilities, projected future taxable income, as well as prudent and feasible tax-planning strategies. Generally, more weight is given to objectively verifiable evidence. The Company will continue to assess the realizability of the deferred tax assets in each of the applicable jurisdictions going forward. The Company will adjust its valuation allowance in the event sufficient positive evidence overcomes the negative evidence of losses in recent years, for example, if the trend in increasing annual taxable income continues.

For the six months ended July 31, 2016, the Company reported a tax benefit of \$206.9 million on a pretax income of \$61.4 million, which resulted in a negative effective tax rate of 337 percent. The most significant component of this tax amount was the discrete tax benefit of \$265.7 million from a partial release of the valuation allowance in connection with the acquisition of Demandware. The net deferred tax liability from the acquisition of Demandware provided a source of additional income to support the realizability of the Company's pre-existing deferred tax assets and as a result, the Company released a portion of its valuation allowance. The tax benefit associated with the release of the valuation allowance was partially offset by income taxes in profitable jurisdictions outside of the United States.

Tax Benefits Related to Stock-Based Compensation

The income tax benefit related to stock-based compensation was \$138.6 million and \$103.8 million for the six months ended July 31, 2017 and 2016, 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, France, United Kingdom and Germany. In March 2017, the Company received the final notice of proposed adjustments primarily related to transfer pricing issues from the Internal Revenue Service ("IRS") for fiscal 2011 and fiscal 2012. Accordingly, the Company re-assessed and adjusted its reserves, which resulted in a net immaterial impact to the tax provision due to its valuation allowance. The Company is currently appealing the IRS proposed adjustments. The Company believes that it has provided adequate reserves for its income tax uncertainties in all open tax years. As the outcome of the tax audits cannot be predicted with certainty, if any issues addressed in the Company's tax audits are resolved in a manner inconsistent with management's expectations, the Company could adjust its provision for income taxes in the future. Generally, any adjustments resulting from the U.S. audits should not

have a significant impact to the Company's tax provision due to its valuation allowance. In addition, the Company anticipates it is reasonably possible that a decrease of unrecognized tax benefits up to approximately \$9.0 million may occur in the next 12 months, as the applicable statutes of limitations lapse.

12. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding for the fiscal period. Diluted earnings 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.

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Numerator:				
Net income	\$ 17,736	\$ 229,622	\$ 8,529	\$ 268,381
Denominator:				
Weighted-average shares outstanding for basic earnings per share	712,039	681,126	709,157	678,929
Effect of dilutive securities:				
Convertible senior notes	4,336	2,977	3,863	1,961
Employee stock awards	13,011	11,865	13,202	10,824
Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings per share	729,386	695,968	726,222	691,714

The weighted-average number of shares outstanding used in the computation of diluted earnings 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 per share because the effect would have been anti-dilutive (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2017	2016	2017	2016
Employee stock awards	12,691	7,414	13,256	8,263
Warrants	17,309	17,309	17,309	17,309

13. Commitments

Letters of Credit

As of July 31, 2017, the Company had a total of \$86.6 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, 2017, the future minimum lease payments under non-cancelable operating and capital leases are as follows (in thousands):

	Capital Leases	Operating Leases	Financing Obligation - Leased Facility (1)
Fiscal Period:			
Remaining six months of Fiscal 2018	\$ 29,450	\$ 273,221	\$ 10,792
Fiscal 2019	115,834	505,431	21,881
Fiscal 2020	201,618	433,161	22,325
Fiscal 2021	75	320,162	22,770
Fiscal 2022	37	276,137	23,214
Thereafter	3	1,402,990	210,713
Total minimum lease payments	<u>347,017</u>	<u>\$ 3,211,102</u>	<u>\$ 311,695</u>
Less: amount representing interest	<u>(23,554)</u>		
Present value of capital lease obligations	<u><u>\$ 323,463</u></u>		

(1) Total Financing Obligation - Leased Facility noted above represents the total obligation on the lease agreement including amounts allocated to interest noted in Note 5 "Property and Equipment." As of July 31, 2017, \$219.3 million of the total \$311.7 million above was recorded to Financing obligation leased facility, of which the current portion is included in "Accounts payable, accrued expenses and other liabilities" and the noncurrent portion is included in "Other noncurrent liabilities" on the 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 \$3.2 billion, approximately \$2.7 billion is related to facilities space. The remaining commitment amount is related to computer equipment and furniture and fixtures.

Other Purchase Commitments

In April 2016, the Company entered into an agreement with a third-party provider for certain infrastructure services for a period of four years. The Company paid \$96.0 million in connection with this agreement during the six months ended July 31, 2017. The agreement further provides that the Company will pay an additional \$108.0 million in fiscal 2019 and \$126.0 million in fiscal 2020.

14. 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 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. The outcomes of legal proceedings and other contingencies are, however, inherently unpredictable and subject to significant uncertainties. As a result, the Company is not able to reasonably estimate the amount or range of possible losses in excess of any amounts accrued, including losses that could arise as a result of application of non-monetary remedies, with respect to the contingencies it faces, and the Company's estimates may not prove to be accurate. In management's opinion, resolution of all current matters is not expected to have a material adverse impact on the Company's 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 current or future results of operations or cash flows, or both, in a particular quarter.

In September 2013, one of the Company's subsidiaries, ExactTarget, Inc. ("ExactTarget"), was added as a defendant in a purported class-action lawsuit that alleged that ExactTarget and one of its customers, Simply Fashion Stores, Ltd. ("Simply Fashion"), violated the Telephone Consumer Protection Act ("TCPA") as a result of Simply Fashion's text messaging campaigns and alleged failure to opt-out certain Simply Fashion customers from receiving messages. The complaint was subsequently amended to remove Simply Fashion as a defendant and the lawsuit is currently before the United States District Court for the Southern District of Indiana. The complaint seeks statutory damages and injunctive relief. The Company disputes the allegations of wrongdoing and intends to defend itself in this matter.

15. 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 public 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 nine 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 \$4.3 million for the six months ended July 31, 2017.

Additionally, the Company allows Salesforce.org to donate 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 value of the subscriptions sold by Salesforce.org pursuant to the reseller agreement, as amended, was approximately \$82.5 million for the six months ended July 31, 2017.

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Words such as "expects," "anticipates," "aims," "projects," "intends," "plans," "believes," "estimates," "seeks," "assumes," "may," "should," "could," "would," "foresees," "forecasts," "predicts," "targets," 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 international expansion strategy; our service performance and security; the expenses associated with new data centers and third-party infrastructure providers; additional data center capacity; real estate and office facilities space; our operating results and cash flows; 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; our dependency on the development and maintenance of the infrastructure of the Internet; the effect of evolving domestic and foreign government regulations, including those related to the provision of services on the Internet, those addressing data privacy and import and export controls; the valuation of our deferred tax assets; the potential availability of additional tax assets in the future; the impact of new accounting pronouncements; 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, term loan 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 2000, and we have since expanded our service offerings with new editions, features and platform capabilities. Our core mission is to empower our customers to connect with their customers in entirely new ways through cloud, mobile, social, Internet of Things ("IoT") and artificial intelligence technologies.

Our Customer Success Platform - including sales force automation, customer service and support, marketing automation, digital commerce, community management, analytics, application development, IoT integration, collaborative productivity tools and our professional cloud services - provides the tools customers need to succeed in a digital world. Key elements of our strategy include:

- extend existing service offerings;
- cross sell and upsell;
- expand into new horizontal markets;
- target vertical markets;
- extend go-to-market capabilities;
- reduce customer attrition; and
- encourage the development of third-party applications on our cloud computing platforms.

Salesforce is also committed to a sustainable, low-carbon future, advancing equality and diversity, and fostering employee success. We try to integrate social good into everything we do. All of these goals align with our long-term growth strategy and financial and operational priorities.

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; our ability to maintain a balanced portfolio of products and

customers, 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 that we operate as well as the new locations of services provided by third-party cloud computing platform providers; 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 introduction of our Analytics Cloud, Community Cloud, and IoT Cloud, the integration of new and acquired technologies such as Commerce Cloud, artificial intelligence technologies and Salesforce Quip, the expansion of our Marketing Cloud and Salesforce 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 part of our growth strategy, we are delivering innovative solutions in new categories, including analytics, e-commerce, artificial intelligence, IoT and collaborative productivity tools. We drive innovation organically and to a lesser extent through acquisitions, such as our July 2016 acquisition of Demandware, Inc. ("Demandware"), a digital commerce leader. We have a disciplined and thoughtful acquisition process where we routinely survey the industry landscape across a wide range of companies. As a result of our aggressive growth plans and integration of our previously acquired businesses, we have incurred significant expenses from equity awards and amortization of purchased intangibles, which have reduced our operating income. We remain focused on improving operating margins in fiscal 2018.

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 and Commerce Cloud service offerings. Our attrition rate was between eight and nine percent as of July 31, 2017. While it is difficult to predict, 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 46 percent for the six months ended July 31, 2017 and 2016 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 continue to build greater brand awareness.

Fiscal Year

Our fiscal year ends on January 31. References to fiscal 2018, for example, refer to the fiscal year ending January 31, 2018.

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, including fiscal 2017, we have completed a number of 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, including as a result of our acquisitions, our business operates in one operating segment because the majority 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 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 92 percent of our total revenues for the six months ended July 31, 2017. 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, 2017 and 2016.

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 billed on a time and materials, fixed fee or subscription 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 Note 1 “Summary of Business and Significant Accounting Policies.”

Revenue by Cloud Service Offering

The information below is provided on a supplemental basis to give additional insight into the revenue performance of our individual core service offerings. All of the cloud offerings that we offer to customers are grouped into four major cloud service offerings. Subscription and support revenues consisted of the following (in millions):

	Three Months Ended July 31,			Variance-Percent	Six Months Ended July 31,			Variance-Percent
	2017	2016			2017	2016		
Sales Cloud	\$ 886.4	\$ 754.9		17%	\$ 1,716.0	\$ 1,479.5		16%
Service Cloud	698.5	575.4		21%	1,349.7	1,115.5		21%
Salesforce Platform and Other	466.5	353.4		32%	897.6	679.3		32%
Marketing and Commerce Cloud	317.1	202.4		57%	606.1	387.3		56%
Total	\$ 2,368.5	\$ 1,886.1			\$ 4,569.4	\$ 3,661.6		

Subscription and support revenues from the Analytics Cloud, Community Cloud, IoT Cloud, and Salesforce Quip were not significant for the three and six months ended July 31, 2017. Analytics Cloud, IoT Cloud and Salesforce Quip revenue is included with Salesforce Platform and Other in the table above. Community Cloud revenue is included in either Sales Cloud, Service Cloud or Salesforce Platform and Other depending on the primary service offering purchased.

As required under U.S. GAAP, we recorded deferred revenue related to acquired contracts from Demandware at fair value on the date of acquisition. As a result, we did not recognize certain revenues related to these acquired contracts that Demandware would have otherwise recorded as an independent entity. Of the \$606.1 million subscription and support revenue for Marketing and Commerce Cloud for the six months ended July 31, 2017, approximately \$96.9 million was attributed to our Demandware acquisition. To the extent Demandware contracts are renewed following the acquisition, we will recognize the revenues for the full values of the contracts over the respective contractual periods.

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 14 percent of our total subscription and support revenues for the three and six months ended July 31, 2017 and 13 percent of our total subscription and support revenues for the three and six months ended July 31, 2016, based on customers' estimated product demand plans and these allocated amounts are included in the table above.

Additionally, some of our service offerings have similar features and functions. For example, customers may use the Sales Cloud, the Service Cloud or our Salesforce 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, 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 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. As a result, Sales Cloud has the most international exposure and foreign exchange rate exposure relative to the other cloud service offerings. Conversely, revenue for Marketing and Commerce Cloud is primarily derived from the Americas with little impact from foreign exchange rate movement.

The revenue growth rates of each of our core service offerings fluctuate from quarter to quarter and over time. While we are a market leader in each core offering, we manage the total balanced product portfolio to deliver solutions to our customers. Accordingly, the revenue result for each cloud service offering is not necessarily indicative of the results to be expected for any subsequent quarter.

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 80 percent of the value of all subscription and support related invoices, excluding Demandware related invoices, were issued with annual terms during the three months ended July 31, 2017 and 2016. 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 toward 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 our largest collections and operating cash flow quarter.

Unbilled Deferred Revenue, an Operational Measure

The deferred revenue balance on our consolidated balance sheets does not represent the total contract value of annual or multi-year, non-cancelable subscription agreements. Unbilled deferred revenue is an operational measure that represents future billings under our subscription agreements that have not been invoiced and, accordingly, are not recorded in deferred revenue. Unbilled deferred revenue amounts by quarter are reflected in the table below. 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. Unbilled deferred revenue also does not include any estimates for overage billings above a customer's minimum commitment.

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):

	July 31, 2017	April 30, 2017		
Fiscal 2018				
Accounts receivable, net	\$ 1,569,322	\$ 1,439,875		
Deferred revenue	4,818,634	5,042,652		
Operating cash flow (1)	331,269	1,229,584		
Unbilled deferred revenue	10.4 bn	9.6 bn		
	January 31, 2017	October 31, 2016	July 31, 2016	April 30, 2016
Fiscal 2017				
Accounts receivable, net	\$ 3,196,643	\$ 1,281,425	\$ 1,323,114	\$ 1,192,965
Deferred revenue (2)	5,542,802	3,495,133	3,823,561	4,006,914
Operating cash flow (1)	706,146	154,312	250,678	1,051,062
Unbilled deferred revenue	9.0 bn	8.6 bn	8.0 bn	7.6 bn
	January 31, 2016	October 31, 2015	July 31, 2015	April 30, 2015
Fiscal 2016				
Accounts receivable, net	\$ 2,496,165	\$ 1,060,726	\$ 1,067,799	\$ 926,381
Deferred revenue (2)	4,291,553	2,846,510	3,034,991	3,056,820
Operating cash flow (1)	470,208	162,514	304,278	735,081
Unbilled deferred revenue	7.1 bn	6.7 bn	6.2 bn	6.0 bn

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

(2) Amounts include deferred revenue current and noncurrent

Cost of Revenues and Operating Expenses

Cost of Revenues

Cost of subscription and support revenues primarily consists of expenses related to delivering 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, certain third-party fees and allocated overhead. The cost of providing professional services is 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 hardware and we plan to increase the capacity that we are able to offer globally through data centers and third-party infrastructure providers. 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. Finally, we expect the cost of professional services to be approximately in line with revenues from professional services as we believe this investment in professional services facilitates the adoption of our service offerings. 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, as well as 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. However, the timing of additional expenses in a particular quarter, both in terms of absolute dollars and as a percentage of revenues, will affect our general and administrative expenses.

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 statements 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, 2017, we recognized stock-based expense related to our equity plans for employees and non-employee directors of \$508.1 million. As of July 31, 2017, the aggregate stock compensation remaining to be amortized to costs and expenses was approximately \$2.2 billion. We expect this stock compensation balance to be amortized as follows: \$487.8 million during the remaining six months of fiscal 2018; \$770.7 million during fiscal 2019; \$561.3 million during fiscal 2020; \$283.8 million during fiscal 2021; \$27.1 million during fiscal 2022 and \$25.2 million thereafter. The expected amortization reflects only outstanding stock awards as of July 31, 2017 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 developed technology, trade names and trademarks, customer lists, acquired leases and customer relationships. We expect this expense to fluctuate as we acquire more businesses and intangible assets become fully amortized.

Critical Accounting Policies and Estimates

There have been no significant changes in our critical accounting policies and estimates during the six months ended July 31, 2017 as compared to the critical accounting policies and estimates disclosed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended January 31, 2017.

Results of Operations

Three Months Ended July 31, 2017 and 2016

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

	Three Months Ended July 31,			
	2017	As a % of Total Revenues	2016	As a % of Total Revenues
Revenues:				
Subscription and support	\$ 2,368,499	92 %	\$ 1,886,080	93 %
Professional services and other	193,090	8	150,538	7
Total revenues	2,561,589	100	2,036,618	100
Cost of revenues (1)(2):				
Subscription and support	493,879	19	376,456	18
Professional services and other	176,788	7	149,123	8
Total cost of revenues	670,667	26	525,579	26
Gross profit	1,890,922	74	1,511,039	74
Operating expenses (1)(2):				
Research and development	386,447	15	291,506	14
Marketing and sales	1,170,749	46	934,931	46
General and administrative	282,933	11	252,051	12
Total operating expenses	1,840,129	72	1,478,488	72
Income from operations	50,793	2	32,551	2
Investment income	8,754	0	11,916	0
Interest expense	(21,629)	(1)	(20,708)	(1)
Other income (expense) (1)	(7,465)	0	524	0
Gains from acquisitions of strategic investments	0	0	0	0
Income before benefit from (provision for) income taxes	30,453	1	24,283	1
Benefit from (provision for) income taxes	(12,717)	0	205,339	10
Net income	\$ 17,736	1 %	\$ 229,622	11 %

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

	Three Months Ended July 31,			
	2017	As a % of Total Revenues	2016	As a % of Total Revenues
Cost of revenues	\$ 43,483	2%	\$ 25,544	1%
Marketing and sales	30,563	1	23,151	1
Other non-operating expense	376	0	642	0

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

	Three Months Ended July 31,			
	2017	As a % of Total Revenues	2016	As a % of Total Revenues
Cost of revenues	\$ 32,202	1%	\$ 23,495	1%
Research and development	66,644	3	38,624	2
Marketing and sales	120,550	5	86,323	4
General and administrative	37,089	1	33,868	2

Revenues.

(in thousands)	Three Months Ended July 31,		Variance	
	2017	2016	Dollars	Percent
Subscription and support	\$ 2,368,499	\$ 1,886,080	\$ 482,419	26%
Professional services and other	193,090	150,538	42,552	28%
Total revenues	\$ 2,561,589	\$ 2,036,618	\$ 524,971	26%

Total revenues were \$2.6 billion for the three months ended July 31, 2017, compared to \$2.0 billion during the same period a year ago, an increase of \$525.0 million, or 26 percent. Subscription and support revenues were \$2.4 billion, or 92 percent of total revenues, for the three months ended July 31, 2017, compared to \$1.9 billion, or 93 percent of total revenues, during the same period a year ago, an increase of \$0.5 billion, or 26 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. Our acquisition of Demandware in July 2016 contributed \$51.1 million to the three months ended July 31, 2017. We continue to invest in a variety of customer programs and initiatives which, along with increasing enterprise adoption, have helped keep our attrition rate consistent as compared to the prior year. Consistent attrition rates play a role in our ability to maintain growth in our subscription and support revenues. Changes in the net price per user per month have not been a significant driver of revenue growth for the periods presented. Professional services and other revenues were \$193.1 million, or eight percent of total revenues, for the three months ended July 31, 2017, compared to \$150.5 million, or seven percent of total revenues, for the same period a year ago, an increase of \$42.6 million, or 28 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 by geography were as follows (in thousands):

	Three Months Ended July 31,			
	2017	As a % of Total Revenues	2016	As a % of Total Revenues
Americas	\$ 1,854,169	72%	\$ 1,495,201	73%
Europe	464,371	18	347,320	17
Asia Pacific	243,049	10	194,097	10
	\$ 2,561,589	100%	\$ 2,036,618	100%

Revenues by geography are determined based on the region of the Salesforce contracting entity, which may be different than the region of the customer. Americas revenue attributed to the United States was approximately 96 percent and 96 percent during the three months ended July 31, 2017 and 2016, respectively.

Revenues in Europe and Asia Pacific accounted for \$707.4 million, or 28 percent of total revenues, for the three months ended July 31, 2017, compared to \$541.4 million, or 27 percent of total revenues, during the same period a year ago, an increase of \$166.0 million, or 31 percent. The increase in revenues outside of the Americas was the result of the increasing acceptance of our services, 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, 2017 by \$6.5 million compared to the same period a year ago as a result of the weakening U.S. dollar.

Cost of Revenues.

(in thousands)	Three Months Ended July 31,		Variance	
	2017	2016	Dollars	
Subscription and support	\$ 493,879	\$ 376,456	\$ 117,423	
Professional services and other	176,788	149,123	27,665	
Total cost of revenues	\$ 670,667	\$ 525,579	\$ 145,088	
Percent of total revenues	26%	26%		

Cost of revenues was \$670.7 million, or 26 percent of total revenues, for the three months ended July 31, 2017, compared to \$525.6 million, or 26 percent of total revenues, during the same period a year ago, an increase of \$145.1 million. The increase in absolute dollars was primarily due to an increase of \$44.9 million in employee-related costs, an increase of \$8.7 million in stock-based expenses, an increase of \$51.9 million in service delivery costs, primarily due to our efforts to increase

data center capacity, an increase of amortization of purchased intangible assets of \$17.9 million and an increase of \$7.5 million in allocated overhead. We have increased our headcount by 14 percent since July 31, 2016 to meet the higher demand for services from our customers and as a result of our fiscal 2017 acquisitions. We intend to continue to invest additional resources in our enterprise cloud computing services and data center capacity. 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.

The cost of professional services and other revenues was \$176.8 million during the three months ended July 31, 2017 resulting in positive gross margins of \$16.3 million. The cost of professional services and other revenues was \$149.1 million during the three months ended July 31, 2016 resulting in positive gross margins of \$1.4 million. We expect the cost of professional services to be approximately in line with revenues from professional services in future fiscal quarters. We believe that this investment in professional services facilitates the adoption of our service offerings.

Operating Expenses.

(in thousands)	Three Months Ended July 31,		Variance Dollars
	2017	2016	
Research and development	\$ 386,447	\$ 291,506	\$ 94,941
Marketing and sales	1,170,749	934,931	235,818
General and administrative	282,933	252,051	30,882
Total operating expenses	\$ 1,840,129	\$ 1,478,488	\$ 361,641
Percent of total revenues	72%	72%	

Research and development expenses were \$386.4 million, or 15 percent of total revenues, for the three months ended July 31, 2017, compared to \$291.5 million, or 14 percent of total revenues, during the same period a year ago, an increase of \$94.9 million. The increase in absolute dollars was primarily due to an increase of approximately \$53.1 million in employee-related costs, an increase of \$28.0 million in stock-based expenses, an increase in our development and test data center costs and allocated overhead. We increased our research and development headcount by 14 percent since July 31, 2016 in order to improve and extend our service offerings, develop new technologies and integrate previously acquired companies, including our fiscal 2017 acquisitions. 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 expenses were \$1.2 billion, or 46 percent of total revenues, for the three months ended July 31, 2017, compared to \$934.9 million, or 46 percent of total revenues, during the same period a year ago, an increase of \$235.8 million. The increase was primarily due to an increase of \$161.1 million in employee-related costs and amortization of deferred commissions, an increase of \$34.2 million in stock-based expenses, an increase in amortization of purchased intangible assets of \$7.4 million, an increase of \$15.6 million in advertising expenses and allocated overhead. Our marketing and sales headcount increased by 19 percent since July 31, 2016. 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 expenses were \$282.9 million, or 11 percent of total revenues, for the three months ended July 31, 2017, compared to \$252.1 million, or 12 percent of total revenues, during the same period a year ago, an increase of \$30.9 million. The increase was primarily due to an increase in employee-related costs. Our general and administrative headcount increased by 16 percent since July 31, 2016 as we added personnel to support our growth.

Other income and expense.

(in thousands)	Three Months Ended July 31,		Variance Dollars
	2017	2016	
Investment income	\$ 8,754	\$ 11,916	\$ (3,162)
Interest expense	(21,629)	(20,708)	(921)
Other income (expense)	(7,465)	524	(7,989)

Investment income consists of income on our cash and marketable securities balances. Investment income was \$8.8 million for the three months ended July 31, 2017 compared to \$11.9 million during the same period a year ago. The decrease was due to greater realized gains resulting from the sales of marketable securities in the three months ended July 31, 2016.

Interest expense consists of interest on our convertible senior notes, capital leases, financing obligation related to 350 Mission, the loan assumed on 50 Fremont, revolving credit facility and the \$500.0 million term loan that was entered into in connection with our acquisition of Demandware. Interest expense was \$21.6 million for the three months ended July 31, 2017 compared to \$20.7 million during the same period a year ago.

Other income (expense) primarily consists of non-operating transactions such as strategic investments fair market value adjustments, gains and losses from foreign exchange rate fluctuations and real estate transactions.

Benefit from (provision for) income taxes.

(in thousands)	Three Months Ended July 31,		Variance Dollars
	2017	2016	
Benefit from (provision for) income taxes	\$ (12,717)	\$ 205,339	\$ (218,056)
Effective tax rate	42%	(846)%	

We recognized a tax provision of \$12.7 million on a pretax income of \$30.5 million for the three months ended July 31, 2017. The tax provision recorded was primarily related to income taxes in profitable jurisdictions outside of the United States.

We recorded a tax benefit of \$205.3 million with a pretax income of \$24.3 million for the three months ended July 31, 2016. The most significant component of this tax amount was the discrete tax benefit of \$265.7 million from a partial release of the valuation allowance in connection with the acquisition of Demandware. The net deferred tax liability from the acquisition of Demandware provided a source of additional income to support the realizability of our pre-existing deferred tax assets and, as a result, we released a portion of our valuation allowance. The tax benefit associated with the release of the valuation allowance was partially offset by income taxes in profitable jurisdictions outside of the United States.

Six Months Ended July 31, 2017 and 2016

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

	Six Months Ended July 31,			
	2017	As a % of Total Revenues	2016	As a % of Total Revenues
Revenues:				
Subscription and support	\$ 4,569,407	92 %	\$ 3,661,573	93 %
Professional services and other	379,761	8	291,648	7
Total revenues	4,949,168	100	3,953,221	100
Cost of revenues (1)(2):				
Subscription and support	956,800	19	727,557	18
Professional services and other	364,422	8	295,003	8
Total cost of revenues	1,321,222	27	1,022,560	26
Gross profit	3,627,946	73	2,930,661	74
Operating expenses (1)(2):				
Research and development	762,528	15	552,476	14
Marketing and sales	2,280,253	46	1,830,791	46
General and administrative	543,254	11	462,857	12
Total operating expenses	3,586,035	72	2,846,124	72
Income from operations	41,911	1	84,537	2
Investment income	14,020	0	20,038	1
Interest expense	(43,825)	(1)	(42,719)	(1)
Other income (expense) (1)	(4,616)	0	(13,282)	0
Gains from acquisitions of strategic investments	0	0	12,864	0
Income before benefit from income taxes	7,490	0	61,438	2
Benefit from income taxes	1,039	0	206,943	5
Net income	\$ 8,529	0 %	\$ 268,381	7 %

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

	Six Months Ended July 31,			
	2017	As a % of Total Revenues	2016	As a % of Total Revenues
Cost of revenues	\$ 87,069	2%	\$ 47,759	1%
Marketing and sales	61,207	1%	38,537	1
Other non-operating expense	751	0	1,348	0

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

	Six Months Ended July 31,			
	2017	As a % of Total Revenues	2016	As a % of Total Revenues
Cost of revenues	\$ 63,712	1%	\$ 50,129	1%
Research and development	130,559	3	73,792	2
Marketing and sales	239,546	5	181,797	5
General and administrative	74,237	1	65,511	1

Revenues.

(in thousands)	Six Months Ended July 31,		Variance	
	2017	2016	Dollars	Percent
Subscription and support	\$ 4,569,407	\$ 3,661,573	\$ 907,834	25%
Professional services and other	379,761	291,648	88,113	30%
Total revenues	<u>\$ 4,949,168</u>	<u>\$ 3,953,221</u>	<u>\$ 995,947</u>	<u>25%</u>

Total revenues were \$4.9 billion for the six months ended July 31, 2017, compared to \$4.0 billion during the same period a year ago, an increase of \$1.0 billion, or 25 percent. Subscription and support revenues were \$4.6 billion, or 92 percent of total revenues, for the six months ended July 31, 2017, compared to \$3.7 billion, or 93 percent of total revenues, during the same period a year ago, an increase of \$0.9 billion, or 25 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. Our acquisition of Demandware in July 2016 contributed \$96.9 million to the six months ended July 31, 2017. This was offset by a reduction in subscription revenues of approximately \$20.0 million as a result of one less day in the six months ended July 31, 2017 compared to the six months ended July 31, 2016. We continue to invest in a variety of customer programs and initiatives which, along with increasing enterprise adoption, have helped keep our attrition rate consistent as compared to the prior year. Consistent attrition rates play a role in our ability to maintain growth in our subscription and support revenues. Changes in the net price per user per month have not been a significant driver of revenue growth for the periods presented. Professional services and other revenues were \$379.8 million, or eight percent of total revenues, for the six months ended July 31, 2017, compared to \$291.6 million, or seven percent of total revenues, for the same period a year ago, an increase of \$88.1 million, or 30 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 by geography were as follows (in thousands):

	Six Months Ended July 31,			
	2017	As a % of Total Revenues	2016	As a % of Total Revenues
Americas	\$ 3,609,527	73%	\$ 2,908,430	74%
Europe	873,986	18	675,174	17
Asia Pacific	465,655	9	369,617	9
	<u>\$ 4,949,168</u>	<u>100%</u>	<u>\$ 3,953,221</u>	<u>100%</u>

Revenues by geography are determined based on the region of the salesforce contracting entity, which may be different than the region of the customer. Americas revenue attributed to the United States was approximately 96 percent and 96 percent during the six months ended July 31, 2017 and 2016, respectively.

Revenues in Europe and Asia Pacific accounted for \$1.3 billion, or 27 percent of total revenues, for the six months ended July 31, 2017, compared to \$1.0 billion, or 26 percent of total revenues, during the same period a year ago, an increase of \$294.9 million, or 28 percent. The increase in revenues outside of the Americas was the result of the increasing acceptance of our services, our focus on marketing our services internationally and additional resources. The impact of foreign exchange rates did not significantly impact revenues in the six months ended July 31, 2017 compared to the same period a year ago.

Cost of Revenues.

(in thousands)	Six Months Ended July 31,		Variance Dollars
	2017	2016	
Subscription and support	\$ 956,800	\$ 727,557	\$ 229,243
Professional services and other	364,422	295,003	69,419
Total cost of revenues	\$ 1,321,222	\$ 1,022,560	\$ 298,662
Percent of total revenues	27%	26%	

Cost of revenues was \$1.3 billion, or 27 percent of total revenues, for the six months ended July 31, 2017, compared to \$1.0 billion, or 26 percent of total revenues, during the same period a year ago, an increase of \$298.7 million. The increase in absolute dollars was primarily due to an increase of \$107.4 million in employee-related costs, an increase of \$13.6 million in stock-based expenses, an increase of \$90.0 million in service delivery costs, primarily due to our efforts to increase data center capacity, an increase of amortization of purchased intangible assets of \$39.3 million and an increase of \$18.2 million in allocated overhead. We have increased our headcount by 14 percent since July 31, 2016 to meet the higher demand for services from our customers and as a result of our fiscal 2017 acquisitions. We intend to continue to invest additional resources in our enterprise cloud computing services and data center capacity. 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.

The cost of professional services and other revenues was \$364.4 million during the six months ended July 31, 2017 resulting in positive gross margin of \$15.3 million. The cost of professional services and other revenues was \$295.0 million during the six months ended July 31, 2016 resulting in negative gross margins of \$3.4 million. We expect the cost of professional services to be approximately in line with revenues from professional services in future fiscal quarters. We believe that this investment in professional services facilitates the adoption of our service offerings.

Operating Expenses.

(in thousands)	Six Months Ended July 31,		Variance Dollars
	2017	2016	
Research and development	\$ 762,528	\$ 552,476	\$ 210,052
Marketing and sales	2,280,253	1,830,791	449,462
General and administrative	543,254	462,857	80,397
Total operating expenses	\$ 3,586,035	\$ 2,846,124	\$ 739,911
Percent of total revenues	72%	72%	

Research and development expenses were \$762.5 million, or 15 percent of total revenues, for the six months ended July 31, 2017, compared to \$552.5 million, or 14 percent of total revenues, during the same period a year ago, an increase of \$210.1 million. The increase in absolute dollars was primarily due to an increase of approximately \$116.8 million in employee-related costs, an increase of \$56.8 million in stock-based expenses, an increase in our development and test data center costs and allocated overhead. We increased our research and development headcount by 14 percent since July 31, 2016 in order to improve and extend our service offerings, develop new technologies and integrate previously acquired companies, including our fiscal 2017 acquisitions. 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 expenses were \$2.3 billion, or 46 percent of total revenues, for the six months ended July 31, 2017, compared to \$1.8 billion, or 46 percent of total revenues, during the same period a year ago, an increase of \$449.5 million. The change was primarily due to an increase of \$310.3 million in employee-related costs and amortization of deferred commissions, an increase of \$57.7 million in stock-based expenses, an increase in amortization of purchased intangible assets of \$22.7 million, an increase of \$22.8 million in advertising expenses and allocated overhead. Our marketing and sales headcount increased by 19 percent since July 31, 2016. 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 expenses were \$543.3 million, or 11 percent of total revenues, for the six months ended July 31, 2017, compared to \$462.9 million, or 12 percent of total revenues, during the same period a year ago, an increase of \$80.4

million. The increase was primarily due to an increase in employee-related costs. Our general and administrative headcount increased by 16 percent since July 31, 2016 as we added personnel to support our growth.

Other income and expense.

(in thousands)	Six Months Ended July 31,		Variance Dollars
	2017	2016	
Investment income	\$ 14,020	\$ 20,038	\$ (6,018)
Interest expense	(43,825)	(42,719)	(1,106)
Other income (expense)	(4,616)	(13,282)	8,666
Gains from acquisitions of strategic investments	0	12,864	(12,864)

Investment income consists of income on our cash and marketable securities balances. Investment income was \$14.0 million for the six months ended July 31, 2017 and was \$20.0 million during the same period a year ago. The decrease was due to lower realized gains from the sales of marketable securities.

Interest expense consists of interest on our convertible senior notes, capital leases, financing obligation related to 350 Mission, the loan assumed on 50 Fremont, revolving credit facility and the \$500.0 million term loan that was entered into in connection with our acquisition of Demandware. Interest expense was \$43.8 million for the six months ended July 31, 2017 and was \$42.7 million during the same period a year ago.

Other income (expense) primarily consists of non-operating transactions such as strategic investments fair market value adjustments, gains and losses from foreign exchange rate fluctuations and real estate transactions.

Gains from acquisitions of strategic investments represents gains on sales of strategic investments when we acquire an entity in which we previously held a strategic investment. The difference between the fair value of the shares as of the date of the acquisition and the carrying value of the strategic investment is recorded as a gain or loss and disclosed separately within the statements of operations.

Benefit from income taxes.

(in thousands)	Six Months Ended July 31,		Variance Dollars
	2017	2016	
Benefit from income taxes	\$ 1,039	\$ 206,943	\$ (205,904)
Effective tax rate	(14)%	(337)%	

We recognized a tax benefit of \$1.0 million on a pretax income of \$7.5 million for the six months ended July 31, 2017. We recorded year-to-date tax provision primarily from profitable jurisdictions outside of the United States; however, due to various discrete tax benefits including excess tax benefits from stock options and vesting of restricted stocks, the result was a small net tax benefit.

We recorded a tax benefit of \$206.9 million with a pretax income of \$61.4 million for the six months ended July 31, 2016. The most significant component of this tax amount was the discrete tax benefit of \$265.7 million from a partial release of the valuation allowance in connection with the acquisition of Demandware. The net deferred tax liability from the acquisition of Demandware provided a source of additional income to support the realizability of our preexisting deferred tax assets and, as a result, we released a portion of our tax valuation allowance. The tax benefit associated with the release of the valuation allowance was partially offset by income taxes in profitable jurisdictions outside of the United States.

Liquidity and Capital Resources

At July 31, 2017, our principal sources of liquidity were cash, cash equivalents and marketable securities totaling \$3.5 billion and accounts receivable of \$1.6 billion. Our cash, cash equivalents and marketable securities are comprised primarily of corporate notes and obligations, U.S. treasury securities, asset backed securities, foreign government obligations, mortgage backed obligations, time deposits, money market mutual funds and municipal securities.

Net cash provided by operating activities was \$1.6 billion during the six months ended July 31, 2017 and \$1.3 billion during the same period a year ago. Cash provided by operating activities has historically been affected by the amount of net income adjusted for non-cash expense items such as depreciation and amortization; amortization of purchased intangibles from

business combinations; amortization of debt discount; the expense associated with stock-based awards; gains from acquisitions of strategic investments; the timing of employee related costs including commissions and bonus payments; the timing of payments against accounts payable, accrued expenses and other current liabilities; the timing of collections from our customers, which is our largest source of operating cash flows; the timing of business combination activity and the related integration and transaction costs; and changes in working capital accounts.

Our working capital accounts consist of accounts receivable, 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 debt obligations. Our working capital may be impacted by factors in future periods such as billings to customers for subscriptions and support services and the subsequent collection of those billings, certain amounts and timing of which are seasonal. Our working capital in some quarters may be impacted by adverse foreign currency exchange rate movements and this impact may increase as our working capital balances increase in our foreign subsidiaries. Our billings are also influenced by new business linearity within the quarters and across quarters.

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 has historically been the strongest 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 is our largest collections and operating cash flow quarter.

Net cash used in investing activities was \$1.3 billion during the six months ended July 31, 2017 and \$2.0 billion during the same period a year ago. The net cash used in investing activities during the six months ended July 31, 2017 primarily related to purchases of marketable securities of approximately \$1.2 billion , new office build outs and strategic and capital investments which were offset by the cash inflows for the period from the sales of marketable securities of \$243.5 million .

Net cash provided by financing activities was \$67.6 million during the six months ended July 31, 2017 as compared to \$655.8 million during the same period a year ago. Net cash provided by financing activities during the six months ended July 31, 2017 consisted primarily of \$342.8 million from proceeds from equity plans offset by \$200.0 million repayment of the revolving credit facility and \$75.2 million of principal payments on capital lease obligations.

In March 2013, we issued at par value \$1.15 billion of 0.25% convertible senior notes (“0.25% Senior Notes”), due April 1, 2018, unless earlier purchased by us or converted. 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. The Notes are classified as a current liability on our consolidated balance sheet as of July 31, 2017 as they are due within one year. For the 20 trading days during the 30 consecutive trading days ended July 31, 2017 , our common stock traded at a price exceeding 130% of the conversion price of \$66.44 per share applicable to the 0.25% Senior Notes. Accordingly, the 0.25% Senior Notes will be convertible at the holders’ option for the quarter ending October 31, 2017. As of July 31, 2017 the remaining principal balance of the 0.25% Senior Notes outstanding is \$1.15 billion .

In July 2016, we entered into a credit agreement (“ Revolving Loan Credit Agreement ”), which provides for a \$1.0 billion unsecured revolving credit facility (“Credit Facility”) that matures in July 2021. We may use any future borrowings under the Credit Facility for refinancing other indebtedness, 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 Revolving Loan Credit Agreement . As of July 31, 2017 , we had no outstanding borrowings under the Credit Facility.

The Revolving Loan 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 Revolving Loan Credit Agreement . We were in compliance with the Revolving Loan Credit Agreement ’s covenants as of July 31, 2017 .

In July 2016, in order to partially finance the acquisition of Demandware, we entered into a \$500.0 million term loan (“Term Loan”) which matures in July 2019. As of July 31, 2017 , the noncurrent outstanding principal portion of the Term Loan was \$500.0 million .

As of July 31, 2017, we have a total of \$86.6 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, 2017, the future non-cancelable minimum payments under these commitments were as follows (in thousands):

	Capital Leases	Operating Leases	Financing Obligation - Leased Facility
Fiscal Period:			
Remaining six months of Fiscal 2018	\$ 29,450	\$ 273,221	\$ 10,792
Fiscal 2019	115,834	505,431	21,881
Fiscal 2020	201,618	433,161	22,325
Fiscal 2021	75	320,162	22,770
Fiscal 2022	37	276,137	23,214
Thereafter	3	1,402,990	210,713
Total minimum lease payments	347,017	\$ 3,211,102	\$ 311,695
Less: amount representing interest	(23,554)		
Present value of capital lease obligations	<u>\$ 323,463</u>		

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 at 350 Mission St. ("350 Mission") in San Francisco, California. As of July 31, 2017, \$219.3 million of the total obligation noted above was recorded to Financing obligation - leased facility, of which the current portion is included in "Accounts payable, accrued expenses and other liabilities" and the noncurrent portion is included in "Other noncurrent liabilities" on the consolidated balance sheets.

In April 2016, we entered into an agreement with a third-party provider for certain infrastructure services for a period of four years. We paid \$96.0 million in connection with this agreement during the six months ended July 31, 2017. The agreement further provides that we will pay an additional \$108.0 million in fiscal 2019 and \$126.0 million in fiscal 2020.

In July 2017, we entered into an agreement with a third-party to obtain the exclusive naming rights for the project formerly known as the Transbay Transit Terminal in San Francisco for a period of 25 years. We paid a non-refundable fee of \$1.0 million upon execution of the agreement and we are obligated to pay approximately \$4.4 million each year over the life of the agreement. The agreement may be terminated by us without cause upon satisfaction of certain conditions.

During the remaining six months of fiscal 2018 and in future fiscal years, we 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. To facilitate these acquisitions or investments, we may seek additional equity or debt financing, which may not be available on terms favorable to us or at all, which may affect our ability to complete subsequent acquisitions or investments, and which may affect the risks of owning our common stock.

We believe our existing cash, cash equivalents, marketable securities, cash provided by operating activities and, if necessary, our borrowing capacity under our Credit Facility will be sufficient to meet our working capital, capital expenditure and debt repayment needs over the next 12 months.

New Accounting Pronouncements

See Note 1 “Summary of Business and Significant Accounting Policies” to the consolidated financial statements for our discussion about new accounting pronouncements adopted and those pending.

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 ("USD"). 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.

Our European revenue, operating expenses and significant balance sheet accounts denominated in currencies other than the USD primarily flow through our United Kingdom subsidiary, which has a functional currency of the British Pound. This results in a two-step currency exchange process wherein the currencies in Europe other than the British Pound are first converted into the British Pound and then British Pounds are translated into USD for our Consolidated Financial Statements. As an example, costs incurred in France are translated from the Euro to the British Pound and then into the USD. Our statements of operations and balance sheet accounts are also impacted by the re-measurement of non-functional currency transactions such as USD denominated intercompany loans, cash accounts held by our overseas subsidiaries, accounts receivable denominated in foreign currencies and deferred revenue and accounts payable denominated in foreign currencies.

Foreign Currency Transaction Risk

Our foreign currency exposures typically arise from selling annual and multi-year subscriptions in multiple currencies, customer 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 sheets with changes in fair values recorded to our consolidated statements 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 expenses and cash flows that we report for our foreign subsidiaries upon the translation of these amounts into USD. As the USD fluctuated against certain international currencies over the past several months, the amounts of revenue and deferred revenue that we reported in USD for foreign subsidiaries that transact in international currencies were slightly higher relative to what we would have reported using a constant currency rate.

Interest Rate Sensitivity

We had cash, cash equivalents and marketable securities totaling \$3.5 billion at July 31, 2017. 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 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, 2017 could result in a \$29.8 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, 2017, we had cash, cash equivalents and marketable securities totaling \$2.2 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 \$13.0 million.

Market Risk and Market Interest Risk

We deposit our cash with multiple financial institutions.

In March 2013, we issued at par value \$1.15 billion of 0.25% convertible senior notes (“Notes”) due April 1, 2018. 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 is exposed to interest rate risk. Generally, the fair value 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 Notes is affected by our stock price. The principal balance of our Notes was \$1.15 billion as of July 31, 2017. The total estimated fair value of our Notes at July 31, 2017 was \$1.6 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 2018, which was \$90.80.

In July 2016, we amended our credit agreement (“Revolving Loan Credit Agreement”) to provide for a \$1.0 billion unsecured revolving credit facility (“Credit Facility”) that matures in July 2021.

The Borrowings under the Credit Facility bear interest, at our option, at a base rate plus a spread of 0.00% to 0.75% or an adjusted LIBOR rate plus a spread of 1.00% to 1.75%, in each case with such spread being determined based on our consolidated leverage ratio for the preceding four fiscal quarter period. Regardless of what amounts, if any, are outstanding under the revolving credit facility, we are also obligated to pay an ongoing commitment fee on undrawn amounts at a rate of 0.125% to 0.25%, with such rate being based on our consolidated leverage ratio for the preceding four fiscal quarter period, payable in arrears quarterly. As of July 31, 2017 there was no outstanding borrowing amount under the Credit Facility.

In February 2015, we assumed a \$200.0 million loan with the acquisition of 50 Fremont (“Loan”). The Loan bears an interest rate of 3.75% per annum and is due in June 2023. For the remainder of fiscal 2018, the Loan requires interest only payments. Beginning in fiscal 2019, principal and interest payments are required, 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, 2017.

In July 2016, we entered into a \$500.0 million term loan (“Term Loan”) which matures in July 2019 and bears interest at our option, at either a base rate plus a spread of 0.00% to 0.75% or an adjusted LIBOR rate plus a spread of 1.00% to 1.75%, in each case with such spread being determined based on the Company’s consolidated leverage ratio for the preceding four fiscal quarter period. We entered into the Term Loan for purposes of partially funding the acquisition of Demandware. Interest is due and payable in arrears quarterly for loans bearing interest at a rate based on the base rate and at the end of an interest period in the case of loans bearing interest at the adjusted LIBOR rate. The Term Loan is payable in July 2019, with the outstanding principal amount of the term loan being due and payable at maturity.

By entering into the Term Loan, we have assumed risks associated with variable interest rates based upon a variable base rate or LIBOR. The weighted average interest rate on the Term Loan was 2.1% as of July 31, 2017. Changes in the overall level of interest rates affect the interest expense that we recognize in our statements of operations.

The bank counterparties to our 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, which range from early-stage companies to more mature companies with established revenue streams and business models. Our portfolio consists of investments in over 190 privately held companies and four public companies, primarily comprised of independent software vendors and system integrators. Our investments in these companies range from \$0.2 million to over \$90.0 million, with 15 investments individually equal to or in excess of approximately \$10.0 million.

We invest in early-to-late stage enterprise cloud companies for strategic reasons and to support key business initiatives to grow our ecosystem of partners and accelerate the adoption of cloud technologies. We invest in both domestic and international companies and currently hold investments in all of our regions: the Americas, Europe, and Asia Pacific. We plan to continue to invest in these types of strategic investments, including in companies representing targeted geographies and targeted business and technological initiatives, as opportunities arise that we find attractive.

The primary purpose of our investments is to create an ecosystem of enterprise cloud companies and accelerate the growth of technology startups and system integrators. Therefore, we continually evaluate our investments in publicly traded companies, post public offering, for exit strategies. Our ability to sell these investments may be impacted by contractual obligations to hold the securities for a set period of time after a public offering. Currently, one of our publicly held investments is subject to such a contractual obligation, which expires in the third quarter of fiscal 2018.

Our strategic investments in privately held companies are primarily in preferred stock of the respective investees and therefore provide us with liquidation preferences in the event there are certain liquidation events. 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 debt and equity securities of the privately held companies using the cost method of accounting. Otherwise, we account for the investments using the equity method of accounting.

As of July 31, 2017 and January 31, 2017 the carrying value of our investments in privately held companies was \$538.5 million and \$526.0 million, respectively. The estimated fair value of our investments in privately held companies was \$762.1 million and \$758.3 million as of July 31, 2017 and January 31, 2017, 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 that is other-than-temporary, which could be material. We have in the past recorded other than temporary impairments or 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 partial or 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 principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report.

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 principal executive officer and principal 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 or regulatory proceedings, claims, or purported class actions related to alleged infringement of third-party patents and other intellectual property rights, or alleged violation of commercial, corporate and securities, labor and employment, wage and hour, or other laws or regulations. We have 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.

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. The outcomes of our legal proceedings and other contingencies are, however, inherently unpredictable and subject to significant uncertainties. As a result, we may not be able to reasonably estimate the amount or range of possible losses in excess of any amounts accrued, including losses that could arise as a result of application of non-monetary remedies, with respect to any contingencies, and our estimates may not prove to be accurate.

In our opinion, resolution of all current matters is not expected to have a material adverse impact on our consolidated results of operations, cash flows or financial position. However, depending on the nature and timing of a given dispute or other contingency, an unfavorable resolution could materially affect our current or future results of operations or cash flows, or both, in a particular quarter.

See also Note 14, "Legal Proceedings and Claims" of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

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

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 our customers' and our customers' customers' proprietary and other sensitive data, including financial information and other personally identifiable information. 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 systems, our customers' data or our data, including our intellectual property and other confidential business information. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information 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 servers. 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.

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, proprietary software 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, and experienced disruptions to, our services and new defects or disruptions may occur 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 in augmenting the technologies to meet 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 allowance for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation.

Interruptions or delays in services from third-parties, including data center hosting facilities, cloud computing platform providers or other hardware and software vendors 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. We also 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, hardware and data from a variety of vendors. Any damage to, or failure of our systems generally, including the systems of our third-party platform providers, could result in interruptions in our services. We have from time to time experienced interruptions in our services and such interruptions may occur in the future. 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.

We use a range of disaster recovery and business continuity arrangements. For many of our offerings, our production environment and customers' data are replicated in near real-time in a separate facility located elsewhere. Certain offerings, including some offerings of companies added through acquisitions, may be served through alternate facilities or arrangements. 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, as well as local administrative actions, changes to legal or

permitting requirements and litigation to stop, limit or delay operation. Despite precautions taken at these facilities, such as disaster recovery and business continuity arrangements, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our services.

These hardware, software, data 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.

If we do not accurately plan for our infrastructure capacity requirements and we experience significant strains on our data center capacity, our customers could experience performance degradation or service outages that may subject us to financial liabilities, result in customer losses and harm our business. When we add data centers and add capacity, 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.

Privacy concerns and laws such as the European Union's General Data Protection Regulation, 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 over the Internet is evolving, as federal, state and foreign governments continue to adopt new, or modify existing, laws and regulations addressing data privacy and the collection, processing, storage, transfer and use of data. In some cases, new data privacy laws and regulations, such as the European Union's ("EU") General Data Protection Regulation that takes effect in May 2018 and an amended Act on the Protection of Personal Information in Japan, impose new obligations directly on Salesforce as both a data controller and a data processor, as well as on many of our customers. These new laws may require us to make changes to our services to enable Salesforce and/or our customers to meet the new legal requirements, and may also increase our potential liability exposure through higher potential penalties for non-compliance. Further, laws such as the European Union's proposed e-Privacy Regulation are increasingly aimed at the use of personal information for marketing purposes, and the tracking of individuals' online activities. These new or proposed laws and regulations are subject to differing interpretations and may be inconsistent among jurisdictions. These and other requirements could reduce demand for our services, require us to take on more onerous obligations in our contracts, restrict our ability to store, transfer 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. For example, ongoing legal challenges in Europe to the mechanisms allowing companies to transfer personal data from the European Economic Area to the United States could result in further limitations on the ability to transfer data across borders, particularly if governments are unable or unwilling to reach new or maintain existing agreements that support cross-border data transfers, such as the EU-U.S. and Swiss-U.S. Privacy Shield framework. The costs of compliance with, and other burdens imposed by, privacy laws, regulations and standards may limit the use and adoption of our services, reduce overall demand for our services, make it more difficult to meet expectations from or commitments to customers, lead to significant fines, penalties or liabilities for noncompliance, or slow the pace at which we close sales transactions, any of which could harm our business.

In addition to government activity, privacy advocacy and other industry groups have established or may establish new self-regulatory standards that may place additional burdens on our ability to provide our services globally. Our customers expect us to meet voluntary certification and 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.

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.

Our ability to deliver our services is dependent on the development and maintenance of the infrastructure of the Internet by third parties.

The Internet's infrastructure is comprised of many different networks and services that are highly fragmented and distributed by design. This infrastructure is run by a series of independent third-party organizations that work together to provide the infrastructure and supporting services of the Internet under the governance of the Internet Corporation for Assigned Numbers and Names (ICANN) and the Internet Assigned Numbers Authority (IANA), now under the stewardship of ICANN.

The Internet has experienced a variety of outages and other delays as a result of damages to portions of its infrastructure, denial-of-service attacks or related cyber incidents, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage or result in fragmentation of the Internet, resulting in multiple separate Internets. These

scenarios are not under our control and could reduce the availability of the Internet to us or our customers for delivery of our Internet-based services. Any resulting interruptions in our services or the ability of our customers to access our services could result in a loss of potential or existing customers and harm our business.

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. 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.

Further, in some cases, industry-specific laws, regulations or interpretive positions may also apply directly to us as a service provider. 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. Any failure or perceived failure by us to comply with such requirements could have an adverse impact on our business. For example, 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, which impose significant restrictions on the ability to utilize telephone calls and text messages to mobile telephone numbers as a means of communication, when the prior consent of the person being contacted has not been obtained. We are, and may in the future be, subject to one or more class-action lawsuits, as well as individual lawsuits, containing allegations that one of our businesses or customers violated the TCPA. A determination that we or our customers violated the TCPA or other communications-based statutes could expose us to significant damage awards that could, individually or in the aggregate, materially harm our business.

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 generalized platforms and vendors of packaged business software, as well as companies offering enterprise apps, including CRM, collaboration, e-commerce and business intelligence software. We also compete with internally developed apps 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-premises offerings from enterprise software application vendors;
- cloud computing application service providers, either individually or with others;
- marketing vendors, which may be specialized in advertising, targeting, messaging, or campaign automation;
- software companies that provide their product or service free of charge, and only charge a premium for advanced features and functionality;
- traditional platform development environment companies;
- cloud computing development platform companies;
- internally developed applications (by our potential customers' IT departments);
- IoT platforms from large companies that have existing relationships with hardware and software companies;
- e-commerce solutions from emerging cloud-only vendors and established on-premises vendors; and
- artificial intelligence solutions from new startups and established companies.

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.

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, platforms 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 customer acceptance of multiple platforms on a temporary or permanent basis;
- augmenting the acquired technologies and platforms to the levels that are consistent with our brand and reputation;
- increasing or maintaining the security standards for acquired 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;
- additional stock based compensation; the loss of acquired deferred revenue and unbilled deferred revenue;
- delays in customer purchases due to uncertainty related to any acquisition;
- ineffective or inadequate controls, procedures and policies at the acquired company may negatively impact our results of operations;
- challenges caused by integrating operations over distance, and across different languages and cultures;
- currency and regulatory risks associated with foreign countries and potential additional cybersecurity and compliance risks resulting from entry into new markets; and
- the tax effects of any such acquisitions.

Any of these risks could harm our business. In addition, to facilitate these acquisitions or investments, we may seek additional equity or debt financing, which may not be available on terms favorable to us or at all, which may affect our ability to complete subsequent acquisitions or investments, and which may affect the risks of owning our common stock. For example, 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.

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 a partial or total loss of investment capital.

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 is 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 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;
- our ability to realize benefits from strategic partnerships, acquisitions or investments;
- 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;
- variations in the revenue mix of our services and growth rates of our cloud subscription and support offerings;
- changes in our pricing policies and terms of contracts, whether initiated by us or as a result of competition;
- changes in payment terms and the timing of customer payments and payment defaults by customers;
- 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;
- the seasonality of our customers' businesses, especially Commerce Cloud customers, including retailers and branded manufacturers;
- changes in foreign currency exchange rates such as with respect to the British Pound;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- the number of new employees;
- the timing of commission, bonus, and other compensation payments to employees;
- 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;
- expenses related to our real estate, our office leases and our data center capacity and expansion;
- timing of additional investments in our enterprise cloud computing application and platform services and in our consulting services;
- expenses related to significant, unusual or discrete events, which are recorded in the period in which the events occur;
- extraordinary expenses such as litigation or other dispute-related settlement payments;
- income tax effects;

- 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;
- technical difficulties or interruptions in our services;
- 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;
- 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;
- 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;
- evolving regulations of cloud computing and cross-border data transfer restrictions and similar regulations;
- regulatory compliance costs; and
- the impact of new accounting pronouncements and associated system implementations, for example, the adoption of Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”), the new revenue recognition standard.

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.

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, 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.

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. Our efforts to expand our services beyond the CRM market may not succeed and may reduce our revenue growth rate. The markets for our Analytics, IoT, Commerce and Salesforce Quip Clouds remain relatively new and it is uncertain whether our efforts will ever result in significant revenue for us. Commerce Cloud originated as part of our Demandware acquisition and Salesforce Quip originated from our acquisition of Quip. Further, the introduction of significant platform changes and upgrades, including our conversion to our new Lightning platform, and 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.

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.

Additionally, if we fail to anticipate or identify significant Internet-related and other technology trends and developments early enough, or if we do not devote appropriate resources to adapting to such trends and developments, our business could be harmed.

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

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 less than 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, as well as international operations generally, 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 or potential difficulties protecting our foreign assets or satisfying local obligations;
- 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 transfer, storage and 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;
- tax policies addressing multinational operations; and
- regional economic and political conditions.

Any of these factors could negatively impact our business and results of operations. The above factors may also negatively impact our ability to successfully expand into emerging market countries, where we have little or no operating experience, where it can be costly and challenging to establish and maintain operations, including hiring and managing required personnel, and difficult to promote our brand, and where we may not benefit from any first-to-market advantage or otherwise succeed.

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 contractual 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. It is difficult to 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, competition, 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 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 regions: the Americas, Europe, and Asia Pacific. 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 primarily in British Pound Sterling, Euro, Japanese Yen, Canadian Dollar and Australian Dollar 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. Although we attempt to mitigate some of this volatility and related risks through foreign currency hedging, our hedging activities are limited and may not effectively offset the adverse financial impacts that may result from unfavorable movements in foreign currency exchange rates, which could adversely affect our financial condition or results of operations. Additionally, recent events, including the United Kingdom's 2016 vote in favor of exiting the European Union, or "Brexit," and similar geopolitical developments and uncertainty in the European Union and elsewhere could amplify the volatility of currency fluctuations and related risks for our business.

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 may 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 configuration 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, including governmental entities, 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 and governmental entities may demand more configuration, 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, commercial, corporate and securities, labor and employment, class actions, 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. 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 current or future results of operations or cash flows in 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 many U.S. patents and pending U.S. and international patent applications, 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 securely, reliably and in a manner that enhances our customers' success. In order to maintain and enhance our brands, we may be required to make substantial investments that may later prove to be unsuccessful. In addition, positions we take on social issues may be unpopular with some customers or potential customers, which may impact our ability to attract or retain such customers. 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, data scientists 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. These difficulties may be amplified by evolving restrictions on immigration, travel or availability of visas for skilled technology workers. 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.

In addition, we believe in the importance of our corporate culture of Ohana, which fosters dialogue, collaboration, recognition and a sense of family. As our organization grows and expands globally, and as employees' workplace expectations develop, we may find it increasingly difficult to maintain the beneficial aspects of our corporate culture. This could negatively impact our future success.

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 financial 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 of stock-based compensation, changes in the valuation of deferred tax assets and liabilities and our ability to utilize them, the applicability of withholding taxes and effects from acquisitions.

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 accounting principles, changes in U.S. federal and state or international tax laws applicable to corporate multinationals such as the legislation enacted in the United Kingdom and Australia, other fundamental law changes currently being considered by many countries, including the U.S., and changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions. Additionally, in October 2015, the Organisation for Economic Co-Operation and Development released final guidance covering various topics, including transfer pricing, country-by-country reporting and definitional changes to permanent establishment which could ultimately impact our tax liabilities.

We may also be subject to additional tax liabilities due to changes in non-income based 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 the 0.25% convertible senior notes we issued in March 2013 ("0.25% Senior Notes") due April 1, 2018, the loan we assumed when we purchased an office building located at 50 Fremont Street in San Francisco, California ("50 Fremont"), the \$500.0 million term loan to finance our acquisition of Demandware, due July 11, 2019 (the "term loan") and capital lease arrangements. Additionally, we have significant contractual commitments in operating

lease arrangements, which are not reflected on our consolidated balance sheets. In addition, we have a financing obligation for a leased facility of which we are deemed the owner for accounting purposes. In July 2016, we amended and restated our revolving credit facility under which we can draw down up to \$1.0 billion. Maintenance of our indebtedness and contractual commitments and any additional issuances of 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 and term loan 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 or contractual obligations resulting from our leases. 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. 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.

New lease accounting guidance will require that we record operating lease activity on our consolidated balance sheet no later than fiscal 2020, which will result in an increase in both our assets and financing obligations. The implementation of this guidance may impact our ability to obtain the necessary financing from financial institutions at commercially viable rates or at all as this new guidance will result in a higher financing obligation on our consolidated balance sheet.

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

Our overall performance depends in part on worldwide economic and geopolitical 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 economic conditions can arise suddenly and the full impact of such conditions can remain uncertain. In addition, recent geopolitical developments, including Brexit, have increased levels of political and economic unpredictability globally, and may increase the volatility of global financial markets; the impact of such developments on the global economy remains uncertain. Moreover, these conditions can 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. Our corporate headquarters, and a significant portion of our research and development activities, 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.

Current and future accounting pronouncements and other financial reporting standards, especially but not only concerning revenue recognition, cost capitalization and lease accounting, may negatively impact our financial results.

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

We may be subject to risks related to government contracts and related procurement regulations.

Our contracts with federal, state, local, and foreign government entities are subject to various procurement regulations and other requirements relating to their formation, administration and performance. We may be subject to audits and investigations relating to our government contracts, and any violations could result in various civil and criminal penalties and administrative sanctions, including termination of contract, refunding or suspending of payments, forfeiture of profits, payment of fines, and suspension or debarment from future government business. In addition, such contracts may provide for termination by the government at any time, without cause.

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

Our solutions are subject to export and import controls, including the Commerce Department's Export Administration Regulations, U.S. Customs regulations and various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Control. If we fail to comply with these U.S. export control laws and import laws we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges; fines, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. Obtaining the necessary authorizations, including any required license, may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. Furthermore, the U.S. export control laws and economic sanctions laws prohibit the shipment of certain products and services to U.S. embargoed or sanctioned countries, governments and persons. Even though we take precautions to prevent our solutions from being provisioned or provided to U.S. sanctions targets, our solutions could be provisioned to those targets or provided by our resellers despite such precautions. Any such sales could have negative consequences, including government investigations, penalties and reputational harm. Changes in our solutions or changes in export and import regulations may create delays in the introduction, sale and deployment of our solutions in international markets or prevent the export or import of our solutions to certain countries, governments or persons altogether. Any decreased use of our solutions or limitation on our ability to export or sell our solutions would likely adversely affect our business, financial condition and results of operations.

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, year-over-year growth rates for individual core service offerings and other financial metrics and non-financial metrics, and how those results compare to analyst expectations;
- variations in, and limitations of, the various financial and other metrics and modeling used by analysts in their research and reports about our business;
- forward-looking guidance to industry and financial analysts related to, for example, 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 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 the notes, 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 of the notes 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 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 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

In connection with the acquisition of MetaMind, Inc. in April 2016, the Company issued 6,753 shares of Company common stock on May 3, 2017 and 1,661 shares of Company common stock on July 25, 2017. These issuances were made in reliance on one or more of the following exemptions or exclusions from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”): Section 4(a)(2) of the Securities Act, Regulation D promulgated under the Securities Act, and Regulation S promulgated under the Securities Act.

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 25, 2017

salesforce.com, inc.

By: / S / M ARK J. H AWKINS

Mark J. Hawkins
President and
Chief Financial Officer
(Principal Financial Officer)

Dated: August 25, 2017

salesforce.com, inc.

By: / S / J OE A LLANSON

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	06/03/2016
3.2	Amended and Restated Bylaws of salesforce.com, inc.		8-K	001-32224	3.2	03/21/2016
10.1	Amendment to Reseller Agreement, dated May 1, 2017, between salesforce.com, inc. and Salesforce.org	X				
10.2	Amended and Restated 2013 Equity Incentive Plan		8-K	001-32224	10.1	06/03/2016
10.3	Amended and Restated 2004 Employee Stock Purchase Plan		8-K	001-32224	10.2	06/03/2016
10.4	Related forms of equity agreements under the Amended and Restated 2014 Inducement Equity Incentive Plan	X				
10.5	Related forms of equity agreements under the Amended and Restated 2013 Equity Incentive Plan	X				
10.6	Related forms of equity agreements under the Amended and Restated 2004 Employee Stock Purchase Plan	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 Linkbase Document					
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					



AMENDMENT NUMBER ONE TO SALESFORCE.COM, INC. RESELLER AGREEMENT

SIGNATURE PAGE

Reseller Full Legal Name	Salesforce.org, a non-profit public benefit corporation
Reseller Address	50 Fremont Street, Suite 300 San Francisco, California 94105

This Amendment Number One (this “ **Amendment** ”) is made and entered into between salesforce.com, inc., a Delaware corporation having its principal place of business at The Landmark @ One Market, Suite 300, San Francisco, California 94105 USA (“ **SFDC** ” or “ **Salesforce** ”) and the Reseller named above and amends that certain salesforce.com, inc. Reseller Agreement between SFDC and Reseller dated as of August 1, 2015 (together with all prior amendments, the “ **Agreement** ” as used herein). This Amendment is effective as of the later of the dates beneath the Parties’ signatures below (“ **Amendment Effective Date** ”). Capitalized terms not defined herein shall have the meanings given to them in the Agreement.

The Parties, by their respective authorized signatories, have duly executed this Amendment as of the Amendment Effective Date.

SFDC Reseller

By: /s/ Mark Hawkins By: /s/ Shanti Ariker

Name: Mark Hawkins Name: Shanti Ariker

Title: Chief Financial Officer & Executive Vice President Title: SVP, General Counsel

Date: April 19, 2017 Date: April 19, 2017

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Recitals

WHEREAS, SFDC and Reseller desire to amend certain terms of the Agreement.

NOW, THEREFORE, in consideration of the mutual promises set forth herein and in the Agreement, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

Amendment Terms & Conditions

1. Exhibit A (Pass-Through Terms) is hereby deleted in its entirety and replaced with Exhibit A-1, Exhibit A-2 and Exhibit A-3 (Pass-Through Terms) attached hereto. Reseller will utilize the Pass-Through Terms in Exhibit A-1 for transactions in the Americas and will utilize Exhibit A-2 for transactions in Europe, the Middle East and Africa ("EMEA").

2. Section 7 ("Intentionally Left Blank") is hereby deleted in its entirety and replaced with the following:

7. Customer Data Obligations . Reseller will maintain appropriate safeguards for the protection of the security, confidentiality and integrity of Customer Data processed by the Reseller. In the event the Reseller transmits Customer Data outside SFDC's systems, Reseller will notify Customer(s) prior to such transmission that their Customer Data will be transmitted outside SFDC's system and to that extent SFDC is not responsible for the privacy, security or integrity of that Customer Data. Reseller (and its contractors) shall not access, use, modify or disclose Customer Data except (a) to provide the Services and prevent or address service or technical problems, (b) as compelled by law in accordance with Section 12 "Confidentiality," subparagraph (c) "Compelled Disclosure" below, or (c) as expressly permitted in writing by Customer."

3. Section 12 ("Confidentiality") Subsection 12(d) ("Customer Data Obligations") is hereby deleted in its entirety.

4. Exhibit F is hereby deleted in its entirety and replaced with Exhibit F (Data Processing Addendum) set forth at <https://sfdc.co/cnccJr> and incorporated herein by reference (or such successor URL as may be published by SFDC from time to time).

5. Effect of Amendment . Subject to the above modifications, the Agreement remains in full force and effect.

6. Entire Agreement . The terms and conditions herein contained constitute the entire agreement between the Parties with respect to the subject matter of this Amendment and supersede any previous and contemporaneous agreements and understandings, whether oral or written, between the Parties hereto with respect to the subject matter hereof.

7. Counterparts . This Amendment may be executed in one or more counterparts, including facsimiles or scanned copies sent via email or otherwise, each of which will be deemed to be a duplicate original, but all of which, taken together, will be deemed to constitute a single instrument.

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Exhibit A-1

AMERICAS PASS-THROUGH TERMS

PREAMBLE

These Pass-Through Terms consist of the sections marked **Preamble**, **Definitions** and **Applicable Terms**. These Pass-Through Terms apply only 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, inc. with respect to these Pass-Through Terms. However, salesforce.com, inc. is a third party beneficiary to these Pass-Through Terms and shall have the benefit of and 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 Salesforce.org. For avoidance of doubt, Salesforce.org and SFDC are not Affiliates.

"Agreement" means this Master Subscription Agreement and any exhibits, schedules and addenda hereto.

"Associate", means any entity that is under common governance or Control with, or that governs or Controls, or is governed or Controlled by, the party signing this Agreement as the Customer, and that meets the Eligibility Criteria stated in Exhibit A attached to this Agreement.

"Beta Services" means SFDC services or functionality that may be made available to Customer to try at its option at no additional charge which is clearly designated as beta, pilot, limited release, developer preview, non-production, evaluation, or by a similar description.

"Content" means information obtained by SFDC from publicly available sources or its third party content providers and made available to Customer through the Services, Beta Services, or pursuant to an Order Form, as more fully described in the Documentation.

"Control", for purposes of the definitions of Affiliate and Associate, means direct or indirect ownership or control of more than 50% of the voting interests of the subject entity.

"Customer" means the customer named above together with its Associates which have signed Order Forms. For the avoidance of doubt, an Associate can only sign an Order Form and become a Customer if it meets the Eligibility Criteria set forth in Exhibit A hereto.

"Customer Data" means electronic data and information submitted by or for Customer to the Services, excluding Content and Non-SFDC Applications.

"Documentation" means the applicable Service's Trust and Compliance documentation, and its usage guides and policies, as updated from time to time, accessible via help.salesforce.com or login to the applicable Service.

"Eligibility Criteria" means the eligibility criteria set forth in Exhibit A to this Agreement.

"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 <http://www.salesforce.com/appexchange>, ExactTarget's HubExchange located at <https://hubexchange.exacttarget.com/>, or the Heroku add-ons catalog located at <https://addons.heroku.com/>, and any successor websites.

"Non-SFDC Application" means a Web-based, mobile, offline or other software application functionality that is provided by Customer or a third party and interoperates with a Service, including, for example, an application that

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is developed by or for Customer, is listed on a Marketplace, is identified as Salesforce Labs or by a similar designation, or is an open source software product including e.g. the technologies commonly referred to as Non Profit Success Pack ("NPSP") and Higher Education Data Architecture ("HEDA") and that are subject to the terms stated during the installation process and/or located on the landing page during their use.

"No Charge Services" means the ten (10) User subscriptions for certain Services offered in Salesforce.org's sole discretion to organizations that meet the Eligibility Criteria at no charge and ordered by the Customer using Salesforce.org's standard processes. These are sometimes referred to as "P-10s."

"Order Form" means an ordering document or online order specifying the Services to be provided hereunder that is entered into between Customer or any of its Associates, and Salesforce.org, including any addenda and supplements thereto. By entering into an Order Form hereunder, an Associate agrees to be bound by the terms of this Agreement as if it were an original party hereto.

"SFDC Affiliate" means any entity that directly or indirectly Controls, is Controlled by, or is under common Control with Salesforce.com. For the avoidance of doubt, Salesforce.org and SFDC are not SFDC Affiliates.

"Services" means the products and services that are ordered by Customer under an Order Form and made available online by SFDC, including associated SFDC offline or mobile components, as described in the Documentation. "Services" exclude Content and Non-SFDC Applications.

"User" means (subject to compliance with Section 3.4(b) of this Agreement) an individual who is authorized by Customer to use a Service, for whom Customer has purchased a subscription (or in the case of any Services provided by Salesforce.org without charge, for whom a Service has been provisioned), and to whom Customer (or, when applicable, SFDC or Salesforce.org at Customer's request) has supplied a user identification and password (for Services utilizing authentication). Users may include, for example, employees, consultants, contractors and agents of Customer, and third parties with which Customer transacts business such as students, teachers and volunteers.

APPLICABLE TERMS

1. SALESFORCE.ORG RESPONSIBILITIES

- 1.1 **No Charge Services.** Except where a different initial term is stated in the applicable Order Form, Salesforce.org shall cause SFDC to provide No Charge Services to Customer for an initial term of twelve (12) months. Following the initial term, No Charge Services shall be eligible for renewal on a yearly basis under the same terms and conditions, provided the program continues to exist. Notwithstanding the foregoing or anything to the contrary herein, Salesforce.org offers No Charge Services at its sole discretion and may terminate such No Charge Services at any time upon written notice (typically 30 days where practicable to do so).
- 1.2 **Provision of Services.** Salesforce.org shall cause SFDC to (a) make the Services and Content available to Customer pursuant to this Agreement and the applicable Order Forms, (b) provide applicable SFDC 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 SFDC shall give advance electronic notice as provided in the Documentation), or (ii) any unavailability caused by circumstances beyond SFDC'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 SFDC employees), Internet service provider failure or delay, Non-SFDC Application, or denial of service attack, and (d) provide the Services in accordance with laws and government regulations applicable to SFDC's provision of its Services to its customers generally (i.e., without regard for Customer's particular use of the Services), and subject to Customer's use of the Services in accordance with this Agreement, the Documentation and the applicable Order Form.
- 1.3 **Protection of Customer Data.** Salesforce.org shall cause SFDC to, maintain administrative, physical, and technical safeguards for protection of the security, confidentiality, and integrity of Customer Data, as described in the Documentation. Those safeguards shall include, but shall not be limited to, measures for preventing access, use, modification or disclosure of Customer Data by Salesforce.org or its subcontractors or SFDC personnel, except (a) to provide the Services and prevent or address service or technical problems, (b) as compelled by law in accordance with the "Confidentiality: Compelled Disclosure" section below, or (c) as expressly permitted in writing by Customer. Salesforce.org will also maintain appropriate safeguards for Customer Data that Salesforce.org

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processes. Salesforce.org will give advance notification to Customer in the event that Salesforce.org transmits Customer Data outside of SFDC's system, and where in the event of such transmission, SFDC is not responsible for the privacy, security or integrity of such transmitted Customer Data.

Where Customer's use of the Services includes the processing of personal data (as described in the Data Processing Addendum (defined below) within the European Economic Area (EEA), except in respect of any usage during a free trial, the terms of the data processing addendum at http://info.salesforcefoundation.org/l/30282/2015-10-16/5r2jjl/30282/130279/SFDO_Reseller_Data_Processing_Addendum_Standard_Contractual_Clauses.pdf ("Data Processing Addendum")

are hereby incorporated by reference and shall apply to the extent Customer Data includes Personal Data, as defined in the Data Processing Addendum. For the purposes of the Standard Contractual Clauses, Customer is the data exporter, and Customer's execution of this Agreement shall be treated as its execution of the Standard Contractual Clauses and any associated appendix.

- 1.4 **Personnel.** Salesforce.org shall cause SFDC to be responsible for the performance of SFDC's personnel (including its employees and subcontractors) and their compliance with the applicable obligations under this Agreement, except as otherwise specified in this Agreement. Salesforce.org shall be responsible for the performance of its personnel and their compliance with this Agreement.
- 1.5 **Beta Services.** From time to time, SFDC may make Beta Services available to Customer at no charge. Customer may choose to try such Beta Services or not in its sole discretion. Beta Services are intended for evaluation purposes and not for production use, are not supported, and may be subject to additional terms. Beta Services are not considered "Services" under this Agreement, however, all restrictions, SFDC reservation of rights and Customer obligations concerning the Services, and use of any related Non-SFDC Applications and Content, shall apply equally to Customer's use of Beta Services. 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 without the applicable Beta Services designation. SFDC may discontinue Beta Services at any time in its sole discretion and may never make them generally available. Neither SFDC nor Salesforce.org will have any liability for any harm or damage arising out of or in connection with a Beta Service.

2. USE OF SERVICES AND CONTENT

- 2.1 **Subscriptions.** Unless otherwise provided in the applicable Order Form or Documentation, (a) Services and access to Content are purchased as subscriptions, (b) subscriptions may be added during a subscription term at the same pricing as the underlying subscription pricing, prorated for the portion of that subscription term remaining at the time the subscriptions are added, and (c) any added subscriptions will terminate on the same date as the underlying subscriptions.
- 2.2 **Usage Limits.** Services and Content are subject to usage limits specified in Order Forms and Documentation. 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) except as set forth in an Order Form, a User identification may only be reassigned to a new individual replacing one who will no longer use the Service or Content. If Customer exceeds a contractual usage limit, Salesforce.org may work with Customer to seek to reduce Customer's usage so that it conforms to that limit. If, Customer is unable or unwilling to abide by a contractual usage limit, Customer shall execute an Order Form for additional quantities of the applicable Services or Content promptly upon Salesforce.org's request, and/or pay any invoice for excess usage in accordance with the "Invoicing and Payment" section below.
- 2.3 **Customer Responsibilities.** Customer shall (a) be responsible for Users' compliance with this Agreement, Documentation and Order Forms, (b) be responsible for the quality and legality of Customer Data and the means by which Customer acquired Customer Data, (c) use commercially reasonable efforts to prevent unauthorized access to or use of Services and Content, and notify Salesforce.org promptly of any such unauthorized access or use, (d) use Services and Content only in accordance with this Agreement, Documentation, Order Forms, and applicable laws and government regulations, (e) comply with terms of service of any Non-SFDC Applications with which Customer uses Services or Content, and (f) satisfy the Eligibility Criteria set forth in Exhibit A hereto throughout the term of the Agreement. Customer shall promptly notify Salesforce.org if at any time it fails to satisfy any such criteria.

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2.4 **Usage restrictions.** Customer shall 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, unless expressly stated otherwise in an Order Form or the Documentation, (b) sell, resell, license, sublicense, distribute, make available, rent or lease any Service or Content, or include any Service or Content in a service bureau or outsourcing offering, (c) use a Service or Non-SFDC Application to store or transmit infringing, libelous, or otherwise unlawful or tortious material, or to store or transmit material in violation of third-party privacy rights, (d) use a Service or Non-SFDC Application 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, or use any of the Services to access or use any of SFDC's or Salesforce.org's intellectual property except as permitted under this Agreement, an Order Form, or the Documentation, (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 to benchmark with a non-SFDC product or service, or (l) reverse engineer any Service (to the extent such restriction is permitted by law). Customer's or a User's intentional violation of the foregoing, or any use of the Services in breach of this Agreement, Documentation or Order Forms, by Customer or Users that in Salesforce.org's or as applicable, SFDC's, judgment imminently threatens the security, integrity or availability of SFDC's services, may result in Salesforce.org's or as applicable, SFDC's, immediate suspension of the Services. Salesforce.org will use commercially reasonable efforts under the circumstances to provide Customer with an opportunity to remedy such violation or threat prior to any such suspension.

2.5 **External-Facing Services.** If Customer subscribes to a Service for sending electronic messages or for the creation and hosting of, or for posting content on, external-facing websites, such use is subject to SFDC's External-Facing Services Policy at <http://www.salesforce.com/company/legal/agreements.jsp>, as may be applicable to a Service, and Customer is solely responsible for complying with applicable law in its use of any cookies or other tracking technologies.

2.6 **Removal of Content and Non-SFDC Applications.** If SFDC is required by any third party rights holder to remove Content, or receives information that Content provided to Customer may violate applicable law or third-party rights, SFDC may, or Salesforce.org may ask SFDC to, discontinue Customer's access to such Content through the Services, and/or may so notify Customer that it must discontinue all use of such Content, and to the extent not prohibited by law, Customer will do so, and promptly remove such Content from its systems. If SFDC or Salesforce.org receives information that a Non-SFDC Application used with a Service by Customer may violate SFDC's External-Facing Services Policy or applicable law or third-party rights, SFDC may, or Salesforce.org may ask SFDC to, so notify Customer and in such event Customer shall promptly disable such Non-SFDC Application or modify the Non-SFDC Application to resolve the potential violation. If Customer does not take required action in accordance with the above, SFDC may, or Salesforce.org may cause SFDC to, disable the applicable Content, Service and/or Non-SFDC Application until the potential violation is resolved. If requested by SFDC, Customer shall confirm such deletion and discontinuance of use in writing and Salesforce.org and/or SFDC shall be authorized to provide a copy of such confirmation to any such third party claimant or governmental authority, as applicable.

3. NON-SFDC PROVIDERS

3.1 **Acquisition of Non-SFDC Products and Services.** Salesforce.org, SFDC or third parties may make available (for example, through a Marketplace or otherwise) third-party products or services, including, for example, Non-SFDC Applications and implementation and other consulting services. Any acquisition by Customer of such products or services, and any exchange of data between Customer and any non-SFDC provider, product or service is solely between Customer and the applicable non-SFDC provider. Salesforce.org and SFDC do not warrant or support Non-SFDC Applications or other non-SFDC products or services, whether or not they are designated by SFDC as "certified" or otherwise, unless expressly provided otherwise in an Order Form.

3.2 **Non-SFDC Applications and Customer Data.** If Customer chooses to use a Non-SFDC Application with a Service, Customer grants Salesforce.org permission, and grants SFDC permission to allow the Non-SFDC Application and its provider to access Customer Data as required for the interoperation of that Non-SFDC Application with the Service. Neither Salesforce.org nor its Affiliates, nor SFDC nor SFDC Affiliates shall be responsible for any

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disclosure, modification or deletion of Customer Data resulting from access by such Non-SFDC Application or its provider.

3.3 **Integration with Non-SFDC Applications.** The Services may contain features designed to interoperate with Non-SFDC Applications. To use such features, Customer may be required to obtain access to such Non-SFDC Applications from their providers, and may be required to grant SFDC access to Customer's account(s) on such Non-SFDC Applications. Neither Salesforce.org nor SFDC can guarantee the continued availability of such Service features, and may cease providing them without entitling Customer to any refund, credit, or other compensation, if for example and without limitation, the provider of a Non-SFDC Application ceases to make the Non-SFDC Application available for interoperation with the corresponding Service features in a manner acceptable to SFDC.

4. FEES AND PAYMENT

4.1 **Fees.** Customer shall pay all fees specified in Order Forms. Except as otherwise specified herein or in an Order Form, (i) fees are based on Services and Content subscriptions purchased and not actual usage, (ii) payment obligations are non-cancelable and fees paid are non-refundable except as set forth in Section 11.4 below ("Refund or Payment upon Termination"), and (iii) quantities purchased cannot be decreased during the relevant subscription term.

4.2 **Invoicing and Payment.** Fees shall be invoiced in advance and otherwise in accordance with the relevant Order Form. Unless otherwise stated in the Order Form, fees are due net 30 days from the invoice date. Customer is responsible for providing complete and accurate billing and contact information to Salesforce.org and notifying Salesforce.org of any changes to such information.

4.3 **Overdue Charges.** If any invoiced amount is not received by Salesforce.org by the due date, then without limiting Salesforce.org's rights or remedies, those charges may accrue late interest at the rate of 1.5% of the outstanding balance per month, or the maximum rate permitted by law, whichever is lower.

4.4 **Suspension of Service.** If any charge owing by Customer is 30 days or more overdue, Salesforce.org may, without limiting its other rights and remedies, suspend or request that SFDC suspend Services until such amounts are paid in full, provided that, other than for customers paying by credit card or direct debit and whose payment has been declined, Salesforce.org has given Customer at least 10 days prior notice that its account is overdue in accordance with the "Notices" section below.

4.5 **Payment Disputes.** Salesforce.org shall not exercise its rights under the "Overdue Charges" or "Suspension of Service" section above if Customer is disputing the applicable charges reasonably and in good faith and is cooperating diligently to resolve the dispute.

4.6 **Taxes.** Salesforce.org'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** "). Customer is responsible for paying all Taxes associated with its purchases hereunder. If Salesforce.org has the legal obligation to pay or collect Taxes for which Customer is responsible under this section, Salesforce.org shall invoice Customer and Customer shall pay that amount unless Customer provides Salesforce.org with a valid tax exemption certificate authorized by the appropriate taxing authority. For clarity, Salesforce.org is solely responsible for taxes assessable against it based on its income, property and employees.

4.7 **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.org or SFDC regarding future functionality or features.

5. PROPRIETARY RIGHTS AND LICENSES

5.1 **Reservation of Rights.** Subject to the limited rights expressly granted hereunder, Salesforce.org, SFDC, its licensors, and Content providers 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.

5.2 **Access to and Use of Content.** Customer has the right to access and use applicable Content subject to the terms of applicable Order Forms, this Agreement, and the Documentation.

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5.3 **License by Customer to Host Customer Data and Applications.** Customer grants Salesforce.org, its Affiliates, SFDC, SFDC Affiliates and all of their applicable subcontractors a worldwide, limited-term license to host, copy, transmit and display Customer Data, and any Non-SFDC Applications and program code created by or for Customer using a Service or for use by Customer with the Services, as necessary for Salesforce.org to cause SFDC, and for SFDC, to provide the Services in accordance with this Agreement. Subject to the limited licenses granted herein, neither Salesforce.org nor SFDC shall acquire any right, title or interest from Customer or its licensors under this Agreement in or to any Customer Data, Non-SFDC Application or such program code.

5.4 **License by Customer to Use Feedback .** Customer grants to Salesforce.org, its Affiliates, SFDC and SFDC Affiliates a worldwide, perpetual, irrevocable, royalty-free license to use and incorporate into their services any suggestion, enhancement request, recommendation, correction or other feedback provided by Customer or Users relating to the operation of such services.

5.5 **Federal Government End Use Provisions .** Salesforce.org shall require SFDC to provide the Services, including related software and technology, for ultimate federal government end use solely in accordance with the following: Government technical data and software rights related to the Services include only those rights customarily provided to the public as defined in this Agreement. This customary commercial license is provided in accordance with FAR 12.211 (Technical Data) and FAR 12.212 (Software) and, for Department of Defense transactions, DFAR 252.227-7015 (Technical Data – Commercial Items) and DFAR 227.7202-3 (Rights in Commercial Computer Software or Computer Software Documentation). If a government agency has a need for rights not granted under these terms, it must negotiate with Salesforce.org to determine if there are acceptable terms for granting those rights, and a mutually acceptable written addendum specifically granting those rights must be included in any applicable agreement.

6. CONFIDENTIALITY

6.1 **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.org 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.

6.1 **Protection of Confidential Information.** The Receiving Party shall 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) to (i) not 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, limit access to Confidential Information of the Disclosing Party to those employees or subcontractors of, as the case may be, Salesforce.org, its Affiliates, Customer or its Associates who need such access for purposes consistent with this Agreement and who have signed confidentiality agreements with the Receiving Party containing protections not materially less protective of Confidential Information than those herein. Neither party shall disclose the terms of this Agreement or any Order Form to any third party other than to its Affiliate or Associate as the case may be, legal counsel and accountants without the other party’s prior written consent, provided that a party that makes any such disclosure to its Affiliate or Associate, legal counsel or accountants shall remain responsible for such Affiliate’s, Associate’s, legal counsel’s or accountant’s compliance with this “Confidentiality” section.

6.2 **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,

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and the Disclosing Party is not contesting the disclosure, the Disclosing Party shall reimburse the Receiving Party for its reasonable cost of compiling and providing secure access to that Confidential Information.

7. REPRESENTATIONS, WARRANTIES, EXCLUSIVE REMEDIES AND DISCLAIMERS

7.1 **Representations.** Each party hereto represents that it has validly entered into this Agreement and has the legal power to do so.

7.2 **Salesforce.org Warranties.** Salesforce.org warrants that during an applicable subscription term, (a) this Agreement, the Order Forms and the Documentation will accurately describe the applicable administrative, physical, and technical safeguards for protection of the security, confidentiality and integrity of Customer Data, (b) Salesforce.org will cause SFDC not to materially decrease the overall security of the Services, (c) the Services shall perform materially in accordance with the applicable Documentation, and (d) subject to the "Integration with Non-SFDC Applications" section above, Salesforce.org will cause SFDC not to materially decrease the overall functionality of the Services. For any breach of a warranty above, Customer's exclusive remedies are those described in the "Termination" and "Refund or Payment upon Termination" sections below.

7.3 **Disclaimers.** EXCEPT AS EXPRESSLY PROVIDED HEREIN, NEITHER PARTY MAKES ANY WARRANTY OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND EACH PARTY SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW. CONTENT AND BETA SERVICES ARE PROVIDED "AS IS," AND AS AVAILABLE EXCLUSIVE OF ANY WARRANTY WHATSOEVER. EACH PARTY DISCLAIMS ALL LIABILITY AND INDEMNIFICATION OBLIGATIONS FOR ANY HARM OR DAMAGES CAUSED BY ANY THIRD-PARTY HOSTING PROVIDERS.

8. MUTUAL INDEMNIFICATION

8.1 **Indemnification by Salesforce.org.** Salesforce.org shall cause SFDC to defend Customer against any claim, demand, suit, or proceeding made or brought against Customer by a third party alleging that any Service infringes or misappropriates such third party's intellectual property rights (a " **Claim Against Customer** "), and indemnify Customer from any damages, attorney fees and costs finally awarded against Customer as a result of, or for amounts paid by Customer under a settlement approved by SFDC in writing of, a Claim Against Customer; provided that Customer (a) promptly gives Salesforce.org written notice of the Claim Against Customer, (b) gives Salesforce.org or as applicable, SFDC, sole control of the defense and settlement of the Claim Against Customer (provided that Salesforce.org or as applicable SFDC may not settle any Claim Against Customer unless it unconditionally releases Customer of all liability), and (c) provides to Salesforce.org or as applicable SFDC all reasonable assistance, at Salesforce.org's or as applicable SFDC's expense. If Salesforce.org or, as applicable, SFDC, receives information about an infringement or misappropriation claim related to a Service, SFDC may, or Salesforce.org may request that SFDC, in its discretion and at no cost to Customer, (x) modify the Services so that they are no longer claimed to infringe or misappropriate, without breaching Salesforce.org's warranties under "Salesforce.org Warranties" above or (y) obtain a license for Customer's continued use of that Service in accordance with this Agreement, or, (z) alternatively Salesforce.org may in its discretion terminate Customer's subscriptions for that Service upon 30 days' written notice and refund Customer any prepaid fees 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-SFDC Application or Customer's breach of this Agreement, the Documentation or applicable Order Forms.

8.2 **Indemnification by Customer.** Customer shall defend Salesforce.org and/or SFDC against any claim, demand, suit or proceeding made or brought against Salesforce.org or SFDC by a third party alleging that any Customer Data infringes or misappropriates such third party's intellectual property rights, or arising from Customer's use of the Services or Content in breach of this Agreement, the Documentation, an applicable Order Form, or applicable law (each a " **Claim Against Salesforce** "), and will indemnify Salesforce.org or as applicable SFDC from any damages, attorney fees and costs finally awarded against SFDC or Salesforce.org as a result of, or for any amounts paid by Salesforce.org or SFDC under a settlement approved by Customer in writing of, a Claim Against Salesforce, provided Salesforce.org or SFDC (a) promptly gives Customer written notice of the Claim Against Salesforce, (b) gives Customer sole control of the defense and settlement of the Claim Against Salesforce (except that Customer

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may not settle any Claim Against Salesforce unless it unconditionally releases Salesforce.org and/or SFDC of all liability), and (c) gives Customer all reasonable assistance, at Customer's expense.

8.3 Exclusive Remedy. This "Mutual Indemnification" section states the indemnifying party's sole liability to, and the indemnified party's exclusive remedy against, the other party for any type of claim described in this section.

9. LIMITATION OF LIABILITY

9.1 Limitation of Liability. IN NO EVENT SHALL THE AGGREGATE LIABILITY OF EACH PARTY TOGETHER WITH ALL OF ITS AFFILIATES OR AS APPLICABLE ASSOCIATES ARISING OUT OF OR RELATED TO THIS AGREEMENT EXCEED THE TOTAL AMOUNT PAID BY CUSTOMER AND ITS ASSOCIATES HEREUNDER FOR THE SERVICES GIVING RISE TO THE LIABILITY IN THE TWELVE MONTHS PRECEDING THE FIRST INCIDENT OUT OF WHICH THE LIABILITY AROSE. THE FOREGOING LIMITATION WILL APPLY WHETHER AN ACTION IS IN CONTRACT OR TORT AND REGARDLESS OF THE THEORY OF LIABILITY, BUT WILL NOT LIMIT CUSTOMER'S AND ITS ASSOCIATES' PAYMENT OBLIGATIONS UNDER THE "FEES AND PAYMENT" SECTION ABOVE. IN NO EVENT SHALL SFDC HAVE ANY LIABILITY WHATSOEVER TO CUSTOMER UNDER THIS AGREEMENT.

9.2 Exclusion of Consequential and Related Damages. IN NO EVENT WILL EITHER PARTY OR ITS AFFILIATES OR ASSOCIATES AS APPLICABLE HAVE ANY LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT FOR ANY LOST PROFITS, REVENUES, GOODWILL OR INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, COVER, BUSINESS INTERRUPTION OR PUNITIVE DAMAGES, WHETHER AN ACTION IS IN CONTRACT OR TORT AND REGARDLESS OF THE THEORY OF LIABILITY, EVEN IF A PARTY OR ITS AFFILIATES OR ASSOCIATES AS APPLICABLE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR IF A PARTY'S OR ITS AFFILIATES' OR ASSOCIATES', AS APPLICABLE, REMEDY OTHERWISE FAILS OF ITS ESSENTIAL PURPOSE. THE FOREGOING DISCLAIMER WILL NOT APPLY TO THE EXTENT PROHIBITED BY LAW.

10. TERM AND TERMINATION

10.1 Term of Agreement. This Agreement commences on the Effective Date and continues until all subscriptions hereunder have expired or have been terminated.

10.2 Term of Subscriptions. The term of each subscription shall be as specified in the applicable Order Form. Except as otherwise specified in an Order Form, subscriptions shall automatically renew for additional periods equal to the expiring subscription term or one year (whichever is shorter), unless (a) either party gives the other notice of non-renewal at least 30 days before the end of the relevant subscription term, or (b) Salesforce.org's right to resell the Services has been terminated or expired, in which case any existing subscriptions shall continue in effect until the end of their then-existing term and SFDC may contact Customer to discuss renewal directly with SFDC. The per-unit pricing during any renewal term will increase by up to 7% above the applicable pricing in the prior term unless Salesforce.org provides Customer notice of different pricing at least 60 days prior to the applicable renewal term. Except as expressly provided in the applicable Order Form, renewal of promotional or one-time priced subscriptions will be at Salesforce.org's applicable list price in effect at the time of the applicable renewal. Notwithstanding anything to the contrary, any renewal in which subscription volume for any Services has decreased from the prior term will result in re-pricing at renewal without regard to the prior term's per-unit pricing.

10.3 Termination. A party may terminate this Agreement for cause (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, or (ii) if the other party becomes the subject of a petition in bankruptcy or any other proceeding relating to insolvency, receivership, liquidation or assignment for the benefit of creditors.

10.4 Refund or Payment upon Termination. If this Agreement is terminated by Customer in accordance with the "Termination" section above, Salesforce.org shall refund Customer any prepaid fees covering the remainder of the term of all Order Forms after the effective date of termination. If this Agreement is terminated by Salesforce.org in accordance with the "Termination" section above, Customer shall pay any unpaid fees covering the remainder of the term of all Order Forms. In no event shall termination relieve Customer of its obligation to pay any fees payable to Salesforce.org for the period prior to the effective date of termination.

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10.5 Customer Data Portability and Deletion. Upon request by Customer made within 30 days after the effective date of termination or expiration of this Agreement, Salesforce.org shall cause SFDC to make Customer Data available to Customer for export or download as provided in the Documentation. After such 30-day period, neither Salesforce.org nor SFDC shall have any obligation to maintain or provide any Customer Data, and as provided in the Documentation will thereafter delete or destroy all copies of Customer Data in its systems or otherwise in its possession or control, unless legally prohibited.

10.6 Surviving Provisions. The sections titled “Fees and Payment,” “Proprietary Rights and Licenses,” “Confidentiality,” “Disclaimers,” “Mutual Indemnification,” “Limitation of Liability,” “Refund or Payment upon Termination,” “Customer Data Portability and Deletion”, “Removal of Content and Non-SFDC Applications”, “Surviving Provisions” and “General Provisions” shall survive any termination or expiration of this Agreement.

11. GENERAL PROVISIONS

11.1 Export Compliance. The Services, Content, other SFDC technology, and derivatives thereof may be subject to export laws and regulations of the United States and other jurisdictions. Salesforce.org represents that neither Salesforce.org nor SFDC is named on any U.S. government denied-party list, and Customer represents that it is not named on any U.S. government denied-party list. Customer shall not permit any User to access or use any Service or Content in a U.S.-embargoed country or region (currently Cuba, Iran, North Korea, Sudan, Syria or Crimea) or in violation of any U.S. export law or regulation.

11.2 Anti-Corruption. Neither party has received or been offered any illegal or improper bribe, kickback, payment, gift, or thing of value from an employee or agent of the other party in connection with this Agreement. Reasonable gifts and entertainment provided in the ordinary course of business do not violate the above restriction.

11.3 Entire Agreement and Order of Precedence. This Agreement is the entire agreement between Salesforce.org and Customer regarding Customer's use of Services and Content and supersedes all prior and contemporaneous agreements, proposals or representations, written or oral, concerning its subject matter. The parties agree that any term or condition stated in a Customer vendor registration form or registration portal, or Customer purchase order or in any other Customer 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: (i) the applicable Order Form, (ii) any exhibit, schedule or addendum to this Agreement, (iii) the body of this Agreement, and (iv) the Documentation.

11.4 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.

11.5 Third-Party Beneficiaries. SFDC shall be a third-party beneficiary of Salesforce.org's rights and Customer's obligations hereunder. There are no other third-party beneficiaries under this Agreement.

11.6 Notices. Except as otherwise specified in this Agreement, all notices related to this Agreement shall be in writing and shall 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 or an indemnifiable claim (“**Legal Notices**”), the day of sending by email. Notices to Salesforce.org shall be addressed to the attention of General Counsel, at Salesforce.org, 50 Fremont Street, Suite 300, San Francisco, California 94105; SFDOLegal@salesforce.com, or as updated by Salesforce.org via written notice to Customer. Billing-related notices to Customer shall be addressed to the relevant billing contact designated by Customer, and Legal Notices to Customer shall be addressed to Customer and be clearly identifiable as Legal Notices. All other notices to Customer shall be addressed to the relevant Services system administrator designated by Customer.

11.7 Waiver. No waiver of any provision of this Agreement will be effective unless in writing and signed by the party against whom the waiver is to be asserted. No failure or delay by either party in exercising any right under this Agreement shall constitute a waiver of that right.

11.8 Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be contrary to law, the provision shall be deemed null and void, and the remaining provisions of this Agreement shall remain in effect.

11.9 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, either party may assign this Agreement in its entirety (including all Order Forms), without the other party's consent

to its Affiliate or Associate, as the case may be, or in connection with a merger, acquisition, corporate reorganization, or sale of all or substantially all of its assets (provided that such Associate or other permitted successor continues to meet the Eligibility Criteria set forth in Exhibit A hereto). Notwithstanding the foregoing, if a party is acquired by, sells substantially all of its assets to, or undergoes a change of control in favor of, a direct competitor of the other party, or, in the case of Customer, a direct competitor of SFDC, such other party may terminate this Agreement upon written notice. In the event of such a termination, Salesforce.org shall refund Customer any prepaid fees covering the remainder of the term of all subscriptions for the period after the effective date of such termination. Subject to the foregoing, this Agreement shall bind and inure to the benefit of the parties, their respective successors and permitted assigns.

11.10 Governing Law. This Agreement, and any disputes arising out of or related hereto, shall be governed exclusively by the internal laws of the State of California, without regard to its conflicts of laws rules or the United Nations Convention on the International Sale of Goods.

11.11 Venue. The state and federal courts located in San Francisco County, California shall have exclusive jurisdiction over any dispute relating to this Agreement, and each party consents to the exclusive jurisdiction of those courts.

11.12 Counterparts. This Agreement may be executed electronically, by facsimile and in counterparts.

Signed by each party's authorized representative:

CUSTOMER **SALESFORCE.ORG**

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

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EXHIBIT A – Eligibility Criteria

To be eligible to receive No Charge Services and Services, Customer must be one of the following:

- A. A nonprofit organization that is currently tax-exempt with verified charitable status as determined by the applicable regulatory bodies in the country in which the organization is registered as a charity. For example, with respect to United States organizations, tax exempt status under 501(c)3 of the Internal Revenue Code.
- B. An organization that is using as its fiscal sponsor, a tax-exempt charity as defined in section A of this Exhibit A, and where that fiscal sponsor has extended its tax exempt status to the sponsored organization (and only for so long as such fiscal sponsorship is in effect).
- C. An organization (either for-profit or not-for profit) that meets comprehensive and transparent standards for social responsibility, subject to express written approval of Salesforce.org; for United States organizations, this means organizations with tax exempt status under 501(c) 4 of the Internal Revenue Code; or
- D. A not-for-profit or a for-profit public or private institution whose primary purpose is educational, but specifically excluding for-profit universities and/or colleges.

The foregoing are by way of example only. In all cases, Salesforce.org must first provide written approval of Customer's eligibility. Further, Customer must provide documentation to validate its status upon request from Salesforce.org. Salesforce.org reserves the right in its sole discretion to change an Order Form, or to deny a request for No Charge Services or Services, or to refer the Customer's request for Services to salesforce.com.

For clarity, the following; entities are not eligible to purchase under this Agreement:

1. An economic development organization, such as a chamber of commerce, business improvement district, local and regional economic development organization;
2. A non-profit organization funded by local, state, provincial or federal government, where such non-profit organization either functions without an independent board of directors or is managed by a government agency;
3. A hospital, healthcare facility, academic medical center or clinic, except for their associated educational fund raising or foundation activities;
4. A health insurance organization or health insurance provider; or
5. A group or individual health practice.

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EXHIBIT A-2

EUROPE, MIDDLE EAST, AFRICA (EMEA) PASS-THROUGH TERMS

MASTER SUBSCRIPTION AGREEMENT

Customer Full Legal Name:	
Customer Address:	

This Master Subscription Agreement is between **Salesforce.org EMEA Limited** (" **Salesforce.org** "), a limited liability company having its registered office at Salesforce.org Floor 26 Salesforce Tower, 110 Bishopsgate, London, EC2N 4AY, United Kingdom and the party named above.

Salesforce.org , a California nonprofit public benefit corporation with its principal place of business at 50 Fremont Street, Suite 300, San Francisco, California 94105 and its Affiliates (including Salesforce.org EMEA Limited) is an authorized reseller of Salesforce.com Inc. ("SFDC") and the entities defined in this Master Subscription Agreement as SFDC Affiliates.

Salesforce.org EMEA Limited is an authorised reseller in Europe, Middle East and Africa ("EMEA").

For the purposes of this Master Subscription Agreement, Salesforce.org is defined as "SFDO" and Salesforce.org EMEA limited is defined as "Salesforce.org".

This Agreement is effective as of the date of the last signature below (the " **Effective Date** ").

The parties agree as follows:

1. DEFINITIONS

" **Affiliate** " means any entity that directly or indirectly Controls, is Controlled by, or is under common Control with Salesforce.org. For avoidance of doubt, Salesforce.org and SFDC are not Affiliates.

" **Agreement** " means this Master Subscription Agreement and any exhibits, schedules and addenda hereto.

" **Associate** " means any entity that is under common governance or Control with, or that governs or Controls or is governed or Controlled by, the party signing this Agreement as the Customer, and that meets the Eligibility Criteria stated in Exhibit A attached to this Agreement.

" **Beta Services** " means services or functionality that may be made available to Customer from SFDC or Salesforce.org to try at its option at no additional charge which is clearly designated as beta, pilot, limited release, developer preview, non-production, evaluation, or by a similar description.

" **Content** " means information obtained by SFDC from publicly available sources or its third party content providers and made available to Customer through the Services, Beta Services or pursuant to an Order Form, as more fully described in the Documentation.

" **Control** " , for the purposes of the definitions of Affiliate and Associate, means direct or indirect ownership or control of more than 50% of the voting interests of the subject entity.

" **Customer** " means the customer named above together with its Associates which have signed Order Forms. For the avoidance of doubt, an Associate can only sign an Order Form and become a Customer if it meets the Eligibility Criteria set forth in Exhibit A hereto.

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“Customer Data” means electronic data and information submitted by or for Customer to the Services, excluding Content and Non-SFDC Applications.

“Documentation” means the applicable Service’s Trust and Compliance documentation, and its usage guides and policies, as updated from time to time, accessible via help.salesforce.com or login to the applicable Service.

“Eligibility Criteria” means the eligibility criteria set forth in Exhibit A to this Agreement.

“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 <http://www.salesforce.com/appexchange>, ExactTarget’s HubExchange located at <https://hubexchange.exacttarget.com/>, or the Heroku add-ons catalog located at <https://addons.heroku.com/>, and any successor websites.

“Non-SFDC Application” means a Web-based, mobile, offline or other software application functionality that is provided by 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, is identified as Salesforce Labs or by a similar designation, or is an open source software product including, for example, the technologies commonly referred to as Non Profit Success Pack (“NPSP”) and Higher Education Data Architecture (“HEDA”) and that are subject to the terms stated during the installation process and/or located on the landing page during their use.

“No Charge Services” means the ten (10) User subscriptions for certain Services offered in Salesforce.org’s sole discretion to organizations that meet the Eligibility Criteria, at no charge and ordered by the Customer using Salesforce.org’s standard processes. These are sometimes referred to as P-10’s.

“Order Form” means an ordering document or online order specifying the Services to be provided hereunder that is entered into between Customer or any of its Associates and Salesforce.org, including any addenda and supplements thereto. By entering into an Order Form hereunder, an Associate agrees to be bound by the terms of this Agreement as if it were an original party hereto.

“SFDC Affiliate” means any entity that directly or indirectly Controls, is Controlled by, or is under common Control with Salesforce.com. For the avoidance of doubt, Salesforce.org and SFDC are not SFDC Affiliates.

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

“User” means (subject to compliance with Section 3.4(b) of this Agreement) an individual who is authorized by Customer to use a Service, for whom Customer has purchased a subscription (or in the case of any Services provided by Salesforce.org without charge, for whom a Service has been provisioned), and to whom Customer (or, when applicable, SFDC or Salesforce.org at Customer’s request) has supplied a user identification and password (for Services utilizing authentication). Users may include, for example, employees, consultants, contractors and agents of Customer, and third parties with which Customer transacts business (such as students, teachers and volunteers).

2. SALESFORCE.ORG RESPONSIBILITIES

2.1 **No Charge Services.** Except where a different initial term is stated in the applicable Order Form, Salesforce.org shall cause SFDC to provide No Charge Services to Customer for an initial term of twelve (12) months. Following the initial term, No Charge Services shall be eligible for renewal on a yearly basis under the same terms and conditions, provided the program continues to exist. Notwithstanding the foregoing or anything to the contrary herein, Salesforce.org offers No Charge Services at its sole discretion and may terminate such No Charge Services at any time upon written notice (typically thirty (30) days where practicable to do so).

2.2 **Provision of Services.** Salesforce.org shall cause SFDC to, (a) make the Services and Content available to Customer pursuant to this Agreement and the applicable Order Forms, (b) provide applicable SFDC 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 SFDC shall give advance electronic notice as provided in the Documentation), or (ii) any unavailability caused by circumstances beyond SFDC’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 SFDC employees), Internet service provider failure or delay, Non-SFDC Application, or denial

of service attack, and (d) provide the Services in accordance with laws and government regulations applicable to SFDC's provision of its Services to its customers generally (i.e., without regard for Customer's particular use of the Services), and subject to Customer's use of the Services in accordance with this Agreement, the Documentation and the applicable Order Form.

2.3 **Protection of Customer Data.** Salesforce.org shall cause SFDC to maintain administrative, physical, and technical safeguards for protection of the security, confidentiality and integrity of Customer Data, as described in the Documentation. Those safeguards will include, but will not be limited to, measures for preventing access, use, modification or disclosure of Customer Data by Salesforce.org or its subcontractors or SFDC personnel except (a) to provide the Services and prevent or address service or technical problems, (b) as compelled by law in accordance with the "Confidentiality: Compelled Disclosure" section below, or (c) as expressly permitted in writing by Customer. Salesforce.org will also maintain appropriate safeguards for Customer Data that Salesforce.org processes. Salesforce.org will give advance notification to Customer in the event that Salesforce.org transmits Customer Data outside of SFDC's system, and where in the event of such transmission, SFDC is not responsible for the privacy, security or integrity of such transmitted Customer Data. The terms of the data processing addendum at http://info.salesforcefoundation.org/I/30282/2015-10-16/5r2jl/30282/130279/SFDO_Reseller_Data_Processing_Addendum_Standard_Contractual_Clauses_.pdf ("Data Processing Addendum") are hereby incorporated by reference and shall apply to the extent Customer Data includes Personal Data, as defined in the Data Processing Addendum. For the purposes of the Standard Contractual Clauses in the Data Processing Addendum, Customer is the data exporter, and Customer's execution of this Agreement shall be treated as Customer's execution of the Standard Contractual Clauses and any associated appendix.

2.4 **Personnel.** Salesforce.org shall cause SFDC to be responsible for the performance of SFDC's personnel (including its employees and subcontractors) and their compliance with the applicable obligations under this Agreement, except as otherwise specified in this Agreement. Salesforce.org shall be responsible for the performance of its personnel and their compliance with this Agreement.

2.5 **Beta Services.** From time to time, SFDC or Salesforce.org may make Beta Services available to Customer at no charge. Customer may choose to try such Beta Services or not in its sole discretion. Beta Services are intended for evaluation purposes and not for production use, are not supported, and may be subject to additional terms. Beta Services are not considered "Services" under this Agreement, however, all restrictions, SFDC reservation of rights and Customer obligations concerning the Services, and use of any related Non-SFDC Applications and Content, shall apply equally to Customer's use of Beta Services. 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 without the applicable Beta Services designation. SFDC or as applicable, Salesforce.org may discontinue Beta Services at any time in its sole discretion and may never make them generally available. Neither SFDC nor Salesforce.org will have any liability for any harm or damage arising out of or in connection with a Beta Service.

3. USE OF SERVICES AND CONTENT

3.1 **Subscriptions.** Unless otherwise provided in the applicable Order Form or Documentation, (a) Services and access to Content are purchased as subscriptions, (b) subscriptions may be added during a subscription term at the same pricing as the underlying subscription pricing, prorated for the portion of that subscription term remaining at the time the subscriptions are added, and (c) any added subscriptions will terminate on the same date as the underlying subscriptions.

3.2 **Usage Limits.** Services and Content are subject to usage limits specified in Order Forms and Documentation. 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) except as set forth in an Order Form, a User identification may only be reassigned to a new individual replacing one who will no longer use the Service or Content. If Customer exceeds a contractual usage limit, Salesforce.org may work with Customer to seek to reduce Customer's usage so that it conforms to that limit. If Customer is unable or unwilling to abide by a contractual usage limit, Customer will execute an Order Form for additional quantities of the applicable Services or Content promptly upon Salesforce.org's request, and/or pay any invoice for excess usage in accordance with the "Invoicing and Payment" section below.

3.3 **Customer Responsibilities.** Customer shall (a) be responsible for Users' compliance with this Agreement, Documentation and Order Forms, (b) be responsible for the quality and legality of Customer Data and the means by which Customer acquired Customer Data, (c) use commercially reasonable efforts to prevent unauthorized access to or use of Services and Content, and notify Salesforce.org promptly of any such unauthorized access or use, (d) use Services and Content only in accordance with this Agreement, Documentation, Order Forms and

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applicable laws and government regulations, (e) comply with terms of service of any Non-SFDC Applications with which Customer uses Services or Content, and (f) satisfy the Eligibility Criteria set forth in Exhibit A throughout the term of the Agreement. Customer shall promptly notify Salesforce.org if at any time it fails to satisfy any such criteria.

3.4 **Usage Restrictions.** Customer shall 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, unless expressly stated otherwise in an Order Form or the Documentation, (b) sell, resell, license, sublicense, distribute, make available, rent or lease any Service or Content, or include any Service or Content in a service bureau or outsourcing offering, (c) use a Service or Non-SFDC Application to store or transmit infringing, libelous, or otherwise unlawful or tortious material, or to store or transmit material in violation of third-party privacy rights, (d) use a Service or Non-SFDC Application 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, or use any of the Services to access or use any of SFDC's or Salesforce.org's intellectual property except as permitted under this Agreement, an Order Form, or the Documentation, (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 to benchmark with a non-SFDC product or service, or (l) reverse engineer any Service (to the extent such restriction is permitted by law). Customer's or a User's intentional violation of the foregoing, or any use of the Services in breach of this Agreement, Documentation or Order Forms, by Customer or Users that in Salesforce.org's or as applicable, SFDC's judgment, imminently threatens the security, integrity or availability of SFDC's services, may result in Salesforce.org's or as applicable, SFDC's, immediate suspension of the Services. Salesforce.org will use commercially reasonable efforts under the circumstances to provide Customer with an opportunity to remedy such violation or threat prior to any such suspension.

3.5 **External-Facing Services.** If Customer subscribes to a Service for sending electronic messages or for the creation and hosting of, or for posting content on, external-facing websites, such use is subject to SFDC's External-Facing Services Policy at <http://www.salesforce.com/company/legal/agreements.jsp> as may be applicable to a Service, and Customer is solely responsible for complying with applicable law in its use of any cookies or other tracking technologies.

3.6 **Removal of Content and Non-SFDC Applications.** If SFDC is required by any third party rights holder to remove Content, or receives information that Content provided to Customer may violate applicable law or third-party rights, SFDC may, or Salesforce.org may ask SFDC to, discontinue Customer's access to such Content through the Services, and/or may so notify Customer that it must discontinue all use of such Content, and to the extent not prohibited by law Customer will do so and promptly remove such Content from its systems. If SFDC or Salesforce.org receives information that a Non-SFDC Application used with a Service by Customer may violate SFDC's External-Facing Services Policy or applicable law or third-party rights, SFDC may, or Salesforce.org may ask SFDC to, so notify Customer and in such event Customer will promptly disable such Non-SFDC Application or modify the Non-SFDC Application to resolve the potential violation. If Customer does not take required action in accordance with the above, SFDC may, or Salesforce.org may cause SFDC, to disable the applicable Content, Service and/or Non-SFDC Application until the potential violation is resolved. If requested by SFDC, Customer shall confirm such deletion and discontinuance of use in writing and Salesforce.org and/or SFDC shall be authorized to provide a copy of such confirmation to any such third party claimant or governmental authority, as applicable.

4. NON-SFDC PROVIDERS

4.1 **Acquisition of Non-SFDC Products and Services.** Salesforce.org, SFDC or third parties may make available (for example, through a Marketplace or otherwise) third-party products or services, including, for example, Non-SFDC Applications and implementation and other consulting services. Any acquisition by Customer of such products or services, and any exchange of data between Customer and any non-SFDC provider, product or service is solely between Customer and the applicable non-SFDC provider. Salesforce.org and SFDC do not warrant or support Non-SFDC Applications or other non-SFDC products or services, whether or not they are designated by SFDC as "certified" or otherwise, unless expressly provided otherwise in an Order Form.

4.2 **Non-SFDC Applications and Customer Data.** If Customer chooses to use a Non-SFDC Application with a Service, Customer grants Salesforce.org permission, and grants SFDC permission, to allow the Non-SFDC

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Application and its provider to access Customer Data as required for the interoperation of that Non-SFDC Application with the Service. Neither Salesforce.org nor its Affiliates nor SFDC nor SFDC Affiliates shall be responsible for any disclosure, modification or deletion of Customer Data resulting from access by such Non-SFDC Application or its provider.

4.3 **Integration with Non-SFDC Applications.** The Services may contain features designed to interoperate with Non-SFDC Applications. To use such features, Customer may be required to obtain access to such Non-SFDC Applications from their providers, and may be required to grant SFDC access to Customer's account(s) on such Non-SFDC Applications. Neither Salesforce.org nor SFDC can guarantee the continued availability of such Service features, and may cease providing them without entitling Customer to any refund, credit, or other compensation, if for example and without limitation, the provider of a Non-SFDC Application ceases to make the Non-SFDC Application available for interoperation with the corresponding Service features in a manner acceptable to SFDC.

5. FEES AND PAYMENT

5.1 **Fees.** Customer shall pay all fees specified in Order Forms. Except as otherwise specified herein or in an Order Form, (i) fees are based on Services and Content subscriptions purchased and not actual usage, (ii) payment obligations are non-cancelable and fees paid are non-refundable except as set forth in Section 11.4 below ("Refund or Payment upon Termination"), and (iii) quantities purchased cannot be decreased during the relevant subscription term.

5.2 **Invoicing and Payment.** Fees shall be invoiced in advance and otherwise in accordance with the relevant Order Form. Unless otherwise stated in the Order Form, fees are due net 30 days from the invoice date. Customer is responsible for providing complete and accurate billing and contact information to Salesforce.org and notifying Salesforce.org of any changes to such information.

5.3 **Overdue Charges.** If any invoiced amount is not received by Salesforce.org by the due date, then without limiting Salesforce.org's rights or remedies, those charges may accrue late interest at the rate of 1.5% of the outstanding balance per month, or the maximum rate permitted by law, whichever is lower.

5.4 **Suspension of Service.** If any charge owing by Customer is 30 days or more overdue, Salesforce.org may, without limiting its other rights and remedies, suspend or request that SFDC suspend Services until such amounts are paid in full, provided that, other than for customers paying by credit card or direct debit and whose payment has been declined, Salesforce.org has given Customer at least 10 days prior notice that its account is overdue in accordance with the "Notices" section below.

5.5 **Payment Disputes.** Salesforce.org shall not exercise its rights under the "Overdue Charges" or "Suspension of Service" section above if Customer is disputing the applicable charges reasonably and in good faith and is cooperating diligently to resolve the dispute.

5.6 **Taxes.** Salesforce.org'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** "). Customer is responsible for paying all Taxes associated with its purchases hereunder. If Salesforce.org has the legal obligation to pay or collect Taxes for which Customer is responsible under this section, Salesforce.org will invoice Customer and Customer will pay that amount unless Customer provides Salesforce.org with a valid tax exemption certificate authorized by the appropriate taxing authority. For clarity, Salesforce.org is solely responsible for taxes assessable against it based on its income, property and employees.

5.7 **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.org or SFDC regarding future functionality or features.

6. PROPRIETARY RIGHTS AND LICENSES

6.1 **Reservation of Rights.** Subject to the limited rights expressly granted hereunder, Salesforce.org, SFDC, its licensors and Content providers 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.

6.2 **Access to and Use of Content.** Customer has the right to access and use applicable Content subject to the terms of applicable Order Forms, this Agreement and the Documentation.

6.3 **License by Customer to Host Customer Data and Applications.** Customer grants Salesforce.org, its Affiliates, SFDC, SFDC Affiliates and all of their applicable subcontractors a worldwide, limited-term license to host, copy, transmit and display Customer Data, and any Non-SFDC Applications and program code created by or for Customer using a Service or for use by Customer with the Services, as necessary for Salesforce.org to cause SFDC, and

Salesforce Confidential

for SFDC, to provide the Services in accordance with this Agreement. Subject to the limited licenses granted herein, neither Salesforce.org nor SFDC shall acquire any right, title or interest from Customer or its licensors under this Agreement in or to any Customer Data, Non-SFDC Application or such program code.

6.4 **License by Customer to Use Feedback** . Customer grants to Salesforce.org, its Affiliates, SFDC and SFDC Affiliates a worldwide, perpetual, irrevocable, royalty-free license to use and incorporate into their services any suggestion, enhancement request, recommendation, correction or other feedback provided by Customer or Users relating to the operation of such services.

7. CONFIDENTIALITY

7.1 **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.org 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.

7.2 **Protection of Confidential Information.** The Receiving Party shall 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) to (i) not 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, limit access to Confidential Information of the Disclosing Party to those employees or subcontractors of, as the case may be, Salesforce.org, its Affiliates, Customer or its Associates who need such access for purposes consistent with this Agreement and who have signed confidentiality agreements with the Receiving Party containing protections not materially less protective of Confidential Information than those herein. Neither party shall disclose the terms of this Agreement or any Order Form to any third party other than to its Affiliate or Associate (as the case may be), legal counsel and accountants without the other party’s prior written consent, provided that a party that makes any such disclosure to its Affiliate or Associate, legal counsel or accountants will remain responsible for such Affiliate’s, Associate’s, legal counsel’s or accountant’s compliance with this “Confidentiality” section.

7.3 **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.

8. REPRESENTATIONS, WARRANTIES, EXCLUSIVE REMEDIES AND DISCLAIMERS

8.1 **Representations.** Each party hereto represents that it has validly entered into this Agreement and has the legal power to do so.

8.2 **Salesforce.org Warranties.** Salesforce.org warrants that during an applicable subscription term (a) this Agreement, the Order Forms and the Documentation will accurately describe the applicable administrative, physical, and technical safeguards for protection of the security, confidentiality and integrity of Customer Data, (b) Salesforce.org shall cause SFDC not to materially decrease the overall security of the Services, (c) the Services will perform materially in accordance with the applicable Documentation, and (d) subject to the “Integration with Non-SFDC Applications” section above, Salesforce.org shall cause SFDC not to materially decrease the overall functionality of the Services. For any breach of a warranty above, Customer’s exclusive remedies are those described in the “Termination” and “Refund or Payment upon Termination” sections below.

8.3 **Disclaimers.** Except as expressly provided herein, each party excludes all warranties, representations, terms, conditions or other commitments of any kind, whether express or implied, statutory or otherwise, and each party 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’, as available and without warranty of any kind.

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Each party disclaims all liability and indemnification obligations for any harm, damages or other liability caused by any third party hosting providers.

9. MUTUAL INDEMNIFICATION

9.1 **Indemnification by Salesforce.org** Salesforce.org shall cause SFDC to defend Customer against any claim, demand, suit or proceeding made or brought against Customer by a third party alleging that any Service infringes or misappropriates such third party's intellectual property rights (a " **Claim Against Customer** "), and will indemnify Customer from any damages, attorney fees and costs finally awarded against Customer as a result of, or for amounts paid by Customer under a settlement approved by SFDC in writing of, a Claim Against Customer; provided that Customer (a) promptly gives Salesforce.org written notice of the Claim Against Customer, (b) gives Salesforce.org or, as applicable, SFDC, sole control of the defense and settlement of the Claim Against Customer (provided that Salesforce.org or, as applicable, SFDC, may not settle any Claim Against Customer unless it unconditionally releases Customer of all liability), and (c) provides to Salesforce.org or, as applicable, SFDC, all reasonable assistance, at Salesforce.org's or, as applicable, SFDC's expense. If Salesforce.org or, as applicable, SFDC, receives information about an infringement or misappropriation claim related to a Service, SFDC may, or Salesforce.org may request that SFDC, in its discretion and at no cost to Customer (x) modify the Services so that they are no longer claimed to infringe or misappropriate, without breaching Salesforce.org's warranties under "Salesforce.org Warranties" above, or, (y) obtain a license for Customer's continued use of that Service in accordance with this Agreement, or, (z) alternatively, Salesforce.org may in its discretion terminate Customer's subscriptions for that Service upon 30 days' written notice and refund Customer any prepaid fees 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-SFDC Application or Customer's breach of this Agreement, the Documentation or applicable Order Forms.

9.2 **Indemnification by Customer.** Customer shall defend Salesforce.org and/or SFDC against any claim, demand, suit or proceeding made or brought against Salesforce.org or SFDC by a third party alleging that any Customer Data infringes or misappropriates such third party's intellectual property rights, or arising from Customer's use of the Services or Content in breach of this Agreement, the Documentation, an applicable Order Form or applicable law (each a "Claim Against Salesforce"), and will indemnify Salesforce.org, or, as applicable, SFDC, from any damages, attorney fees and costs finally awarded against Salesforce.org or SFDC as a result of, or for any amounts paid by Salesforce.org or SFDC under a settlement approved by Customer in writing of, a Claim Against Salesforce, provided Salesforce.org or SFDC (a) promptly gives Customer written notice of the Claim Against Salesforce, (b) gives Customer sole control of the defense and settlement of the Claim Against Salesforce (except that Customer may not settle any Claim Against Salesforce unless it unconditionally releases Salesforce.org and/or SFDC of all liability), and (c) gives Customer all reasonable assistance, at Customer's expense.

9.3 **Exclusive Remedy.** This "Mutual Indemnification" section states the indemnifying party's sole liability to, and the indemnified party's exclusive remedy against, the other party for any type of claim described in this section.

10. LIMITATION OF LIABILITY

10.1 **Limitation of Liability.** Subject to the "Exclusion of Consequential and Related Damages" and "Limitation of Restrictions" sections below, in no event shall the aggregate liability of each party together with all of its Affiliates, or, as applicable, Associates, arising out of or related to this Agreement (whether in contract or tort or under any other theory of liability) exceed the total amount paid by Customer and its Associates hereunder for the services giving rise to the liability in the twelve months preceding the first incident out of which the liability arose. The foregoing will not limit Customer's and its Associates' payment obligations under the "Fees and Payment" Section above. In no event shall SFDC have any liability whatsoever to Customer under this Agreement.

10.2 **Exclusion of Consequential and Related Damages.** Subject to the "Limitation of Restrictions" section below, in no event shall either party or its Affiliates, or, as applicable, Associates, have any liability to the other party or its Affiliates, or, as applicable, Associates, under or in relation to this Agreement whether in contract, tort or under any other theory of liability for:

(a) any financial damages as a result of loss or damage to property, economic loss, cost of replacement services, loss of profits, loss of revenue, loss of orders, loss of goodwill, and/or loss resulting from damage to image or reputation in each case whether direct or indirect, or

(b) any indirect or consequential loss or damage arising from or related to this Agreement, howsoever caused and whether or not such losses are foreseeable, even if that party or its Affiliate or, as applicable, Associate, has been advised (or is otherwise aware) of the possibility of such losses in advance.

10.3 **Limitation of Restrictions.** Nothing in this "Limitation of Liability" section shall exclude or limit the liability of either party or its Affiliates, or, as applicable, Associates, for death or personal injury caused by that party's or its Affiliates',

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or, as applicable, Associates', negligence or for fraud or fraudulent misrepresentation or for any other liability to the extent that the same may not be excluded or limited as a matter of applicable law.

11. TERM AND TERMINATION

11.1 **Term of Agreement.** This Agreement commences on the Effective Date and continues until all subscriptions hereunder have expired or have been terminated.

11.2 **Term of Subscriptions.** The term of each subscription shall be as specified in the applicable Order Form. Except as otherwise specified in an Order Form, subscriptions shall automatically renew for additional periods equal to the expiring subscription term or one year (whichever is shorter), unless (a) either party gives the other notice of non-renewal at least 30 days before the end of the relevant subscription term, or (b) Salesforce.org's right to resell the Services has been terminated or expired, in which case any existing subscriptions shall continue in effect until the end of their then-existing term and SFDC may contact Customer to discuss renewal directly with SFDC. The per-unit pricing during any renewal term will increase by up to 7% above the applicable pricing in the prior term, unless Salesforce.org provides Customer notice of different pricing at least 60 days prior to the applicable renewal term. Except as expressly provided in the applicable Order Form, renewal of promotional or one-time priced subscriptions will be at Salesforce.org's applicable list price in effect at the time of the applicable renewal. Notwithstanding anything to the contrary, any renewal in which subscription volume for any Services has decreased from the prior term will result in re-pricing at renewal without regard to the prior term's per-unit pricing.

11.3 **Termination.** A party may terminate this Agreement for cause (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, or (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 takes steps in connection with the appointment of an administrator or takes or suffers any similar or analogous procedure, action or event in consequence of debt in any jurisdiction or if either party suspends, or threatens to suspend or cease, carrying on all or a substantial part of its business.

11.4 **Refund or Payment upon Termination.** If this Agreement is terminated by Customer in accordance with the "Termination" section above, Salesforce.org shall refund Customer any prepaid fees covering the remainder of the term of all Order Forms after the effective date of termination. If this Agreement is terminated by Salesforce.org in accordance with the "Termination" section above, Customer shall pay any unpaid fees covering the remainder of the term of all Order Forms. In no event will termination relieve Customer of its obligation to pay any fees payable to Salesforce.org for the period prior to the effective date of termination.

11.5 **Customer Data Portability and Deletion.** Upon request by Customer made within 30 days after the effective date of termination or expiration of this Agreement, Salesforce.org shall cause SFDC to make Customer Data available to Customer for export or download as provided in the Documentation. After such 30-day period, neither Salesforce.org nor SFDC shall have any obligation to maintain or provide any Customer Data, and as provided in the Documentation will thereafter delete or destroy all copies of Customer Data in its systems or otherwise in its possession or control, unless legally prohibited.

11.6 **Surviving Provisions.** The sections titled "Fees and Payment", "Proprietary Rights and Licenses", "Confidentiality", "Disclaimers", "Mutual Indemnification", "Limitation of Liability", "Refund or Payment upon Termination", "Customer Data Portability and Deletion", "Removal of Content and Non-SFDC Applications", "Surviving Provisions" and "General Provisions" shall survive any termination or expiration of this Agreement.

12. GENERAL PROVISIONS

12.1 **Export Compliance.** The Services, Content, other SFDC technology, and derivatives thereof may be subject to export laws and regulations of the United States and other jurisdictions. Salesforce.org represents that neither Salesforce.org nor SFDC is named on any U.S. government denied-party list, and Customer represents that it is not named on any U.S. government denied-party list. Customer shall not permit any User to access or use any Service or Content in a U.S.-embargoed country or region (currently Cuba, Iran, North Korea, Sudan, Syria or Crimea) or in violation of any U.S. export law or regulation.

12.2 **Anti-Corruption.** Neither party has received or been offered any illegal or improper bribe, kickback, payment, gift, or thing of value from an employee or agent of the other party in connection with this Agreement. The parties 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). Reasonable gifts and entertainment provided in the ordinary course of business do not violate the above restriction.

12.3 **Entire Agreement and Order of Precedence.** This Agreement is the entire agreement between Salesforce.org and Customer regarding Customer's use of Services and Content and supersedes all prior and contemporaneous

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agreements, proposals or representations, written or oral, concerning its subject matter. 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 in respect of 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. No modification, amendment, or waiver of any provision of this Agreement shall 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 Customer vendor registration form or registration portal, or Customer purchase order or in any other Customer 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) the applicable Order Form, (2) any exhibit, schedule or addendum to this Agreement, (3) the body of this Agreement, and (4) the Documentation.

12.4 **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.

12.5 **Third-Party Beneficiaries.** SFDC shall be a third-party beneficiary of Salesforce.org's rights and Customer's obligations hereunder. Save as aforesaid, nothing in this Agreement shall confer, or is intended to confer, on any third party any benefit or the right to enforce any term of this Agreement under the Contracts (Rights of Third Parties) Act 1999 (as such statute is amended from time to time). The rights of the parties to terminate, rescind or agree any variation, waiver or settlement under this Agreement are not subject to the consent of any person that is not a party to this Agreement.

12.6 **Notices.** Except as otherwise specified in this Agreement, all notices related to this Agreement shall be in writing and shall 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 or an indemnifiable claim ("Legal Notices"), the day of sending by email. Notices to Salesforce.org shall be addressed to the attention of its EMEA Legal Department, Salesforce.org EMEA Limited, Floor 31 Salesforce Tower, 110 Bishopsgate, London, EC2N 4AY, United Kingdom, or as updated by Salesforce.org via written notice to the Customer. Billing-related notices to Customer shall be addressed to the relevant billing contact designated by Customer, and 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.

12.7 **Waiver.** No waiver of any provision of this Agreement will be effective unless in writing and signed by the party against whom the waiver is to be asserted. No failure or delay by either party in exercising any right under this Agreement will constitute a waiver of that right.

12.8 **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.

12.9 **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, either party may assign this Agreement in its entirety (including all Order Forms), without the other party's consent to its Affiliate or Associate, as the case may be, or in connection with a merger, acquisition, corporate reorganization, or sale of all or substantially all of its assets, (provided that such Associate or other permitted successor continues to meet the Eligibility Criteria set forth in Exhibit A). Notwithstanding the foregoing, if a party is acquired by, sells substantially all of its assets to, or undergoes a change of control in favor of, a direct competitor of the other party, or, in the case of Customer, a direct competitor of SFDC, such other party may terminate this Agreement upon written notice. In the event of such a termination, Salesforce.org will refund Customer any prepaid fees covering the remainder of the term of all subscriptions for the period after the effective date of such termination. Subject to the foregoing, this Agreement will bind and inure to the benefit of the parties, their respective successors and permitted assigns.

12.10 **Governing Law.** This Agreement, and any disputes arising out of or related hereto, will be governed exclusively by the laws of England.

12.11 **Venue.** The courts located in London, England will have exclusive jurisdiction over any dispute relating to this Agreement, and each party consents to the exclusive jurisdiction of those courts.

12.12 **Counterparts.** This Agreement may be executed electronically, by facsimile and in counterparts.

Signed by each party's authorized representative:

CUSTOMER **SALESFORCE.ORG EMEA LIMITED**

By: _____ By: _____

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Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

EXHIBIT A – Eligibility Criteria

To be eligible to receive No Charge Services and Services, Customer must be one of the following:

- E. A nonprofit organization that is currently tax-exempt with verified charitable status as determined by the applicable regulatory bodies in the country in which the organization is registered as a charity. For example, with respect to United States organizations, tax exempt status under 501(c)3 of the Internal Revenue Code.
- F. An organization that is using as its fiscal sponsor, a tax-exempt charity as defined in section A of this Exhibit A, and where that fiscal sponsor has extended its tax exempt status to the sponsored organization (and only for so long as such fiscal sponsorship is in effect).
- G. An organization (either for-profit or not-for profit) that meets comprehensive and transparent standards for social responsibility, subject to express written approval of Salesforce.org; for United States organizations, this means organizations with tax exempt status under 501(c) 4 of the Internal Revenue Code; or
- H. A not-for-profit or a for-profit public or private institution whose primary purpose is educational, but specifically excluding for-profit universities and/or colleges.

The foregoing are by way of example only. In all cases, Salesforce.org must first provide written approval of Customer's eligibility. Further, Customer must provide documentation to validate its status upon request from Salesforce.org. Salesforce.org reserves the right in its sole discretion to change an Order Form, or to deny a request for No Charge Services or Services, or to refer the Customer's request for Services to Salesforce.com.

For clarity, the following; entities are not eligible to purchase under this Agreement:

- 6. An economic development organization, such as a chamber of commerce, business improvement district, local and regional economic development organization;
- 7. A non-profit organization funded by local, state, provincial or federal government, where such non-profit organization either functions without an independent board of directors or is managed by a government agency;
- 8. A hospital, healthcare facility, academic medical center or clinic, except for their associated educational fund raising or foundation activities;
- 9. A health insurance organization or health insurance provider; or
- 10. A group or individual health practice.

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	salesforce.com, inc. The Landmark@One Market Street Suite 300 San Francisco, CA 94105
Notice of Grant of Stock Options and Terms and Conditions of Stock Options (together, with the exhibits and appendices thereto, the "Agreement")	

FIRST_NAME: LAST_NAME: Award Number: [Number]

[ADDRESS] Plan: 2014 Inducement Equity Incentive Plan

[ADDRESS LINE 2] ID: [ID]

[ADDRESS LINE 2]

Effective [GRANT DATE] (the "Grant Date") you have been granted a [Nonstatutory Stock Option] to purchase [NUMBER] shares of salesforce.com, inc. (the "Company") common stock (the "Option") at an exercise price per share of \$[XX.XX]. The Option is intended as a material inducement to your becoming an Employee.

The total price of the Shares subject to the Option is \$[XX.XX].

[Vest Date: [INSERT IF/AS APPLICABLE]]

Vesting Schedule/Expiration: Subject to any acceleration provisions contained in the Plan, the Option will vest and remain exercisable thereafter based upon the following parameters as more fully described in the Terms and Conditions of Stock Options attached hereto (subject to earlier termination as provided in paragraphs 2 and 3 of the Terms and Conditions of Stock Options):

<u>Shares</u>	<u>Vest Date</u>	<u>Full Vest</u>	<u>Expiration</u>
[#]	[On Vest Date]	[XX/XX/XX]	[XX/XX/XX]
[#]	[Monthly]	[XX/XX/XX]	[XX/XX/XX]

The Option granted hereunder (including the Vesting Schedule above) is subject to the terms and conditions of any change of control, retention and/or other agreement entered into between you and the Company (whether entered into before, on or after the Grant Date).

By signifying my acceptance below (either by my electronic or written signature), I agree that the Option is granted under and governed by the terms and conditions of the 2014 Inducement Equity Incentive Plan (the “Plan”) and the Agreement (including this Notice of Grant of Stock Options, the Terms and Conditions of Stock Options and any exhibits or appendices thereto), all of which are attached and made a part of this package. I understand that additional important terms and conditions, including regarding vesting and forfeiture, of this Option are contained in the rest of the Agreement and in the Plan.

I agree to notify the Company upon any change in my residence address indicated above.

By clicking the “ACCEPT” button below, you agree to the following: “ **This electronic contract contains my electronic signature, which I have executed with the intent to sign this Agreement .**”

If you prefer not to electronically sign this Agreement, you may accept this Agreement by signing a paper copy of the Agreement and delivering it to Global Equity Plan Services Department.

SALESFORCE.COM, INC.
STOCK OPTION AGREEMENT
TERMS AND CONDITIONS OF STOCK OPTIONS

Grant # _____

1. **Grant of Option**. The Company hereby grants to the individual named in the Notice of Grant (the "Participant") an option (the "Option") to purchase the number of Shares, as set forth in the Notice of Grant of Stock Options (the "Notice of Grant"), at the exercise price per Share set forth in the Notice of Grant (the "Exercise Price"), subject to all of the terms and conditions in this Agreement and the salesforce.com, Inc. 2014 Inducement Equity Incentive Plan (the "Plan"), which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan will have the same defined meanings in this Stock Option Agreement (the "Agreement"), which includes the Notice of Grant and Terms and Conditions of Stock Option Grant and all exhibits to the Agreement. This Option is a Nonstatutory Stock Option that is not intended to qualify as an Incentive Stock Option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. **Vesting Schedule**. Except as otherwise provided in paragraph 4 and subject to any acceleration provisions contained in the Plan or set forth in this Agreement, the Option awarded by this Agreement will vest and be exercisable, in whole or in part, in accordance with the vesting provisions set forth in the Notice of Grant. Shares scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in accordance with any of the provisions of this Agreement, unless Participant will have been continuously a Service Provider from the Grant Date until the date such vesting occurs. Notwithstanding anything in this paragraph 2 to the contrary, and except as otherwise provided by the Administrator or as required by Applicable Laws, vesting of the Option shall be suspended during any unpaid personal leave of absence other than a Company-approved sabbatical and other than military leave such that vesting shall cease on the first (1st) day of any such unpaid personal leave of absence and shall only recommence upon return to active service; provided, however, that no vesting credit will be awarded for the time vesting has been suspended during such leave of absence.

3. **Termination Period**.

(a) **Generally**. The Option will be exercisable until 5:00pm local Pacific Time on the ninetieth (90th) day after the date Participant ceases to be a Service Provider for reasons other than Cause or Participant's death or Disability. In the event Participant ceases to be a Service Provider due to Participant's death or Disability, the Option will be exercisable until the close of business on the one (1) year anniversary of the date Participant ceases to be a Service Provider. Participant's status as a Service Provider shall be deemed to have terminated on account of death if Participant dies within ninety (90) days after the date Participant ceases to be a Service Provider. In the event Participant ceases to be a Service Provider due to Cause, the Option will terminate and cease to be exercisable immediately upon the date Participant ceases to be a Service Provider. For purposes of the Option, Participant's engagement as a Service Provider will be considered terminated as of the date that Participant is no longer actively providing services to the Company or any Participating Company (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or engagement agreement, if any), and, unless otherwise expressly provided in this Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, (i) Participant's right to

vest in the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g. , Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or Participant's employment or engagement agreement, if any, unless Participant is providing bona fide services during such time), and (ii) the period (if any) during which Participant may exercise the Option after such termination of Participant's engagement as a Service Provider will commence on the date Participant ceases to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where Participant is employed or terms of Participant's employment or engagement agreement, if any; the Company shall have the discretion to determine when Participant is no longer actively providing services for purposes of the Option (including whether Participant may still be considered to be providing services while on a leave of absence).

(b) Extension if Exercise Prevented by Law. Notwithstanding the foregoing, if (i) Participant ceases to be a Service Provider for reasons other than as a result of Cause and (ii) the exercise of the Option within the applicable time periods set forth in paragraph 3(a) is prevented by the Section 27 of the Plan, the Option shall remain exercisable until the close of business of the ninetieth (90th) day after the date Participant is notified by the Company that the Option is exercisable, but in any event no later than the expiration of the term of the Option as set forth in the Notice of Grant.

(c) Extension if Participant Subject to Section 16(b). Notwithstanding the foregoing, if (i) Participant ceases to be a Service Provider for reasons other than as a result of Cause and (ii) a sale within the applicable time periods set forth in paragraph 3(a) of Shares acquired upon the exercise of the Option would subject Participant to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (x) the close of business of the tenth (10th) day following the date on which a sale of such Shares by Participant would no longer be subject to such suit or (y) the expiration of the term of such Option as set forth in the Notice of Grant.

(d) Limitations. Notwithstanding anything in Sections 3(a), (b), or (c) to the contrary, in no event may the Option be exercised after the close business on the expiration of the term of the Option as set forth in the Notice of Grant, and may be subject to earlier termination as provided in Sections 16(b) and (c) of the Plan.

4. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Option at any time, subject to the terms of the Plan. If so accelerated, such Option will be considered as having vested as of the date specified by the Administrator. Notwithstanding anything in the Plan, this Agreement or any other agreement (whether entered into before, on or after the Grant Date) to the contrary, the Administrator's discretion under this paragraph 4 to accelerate the vesting of this Option may only be utilized with respect to the portion (if any) of the Option that is no longer subject to performance-based vesting, unless otherwise permitted by Section 162(m) of the Code.

5. Exercise of Option.

(a) Right to Exercise. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Agreement.

(b) Method of Exercise. This Option is exercisable in a manner and pursuant to such procedures as the Company may determine, which may include (but is not limited to) by delivery of an exercise notice, in the form attached as Exhibit C (the "Exercise Notice"), which will state the election to exercise the Option, the

number of Shares in respect of which the Option is being exercised (the “Exercised Shares”), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice will be completed by Participant and delivered to the Company. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares together and of any Tax Obligations. This Option will be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price. This Option may not be exercised for a fraction of a Share and the Company will not issue fractional Shares upon exercise of this Option.

6. Method of Payment. Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of Participant:

- (a) cash;
- (b) check;
- (c) consideration received by the Company under a formal cashless exercise program (whether through a broker, net exercise program or otherwise) adopted by the Company in connection with the Plan;
- (d) if Participant is a U.S. Employee, surrender of other Shares which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares, provided that accepting such Shares, in the sole discretion of the Administrator, will not result in any adverse accounting consequences to the Company; or
- (e) by such other consideration as may be approved by the Administrator from time to time to the extent permitted by Applicable Laws.

7. Tax Obligations.

(a) Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, the Participating Company employing or retaining Participant (the “Employer”), the ultimate liability for Tax Obligations is and remains Participant’s responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends or other distributions, and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate Participant’s liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the applicable taxable event, Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares or the proceeds from the sale of the Shares.

(b) Withholding of Taxes. Prior to the relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax Obligations. In this regard, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy their withholding obligations with regard to all Tax Obligations, if any, by

withholding from proceeds of the sale of Shares acquired at exercise of the Option either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization) without further consent. Alternatively, the Company, or the Employer, or their respective agents, in their sole discretion and pursuant to such procedures as they may specify from time to time, may satisfy their withholding obligations with regard to all Tax Obligations, if any, in whole or in part (without limitation) by (i) requiring Participant to deliver cash or a check to the Company or the Employer, (ii) withholding from Participant's wages or other cash compensation paid to Participant by the Company and/or the Employer, or (iii) reducing the number of Shares otherwise deliverable to Participant; provided, however, that if Participant is a Section 16 officer of the Company under the Exchange Act, then the Company will withhold from proceeds of the sale of Shares acquired at exercise of the Option, unless the use of such withholding method is inadvisable under Applicable Laws or has materially adverse accounting consequences, in which case, the withholding obligation for Tax Obligations, if any, may be satisfied by one or a combination of methods (i) and (ii) above. For avoidance of doubt, if Participant is a non-U.S. employee, payment of Tax Obligations may not be effectuated by surrender of other Shares with a Fair Market Value equal to the amount of any Tax Obligations. Further, depending on the withholding method, the Company or the Employer may withhold or account for Tax Obligations by considering applicable minimum statutory rates or other applicable withholding rates, including maximum applicable rates, in which case Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent; provided, however, that where the application of maximum rates would, in the Company's determination, result in adverse accounting consequences to the Company, the Company shall withhold only amounts sufficient to meet the minimum statutory Tax Obligations required to be withheld or remitted with respect to the Option.

(c) Code Section 409A. Under Code Section 409A, an option that vests after December 31, 2004 (or that vested on or prior to such date but which was materially modified after October 3, 2004) that was granted with a per Share Exercise Price that is determined by the Internal Revenue Service (the "IRS") to be less than the fair market value of a Share on the Grant Date (a "Discount Option") may be considered "deferred compensation." For a Participant who is or becomes subject to U.S. Federal income taxation, a Discount Option may result in (i) income recognition by Participant prior to the exercise of the option, (ii) an additional twenty percent (20%) federal income tax, and (iii) potential penalty and interest charges. The Discount Option may also result in additional state income, penalty and interest charges to Participant. Participant acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share Exercise Price of this Option equals or exceeds the Fair Market Value of a Share on the Grant Date in a later examination. Participant agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the Fair Market Value of a Share on the Grant Date, Participant will be solely responsible for Participant's costs related to such a determination, if any.

8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

9. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE OPTION PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE EMPLOYER) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR

ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH ANY RIGHT OF PARTICIPANT OR OF THE COMPANY (OR THE EMPLOYER) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

10. Nature of Grant. In accepting the Option, Participant acknowledges, understands and agrees that:

- (a) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;
- (b) all decisions with respect to future option or other grants, if any, will be at the sole discretion of the Company;
- (c) Participant is voluntarily participating in the Plan;
- (d) the Option and any Shares acquired under the Plan, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (e) unless otherwise agreed with the Company, the Option and the Shares acquired under the Plan, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of a Subsidiary or an Affiliate;
- (f) the Option and Shares acquired under the Plan, and the income from and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;
- (g) the future value of the Shares underlying the Option is unknown, indeterminable, and cannot be predicted;
- (h) if the Shares underlying the Option do not increase in value, the Option will have no value;
- (i) if Participant exercises the Option and acquires Shares, the value of such Shares may increase or decrease in value, even below the Exercise Price;
- (j) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(k) the following provisions apply only if Participant is providing services outside the United States:

- (i) the Option and the Shares subject to the Option are not part of normal or expected compensation or salary for any purpose;
- (ii) none of the Company, the Employer or any Participating Company shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Option or of any amounts due to Participant pursuant to the exercise of the Option or the subsequent sale of any Shares acquired upon exercise; and
- (iii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the termination of Participant's engagement as a Service Provider (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or engagement agreement, if any), and in consideration of the grant of the Option to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against the Employer, the Company or any Participating Company, waives his or her ability, if any, to bring any such claim, and releases the Employer, the Company or any Participating Company from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

11. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant understands that there may be adverse tax consequences as a result of Participant's participation in the Plan, including the exercise of the Option or the disposition of the Shares subject to the Option. Participant acknowledges that the Company has advised Participant to consult with a tax, legal or financial consultant, that he or she has had the opportunity to consult with any such consultants that Participant deems advisable in connection with the receipt or disposition of the Shares, and that Participant is not relying on the Company for any tax advice.

12. **Data Privacy.** *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other Option grant materials by and among, as applicable, the Employer, the Company and any Participating Company for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

Participant understands that the Company and the Employer may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other entitlement to stock awarded, canceled, exercised, vested, unvested or

outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

*Participant understands that Data will be transferred to E*Trade Financial Services, Inc. and its related companies ("E*TRADE") or any other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes the Company, E*TRADE and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing Participant's participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her engagement as a Service Provider will not be affected; the only consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant options or other equity awards to Participant or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.*

13. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed in care of Global Equity Plan Services Department, at salesforce.com, inc., The Landmark Bldg., One Market Street, Suite 300, San Francisco, CA 94105, or at such other address as the Company may hereafter designate in writing.

14. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant.

15. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. Additional Conditions to Issuance of Certificates for Shares. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the purchase by, or issuance of Shares to, Participant (or his or her estate) hereunder, such purchase or issuance will not occur unless

and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Assuming such compliance, for income tax purposes the Exercised Shares will be considered transferred to Participant on the date the Option is exercised with respect to such Exercised Shares.

17. Plan Governs. This Agreement and the Option granted hereunder are subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Agreement will have the meaning set forth in the Plan.

18. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares subject to the Option have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

19. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to Options awarded under the Plan or future options that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company. To the extent Participant executes the Notice of Stock Option Grant by electronic means, Participant should retain a copy of his or her returned electronically signed Agreement. Participant may obtain a paper copy at any time and at the Company's expense by requesting one from Global Equity Plan Services Department (see paragraph 13 of these Terms and Conditions).

20. Language. If Participant has received this Agreement, or any other document related to the Option and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

21. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

22. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

23. Governing Law and Venue. This Agreement will be governed by the laws of California, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Option or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Option is made and/or to be performed.

24. Modifications to the Agreement. Participant expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein.

Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to amend this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Code Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A of the Code in connection with the Option, or if necessary to comply with any applicable laws in the jurisdiction in which Participant resides and/or is rendering services.

25. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an “Option” under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time to the extent permitted by the Plan.

26. Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or any other Participant.

27. Legends. The Company may at any time place legends referencing restrictions imposed by any Applicable Laws on all certificates representing Shares subject to the provisions of this Agreement.

28. Country Addendum. Notwithstanding any provisions in this Agreement, the Option grant shall be subject to any special terms and conditions for Participant’s country set forth in the Country Addendum attached to this Agreement. Moreover, if Participant relocates to one of the countries included in the Country Addendum, the special terms and conditions for such country will apply to Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Agreement.

29. Insider Trading and Market Abuse Laws. Depending on Participant’s country, he or she may be subject to insider trading restrictions or market abuse laws, which may affect Participant’s ability to acquire or sell Shares or rights to Shares (e.g., the Option) under the Plan during such times as Participant is considered to have material non-public information or “inside information” regarding the Company (as defined by the laws in Participant’s country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Participant acknowledges that it is his or her responsibility to comply with any applicable restrictions, and Participant should speak to his or her personal advisor on this matter.

30. Foreign Asset or Account and Exchange Control Reporting. Participant’s country may have certain exchange controls and foreign asset or account reporting requirements that may affect his or her ability to purchase or hold Shares under the Plan or receive cash from his or her participation in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant’s country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Further, Participant may be required to repatriate proceeds acquired as a result of participating in the Plan to his or her country through a designated bank or broker or within a certain time. Participant acknowledges and agrees that it is his or her responsibility to be compliant with such regulations and understands that Participant should speak with his or her personal legal advisor for any details regarding any foreign asset or account reporting or exchange control reporting requirements in Participant’s country arising out of his or her participation in the Plan.

	salesforce.com, inc. The Landmark@One Market Street Suite 300 San Francisco, CA 94105
Notice of Grant of Restricted Stock Units and Terms and Conditions of Restricted Stock Units (together, with the exhibits and appendices thereto, the “Agreement”)	

FIRST_NAME: LAST_NAME: Award Number: [Number]

[ADDRESS] Plan: 2014 Inducement Equity
Incentive Plan

[ADDRESS LINE 2] ID: [ID]

[ADDRESS LINE 2]

Effective [GRANT DATE] (the “Grant Date”) you have been granted an award of [NUMBER] restricted stock units (the “Award”). These units are restricted until the vest date(s), at which time you will receive shares of salesforce.com, inc. (the Company) common stock. This Award is intended as a material inducement to your becoming an Employee.

[Vesting Commencement Date: [INSERT IF/AS APPLICABLE]]

Vesting Schedule: Subject to any acceleration provisions contained in the Plan: [INSERT VESTING SCHEDULE].

The Award granted hereunder (including the Vesting Schedule above) is subject to the terms and conditions of any change of control, offer, retention and/or other agreement entered into between you and the Company (whether entered into before, on or after the Grant Date).

By signifying my acceptance below (either by my electronic or written signature), I agree that the Award is granted under and governed by the terms and conditions of the 2014 Inducement Equity Incentive Plan (the “Plan”) and the Agreement (including this Notice of Grant of Restricted Stock Units, the Terms and Conditions of Restricted Stock Units and any exhibits or appendices thereto), all of which are attached and made a part of this package.

I agree to notify the Company upon any change in my residence address indicated above.

By clicking the "ACCEPT" button below, you agree to the following: "**This electronic contract contains my electronic signature, which I have executed with the intent to sign this Agreement .**"

If you prefer not to electronically sign this Agreement, you may accept this Agreement by signing a paper copy of the Agreement and delivering it to Global Equity Plan Services Department.

SALESFORCE.COM, INC.

RESTRICTED STOCK UNIT AGREEMENT

TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

Grant # _____

1. Grant. The Company hereby grants to the individual (the "Participant") named in the Notice of Grant of Restricted Stock Units (the "Grant Notice") to which these Terms and Conditions of Restricted Stock Units (together with the Grant Notice and attachments to each document, the "Agreement") are attached, an Award of Restricted Stock Units upon the terms and conditions set forth in this Agreement and the salesforce.com, inc. 2014 Inducement Equity Incentive Plan (the "Plan"), which is incorporated herein by reference.

2. Company's Obligation to Pay. For each Restricted Stock Unit that vests, Participant will receive one Share. Unless and until the Restricted Stock Units have vested in the manner set forth in paragraphs 3 or 4, Participant will have no right to payment of such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Any Restricted Stock Units that vest in accordance with paragraphs 3 or 4 will be paid to Participant (or in the event of Participant's death, to his or her estate) in whole Shares, subject to Participant satisfying any obligations for Tax Obligations. Payment of any vested Restricted Stock Units shall be made in whole Shares only.

3. Vesting Schedule. Except as otherwise provided in paragraph 4 of this Agreement, and subject to paragraph 6, the Restricted Stock Units awarded by this Agreement shall vest in accordance with the vesting schedule set forth in the Grant Notice, provided that Participant has continuously remained a Service Provider from the Grant Date through the relevant vesting date. Notwithstanding anything in this paragraph 3 to the contrary, and except as otherwise provided by the Administrator or as required by Applicable Law, vesting of the Restricted Stock Units shall be suspended during any unpaid personal leave of absence other than a Company-approved sabbatical and other than military leave such that vesting shall cease on the first (1st) day of any such unpaid personal leave of absence and shall only recommence upon return to active service; provided, however, that no vesting credit will be awarded for the time vesting has been suspended during such leave of absence.

4. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. Subject to the provisions of this paragraph 4, if the Administrator, in its discretion, accelerates the vesting of all or a portion of any unvested Restricted Stock Units, the payment of such accelerated Restricted Stock Units shall be made as soon as practicable upon or following the accelerated vesting date; provided, however, that if Participant is subject to a Change of Control and Retention Agreement or other agreement with or authorized by the Company (or with its Parent or one of its Subsidiaries) providing for acceleration of vesting of the

Restricted Stock Units, in each case entered into prior to the Grant Date, and such agreement provides different timing of payment for such accelerated Restricted Stock Units, the timing in such agreement shall control (provided that, if Participant is a U.S. taxpayer, such timing is compliant with Section 409A or results in such accelerated Restricted Stock Units being exempt from Section 409A, and subject to any delay required below by this paragraph 4; otherwise, this paragraph 4 shall control). Notwithstanding anything in the Plan, this Agreement or any other agreement (whether entered into before, on or after the Grant Date) to the contrary, if the Administrator, in its discretion, following the Grant Date provides for the further acceleration of vesting of any of the Restricted Stock Units subject to this Award, if Participant is a U.S. taxpayer, the payment of such accelerated Restricted Stock Units may only be made at a time or times that would result in such Restricted Stock Units to be exempt from or complying with the requirements of Section 409A. The prior sentence may be superseded in a future agreement or amendment to this Agreement only by direct and specific reference to such sentence.

Notwithstanding anything in the Plan, this Agreement or any other agreement (whether entered into before, on or after the Grant Date) to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a U.S. taxpayer and a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be paid in Shares to Participant's estate as soon as practicable following his or her death. It is the intent of this Agreement that it and all payments and benefits to U.S. taxpayers hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable to a U.S. taxpayer under this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). For purposes of this Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Payment after Vesting. The payment of Shares vesting pursuant to this Agreement shall in all cases be made at a time or in a manner that is exempt from, or complies with, Section 409A, unless otherwise determined by the Administrator if Participant is not a U.S. taxpayer. The prior sentence may be superseded in a future agreement or amendment to this Agreement only by direct and specific reference to such sentence. Any Restricted Stock Units that vest in accordance with paragraph 3 will be paid to Participant (or in the event of Participant's death, to his or her estate) as soon as practicable following the date of vesting, subject to paragraph 8. Any Restricted Stock Units that vest in accordance with paragraph 4 will be paid to Participant (or in the event of Participant's death, to his or her estate) in accordance with the provisions of such paragraph, subject to paragraph 8. In no event will Participant

be permitted, directly or indirectly, to specify the taxable year of the payment of any Restricted Stock Units payable under this Agreement.

6. Forfeiture upon Termination of Status as a Service Provider. Notwithstanding any contrary provision of this Agreement, the balance of the Restricted Stock Units that have not vested as of the time of Participant's termination as a Service Provider for any or no reason will be forfeited and automatically transferred to and reacquired by the Company at no cost to the Company, and Participant's right to acquire any Shares hereunder will immediately terminate. The date of Participant's termination as a Service Provider is detailed in paragraph 11(h).

7. Death of Participant. Any distribution or delivery to be made to Participant under this Agreement will, if Participant is then deceased, be made to the administrator or executor of Participant's estate. Any such administrator or executor must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

8. Tax Obligations.

(a) Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, the Participating Company employing or retaining Participant (the "Employer"), the ultimate liability for Tax Obligations is and remains Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the applicable taxable event, Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares.

(b) Withholding of Taxes. Prior to the relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to the Company or the Employer to satisfy all Tax Obligations. In this regard, Participant authorizes the Company and the Employer, or their respective agents, at their discretion, to satisfy their withholding obligations with regard to all Tax Obligations, if any, by withholding from proceeds of the sale of Shares acquired at

vesting of the Restricted Stock Units, either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization) without further consent. Alternatively, the Company and the Employer, or their respective agents, in their sole discretion and pursuant to such procedures as they may specify from time to time, may satisfy their withholding obligations with regard to all Tax Obligations, if any, in whole or in part (without limitation) by (i) requiring Participant to deliver cash or a check to the Company or the Employer, (ii) withholding from Participant's wages or other cash compensation paid to Participant by the Company or the Employer, or (iii) reducing the number of Shares otherwise deliverable to Participant; provided, however, that if Participant is a Section 16 officer of the Company under the Exchange Act, then the Company will withhold from proceeds of the sale of Shares acquired at vesting of the Restricted Stock Units, unless the use of such withholding method is inadvisable under Applicable Laws or has materially adverse accounting consequences, in which case, the withholding obligation for Tax Obligations, if any, may be satisfied by one or a combination of methods (i) and (ii) above. For avoidance of doubt, if Participant is a non-U.S. employee, payment of Tax Obligations may not be effectuated by surrender of other Shares with a Fair Market Value equal to the amount of any Tax Obligations. Further, depending on the withholding method, the Company or the Employer may withhold or account for Tax Obligations by considering applicable minimum statutory rates or other applicable withholding rates, including maximum applicable rates, in which case Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent; provided, however, that where the application of such maximum rates would, in the Company's determination, result in adverse accounting consequences to the Company, the Company shall withhold only amounts sufficient to meet the minimum statutory Tax Obligations required to be withheld or remitted with respect to the Restricted Stock Units.

9. **Rights as Stockholder**. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. **No Guarantee of Continued Service**. **PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE EMPLOYER) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OF RESTRICTED STOCK UNITS OR ACQUIRING SHARES HEREUNDER. PARTICIPANT**

FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH ANY RIGHT OF PARTICIPANT OR OF THE COMPANY (OR THE EMPLOYER) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

11. Nature of Grant. In accepting the grant, Participant acknowledges, understands and agrees that:

- (a) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;
- (b) all decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of the Company;
- (c) Participant is voluntarily participating in the Plan;
- (d) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (e) unless otherwise agreed with the Company, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of a Subsidiary or an Affiliate;
- (f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;
- (g) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted;
- (h) for purposes of the Restricted Stock Units, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Participating Company (regardless of the reason for such termination and whether or not later to be found invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms

of Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g. , Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any, unless Participant is providing bona fide services during such time); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Units grant (including whether Participant may still be considered to be providing services while on a leave of absence);

(i) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(j) the following provisions apply only if Participant is providing services outside the United States:

i. the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purpose;

ii. Participant acknowledges and agrees that none of the Company, the Employer or any Participating Company shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement; and

iii. no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from the termination of Participant's status as a Service Provider (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and in consideration of the grant of the Restricted Stock Units to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against the Company, any Participating Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company, any Participating Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant

shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

12. **No Advice Regarding Grant**. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant understands that there may be adverse tax consequences as a result of Participant's participation in the Plan, including the receipt or disposition of the Shares issued as payment for the vested Restricted Stock Units. Participant acknowledges that the Company has advised Participant to consult with a tax, legal or financial consultant, that he or she has had the opportunity to consult with any such consultants that Participant deems advisable in connection with the receipt or disposition of the Shares, and that Participant is not relying on the Company for any tax advice.

13. **Data Privacy**. *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Employer, the Company and any Participating Company for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

Participant understands that the Company and the Employer may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

*Participant understands that Data will be transferred to E*Trade Financial Services, Inc. and its related companies ("E*TRADE") or any stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes the Company, E*TRADE, any stock plan service provider selected by the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents*

herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her status as a Service Provider with the Employer will not be affected; the only consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Restricted Stock Units or other equity awards to Participant or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

14. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of Global Equity Plan Services Department, at salesforce.com, inc., The Landmark Bldg., One Market Street, Suite 300, San Francisco, CA 94105, or at such other address as the Company may hereafter designate in writing.

15. Grant is Not Transferable. Except to the limited extent provided in paragraph 7 above, this grant of Restricted Stock Units and the rights and privileges conferred hereby will not be sold, pledged, assigned, hypothecated, transferred or disposed of any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process, until Participant has been issued the Shares. Upon any attempt to sell, pledge, assign, hypothecate, transfer or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

16. Restrictions on Sale of Securities. Any sale of the Shares issued under this Agreement will be subject to any market blackout-period that may be imposed by the Company and must comply with the Company's insider trading policies, and any other Applicable Laws.

17. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

18. Additional Conditions to Issuance of Certificates for Shares. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for Shares hereunder prior to the lapse of such

reasonable period of time following the date of vesting of the Restricted Stock Units as the Administrator may establish from time to time for reasons of administrative convenience.

19. Plan Governs. This Agreement and the Restricted Stock Units granted hereunder are subject to all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Agreement will have the meaning set forth in the Plan.

20. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

21. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company. To the extent Participant executes the Notice of Restricted Stock Unit Grant by electronic means, Participant should retain a copy of his or her returned electronically signed Agreement. Participant may obtain a paper copy at any time and at the Company's expense by requesting one from Global Equity Plan Services Department (see paragraph 14 of these Terms and Conditions).

22. Language. If Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

23. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

24. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

25. Governing Law and Venue. This Agreement will be governed by, and construed in accordance with, the laws of the state of California without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Restricted Stock Units or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Francisco County, California, or

the federal courts for the United States for the Northern District of California, and no other courts, where this Award of Restricted Stock Units is made and/or to be performed.

26. Modifications to the Agreement. Participant expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to amend this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A of the Code or to otherwise avoid imposition of any additional tax or income recognition under Section 409A of the Code prior to the actual payment of Shares pursuant to this Award of Restricted Stock Units, or if necessary to comply with any applicable laws in the jurisdiction in which Participant resides and/or is rendering services.

27. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and that he or she has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan.

28. Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or any other Participant.

29. Country Addendum. Notwithstanding any provisions in this Agreement, the Restricted Stock Unit grant shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Country Addendum, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Agreement.

30. Insider Trading and Market Abuse Laws. Depending on Participant's country, he or she may be subject to insider trading restrictions or market abuse laws, which may affect Participant's ability to acquire or sell Shares or rights to Shares (e.g., Restricted Stock Units) under the Plan during such times as Participant is considered to have material non-public information or "inside information" regarding the Company (as defined by the laws in Participant's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Participant acknowledges that it is his or her responsibility to comply with any applicable restrictions, and Participant should speak to his or her personal advisor on this matter.

31. Foreign Asset or Account and Exchange Control Reporting. Participant's country may have certain exchange controls and foreign asset or account reporting requirements that may affect his or her ability to purchase or hold Shares under the Plan or receive cash from his or her participation in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a

brokerage or bank account outside Participant's country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Further, Participant may be required to repatriate proceeds acquired as a result of participating in the Plan to his or her country through a designated bank or broker or within a certain time. Participant acknowledges and agrees that it is his or her responsibility to be compliant with such regulations and understands that Participant should speak with his or her personal legal advisor for any details regarding any foreign asset or account reporting or exchange control reporting requirements in Participant's country arising out of his or her participation in the Plan.

	salesforce.com, inc. The Landmark@One Market Street Suite 300 San Francisco, CA 94105
Notice of Grant of Stock Options and Terms and Conditions of Stock Options (together, with the exhibits and appendices thereto, the "Agreement")	

FIRST_NAME: LAST_NAME: Award Number: [Number]

[ADDRESS] Plan: 2013 Equity Incentive Plan

[ADDRESS LINE 2] ID: [ID]

[ADDRESS LINE 2]

Effective [GRANT DATE] (the "Grant Date") you have been granted a [Nonstatutory Stock Option] to purchase [NUMBER] shares of salesforce.com, inc. (the "Company") common stock (the "Option") at an exercise price per share of \$[XX.XX].

The total price of the Shares subject to the Option is \$[XX.XX].

[Vest Date: [INSERT IF/AS APPLICABLE]]

Vesting Schedule/Expiration: Subject to any acceleration provisions contained in the Plan, the Option will vest and remain exercisable thereafter based upon the following parameters as more fully described in the Terms and Conditions of Stock Options attached hereto (subject to earlier termination as provided in paragraphs 2 and 3 of the Terms and Conditions of Stock Options):

<u>Shares</u>	<u>Vest Date</u>	<u>Full Vest</u>	<u>Expiration</u>
[#]	[On Vest Date]	[XX/XX/XX]	[XX/XX/XX]
[#]	[Monthly]	[XX/XX/XX]	[XX/XX/XX]

The Option granted hereunder (including the Vesting Schedule above) is subject to the terms and conditions of any change of control, retention and/or other agreement entered into between you and the Company (whether entered into before, on or after the Grant Date).

By signifying my acceptance below (either by my electronic or written signature), I agree that the Option is granted under and governed by the terms and conditions of the 2013 Equity Incentive Plan (the "Plan") and the Agreement (including this Notice of Grant of Stock Options, the Terms and Conditions of Stock Options and any exhibits or appendices thereto), all of which are attached and made a part of this package. I understand that additional important terms and conditions, including regarding vesting and forfeiture, of this Option are contained

in the rest of the Agreement and in the Plan. I agree to notify the Company upon any change in my residence address indicated above.

By clicking the “ACCEPT” button below, you agree to the following: “**This electronic contract contains my electronic signature, which I have executed with the intent to sign this Agreement.**” If you prefer not to electronically sign this Agreement, you may accept this Agreement by signing a paper copy of the Agreement and delivering it to Global Equity Plan Services Department.

SALESFORCE.COM, INC.
STOCK OPTION AGREEMENT
TERMS AND CONDITIONS OF STOCK OPTIONS

Grant # _____

1. **Grant of Option**. The Company hereby grants to the individual named in the Notice of Grant (the “Participant”) an option (the “Option”) to purchase the number of Shares, as set forth in the Notice of Grant of Stock Options (the “Notice of Grant”), at the exercise price per Share set forth in the Notice of Grant (the “Exercise Price”), subject to all of the terms and conditions in this Agreement and the salesforce.com, Inc. 2013 Equity Incentive Plan (the “Plan”), which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan will have the same defined meanings in this Stock Option Agreement (the “Agreement”), which includes the Notice of Grant and Terms and Conditions of Stock Option Grant and all exhibits to the Agreement.

(a) For U.S. taxpayers, the Option will be designated as either an Incentive Stock Option (“ISO”) or a Nonstatutory Stock Option (“NSO”). If designated in the Notice of Grant as an ISO, this Option is intended to qualify as an ISO under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”). However, if this Option is intended to be an Incentive Stock Option, to the extent that it exceeds the \$100,000 rule of Code Section 422(d) it will be treated as a Nonstatutory Stock Option (“NSO”). Further, if for any reason this Option (or portion thereof) will not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event will the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

(b) For non-U.S. taxpayers, the Option will be designated as an NSO.

2. **Vesting Schedule**. Except as otherwise provided in paragraph 4 and subject to any acceleration provisions contained in the Plan or set forth in this Agreement, the Option awarded by this Agreement will vest and be exercisable, in whole or in part, in accordance with the vesting provisions set forth in the Notice of Grant. Shares scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in accordance with any of the provisions of this Agreement, unless Participant will have been continuously a Service Provider from the Grant Date until the date such vesting occurs. Notwithstanding anything in this paragraph 2 to the contrary, and except as otherwise provided by the Administrator or as required by Applicable Laws, vesting of the Option shall be suspended during any unpaid personal leave of absence other than a Company-approved sabbatical and other than military leave such that vesting shall cease on the first (1st) day of any such unpaid personal leave of absence and shall only recommence upon return to active service; provided, however, that no vesting credit will be awarded for the time vesting has been suspended during such leave of absence.

3. **Termination Period**.

(a) **Generally**. The Option will be exercisable until 5:00pm local Pacific Time on the ninetieth (90th) day after the date Participant ceases to be a Service Provider for reasons other than Cause or Participant’s death or Disability. In the event Participant ceases to be a Service Provider due to Participant’s death or Disability,

the Option will be exercisable until the close of business on the one (1) year anniversary of the date Participant ceases to be a Service Provider. Participant's status as a Service Provider shall be deemed to have terminated on account of death if Participant dies within ninety (90) days after the date Participant ceases to be a Service Provider. In the event Participant ceases to be a Service Provider due to Cause, the Option will terminate and cease to be exercisable immediately upon the date Participant ceases to be a Service Provider. For purposes of the Option, Participant's engagement as a Service Provider will be considered terminated as of the date that Participant is no longer actively providing services to the Company or any Participating Company (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or engagement agreement, if any), and, unless otherwise expressly provided in this Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, (i) Participant's right to vest in the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or Participant's employment or engagement agreement, if any, unless Participant is providing bona fide services during such time), and (ii) the period (if any) during which Participant may exercise the Option after such termination of Participant's engagement as a Service Provider will commence on the date Participant ceases to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where Participant is employed or terms of Participant's employment or engagement agreement, if any; the Company shall have the discretion to determine when Participant is no longer actively providing services for purposes of the Option (including whether Participant may still be considered to be providing services while on a leave of absence).

(b) Extension if Exercise Prevented by Law. Notwithstanding the foregoing, if (i) Participant ceases to be a Service Provider for reasons other than as a result of Cause and (ii) the exercise of the Option within the applicable time periods set forth in paragraph 3(a) is prevented by the Section 27 of the Plan, the Option shall remain exercisable until the close of business of the ninetieth (90th) day after the date Participant is notified by the Company that the Option is exercisable, but in any event no later than the expiration of the term of the Option as set forth in the Notice of Grant.

(c) Extension if Participant Subject to Section 16(b). Notwithstanding the foregoing, if (i) Participant ceases to be a Service Provider for reasons other than as a result of Cause and (ii) a sale within the applicable time periods set forth in paragraph 3(a) of Shares acquired upon the exercise of the Option would subject Participant to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (x) the close of business of the tenth (10th) day following the date on which a sale of such Shares by Participant would no longer be subject to such suit or (y) the expiration of the term of such Option as set forth in the Notice of Grant.

(d) Limitations. Notwithstanding anything in Sections 3(a), (b), or (c) to the contrary, in no event may the Option be exercised after the close business on the expiration of the term of the Option as set forth in the Notice of Grant, and may be subject to earlier termination as provided in Sections 16(b) and (c) of the Plan.

4. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Option at any time, subject to the terms of the Plan. If so accelerated, such Option will be considered as having vested as of the date specified by the Administrator. Notwithstanding anything in the Plan, this Agreement or any other agreement (whether entered into before, on or after the Grant Date) to the contrary, the Administrator's discretion under this paragraph 4 to

accelerate the vesting of this Option may only be utilized with respect to the portion (if any) of the Option that is no longer subject to performance-based vesting, unless otherwise permitted by Section 162(m) of the Code.

5. Exercise of Option.

(a) Right to Exercise. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Agreement.

(b) Method of Exercise. This Option is exercisable in a manner and pursuant to such procedures as the Company may determine, which may include (but is not limited to) by delivery of an exercise notice, in the form attached as Exhibit C (the "Exercise Notice"), which will state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice will be completed by Participant and delivered to the Company. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares together and of any Tax Obligations. This Option will be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price. This Option may not be exercised for a fraction of a Share and the Company will not issue fractional Shares upon exercise of this Option.

6. Method of Payment. Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of Participant:

(a) cash;

(b) check;

(c) consideration received by the Company under a formal cashless exercise program (whether through a broker, net exercise program or otherwise) adopted by the Company in connection with the Plan;

(d) if Participant is a U.S. Employee, surrender of other Shares which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares, provided that accepting such Shares, in the sole discretion of the Administrator, will not result in any adverse accounting consequences to the Company; or

(e) by such other consideration as may be approved by the Administrator from time to time to the extent permitted by Applicable Laws.

7. Tax Obligations.

(a) Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, the Participating Company employing or retaining Participant (the "Employer"), the ultimate liability for Tax Obligations is and remains Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends or other distributions, and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular

tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the applicable taxable event, Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares or the proceeds from the sale of the Shares.

(b) Withholding of Taxes. Prior to the relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax Obligations. In this regard, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy their withholding obligations with regard to all Tax Obligations, if any, by withholding from proceeds of the sale of Shares acquired at exercise of the Option either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization) without further consent. Alternatively, the Company, or the Employer, or their respective agents, in their sole discretion and pursuant to such procedures as they may specify from time to time, may satisfy their withholding obligations with regard to all Tax Obligations, if any, in whole or in part (without limitation) by (i) requiring Participant to deliver cash or a check to the Company or the Employer, (ii) withholding from Participant's wages or other cash compensation paid to Participant by the Company and/or the Employer, or (iii) reducing the number of Shares otherwise deliverable to Participant; provided, however, that if Participant is a Section 16 officer of the Company under the Exchange Act, then the Company will withhold from proceeds of the sale of Shares acquired at exercise of the Option, unless the use of such withholding method is inadvisable under Applicable Laws or has materially adverse accounting consequences, in which case, the withholding obligation for Tax Obligations, if any, may be satisfied by one or a combination of methods (i) and (ii) above. For avoidance of doubt, if Participant is a non-U.S. employee, payment of Tax Obligations may not be effectuated by surrender of other Shares with a Fair Market Value equal to the amount of any Tax Obligations. Further, depending on the withholding method, the Company or the Employer may withhold or account for Tax Obligations by considering applicable minimum statutory rates or other applicable withholding rates, including maximum applicable rates, in which case Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent; provided, however, that where the application of maximum rates would, in the Company's determination, result in adverse accounting consequences to the Company, the Company shall withhold only amounts sufficient to meet the minimum statutory Tax Obligations required to be withheld or remitted with respect to the Option.

(c) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Grant Date, or (ii) the date one (1) year after the date of exercise, Participant will immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

(d) Code Section 409A. Under Code Section 409A, an option that vests after December 31, 2004 (or that vested on or prior to such date but which was materially modified after October 3, 2004) that was granted with a per Share Exercise Price that is determined by the Internal Revenue Service (the "IRS") to be less than the fair market value of a Share on the Grant Date (a "Discount Option") may be considered "deferred compensation." For a Participant who is or becomes subject to U.S. Federal income taxation, a Discount Option may result in (i) income recognition by Participant prior to the exercise of the option, (ii) an additional twenty percent (20%) federal income tax, and (iii) potential penalty and interest charges. The Discount Option may also result in additional state income, penalty and interest charges to Participant. Participant acknowledges that

the Company cannot and has not guaranteed that the IRS will agree that the per Share Exercise Price of this Option equals or exceeds the Fair Market Value of a Share on the Grant Date in a later examination. Participant agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the Fair Market Value of a Share on the Grant Date, Participant will be solely responsible for Participant's costs related to such a determination, if any.

8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

9. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE OPTION PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE EMPLOYER) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH ANY RIGHT OF PARTICIPANT OR OF THE COMPANY (OR THE EMPLOYER) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

10. Nature of Grant. In accepting the Option, Participant acknowledges, understands and agrees that:

- (a) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;
- (b) all decisions with respect to future option or other grants, if any, will be at the sole discretion of the Company;
- (c) Participant is voluntarily participating in the Plan;
- (d) the Option and any Shares acquired under the Plan, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (e) unless otherwise agreed with the Company, the Option and the Shares acquired under the Plan, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of a Subsidiary or an Affiliate;
- (f) the Option and Shares acquired under the Plan, and the income from and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;

- (g) the future value of the Shares underlying the Option is unknown, indeterminable, and cannot be predicted;
- (h) if the Shares underlying the Option do not increase in value, the Option will have no value;
- (i) if Participant exercises the Option and acquires Shares, the value of such Shares may increase or decrease in value, even below the Exercise Price;
- (j) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and
- (k) the following provisions apply only if Participant is providing services outside the United States:
 - (i) the Option and the Shares subject to the Option are not part of normal or expected compensation or salary for any purpose;
 - (ii) none of the Company, the Employer or any Participating Company shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Option or of any amounts due to Participant pursuant to the exercise of the Option or the subsequent sale of any Shares acquired upon exercise; and
 - (iii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the termination of Participant's engagement as a Service Provider (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or engagement agreement, if any), and in consideration of the grant of the Option to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against the Employer, the Company or any Participating Company, waives his or her ability, if any, to bring any such claim, and releases the Employer, the Company or any Participating Company from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

11. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant understands that there may be adverse tax consequences as a result of Participant's participation in the Plan, including the exercise of the Option or the disposition of the Shares subject to the Option. Participant acknowledges that the Company has advised Participant to consult with a tax, legal or financial consultant, that he or she has had the opportunity to consult with any such consultants

that Participant deems advisable in connection with the receipt or disposition of the Shares, and that Participant is not relying on the Company for any tax advice.

12. **Data Privacy**. *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other Option grant materials by and among, as applicable, the Employer, the Company and any Participating Company for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

Participant understands that the Company and the Employer may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other entitlement to stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

*Participant understands that Data will be transferred to E*Trade Financial Services, Inc. and its related companies ("E*TRADE") or any other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes the Company, E*TRADE and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing Participant's participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her engagement as a Service Provider will not be affected; the only consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant options or other equity awards to Participant or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.*

13. **Address for Notices**. Any notice to be given to the Company under the terms of this Agreement will be addressed in care of Global Equity Plan Services Department, at salesforce.com, inc., The Landmark Bldg., One Market Street, Suite 300, San Francisco, CA 94105, or at such other address as the Company may hereafter designate in writing.

14. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant.

15. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. Additional Conditions to Issuance of Certificates for Shares. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the purchase by, or issuance of Shares to, Participant (or his or her estate) hereunder, such purchase or issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Assuming such compliance, for income tax purposes the Exercised Shares will be considered transferred to Participant on the date the Option is exercised with respect to such Exercised Shares.

17. Plan Governs. This Agreement and the Option granted hereunder are subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Agreement will have the meaning set forth in the Plan.

18. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares subject to the Option have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

19. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to Options awarded under the Plan or future options that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company. To the extent Participant executes the Notice of Stock Option Grant by electronic means, Participant should retain a copy of his or her returned electronically signed Agreement. Participant may obtain a paper copy at any time and at the Company's expense by requesting one from Global Equity Plan Services Department (see paragraph 13 of these Terms and Conditions).

20. Language. If Participant has received this Agreement, or any other document related to the Option and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

21. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

22. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

23. Governing Law and Venue. This Agreement will be governed by the laws of California, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Option or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Option is made and/or to be performed.

24. Modifications to the Agreement. Participant expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to amend this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Code Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A of the Code in connection with the Option, or if necessary to comply with any applicable laws in the jurisdiction in which Participant resides and/or is rendering services.

25. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an “Option” under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time to the extent permitted by the Plan.

26. Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or any other Participant.

27. Legends. The Company may at any time place legends referencing restrictions imposed by any Applicable Laws on all certificates representing Shares subject to the provisions of this Agreement.

28. Country Addendum. Notwithstanding any provisions in this Agreement, the Option grant shall be subject to any special terms and conditions for Participant’s country set forth in the Country Addendum attached to this Agreement. Moreover, if Participant relocates to one of the countries included in the Country Addendum, the special terms and conditions for such country will apply to Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Agreement.

29. Insider Trading and Market Abuse Laws. Depending on Participant’s country, he or she may be subject to insider trading restrictions or market abuse laws, which may affect Participant’s ability to acquire or sell Shares or rights to Shares (e.g., the Option) under the Plan during such times as Participant is considered to have material non-public information or “inside information” regarding the Company (as defined by the laws in Participant’s country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Participant

acknowledges that it is his or her responsibility to comply with any applicable restrictions, and Participant should speak to his or her personal advisor on this matter.

30. Foreign Asset or Account and Exchange Control Reporting. Participant's country may have certain exchange controls and foreign asset or account reporting requirements that may affect his or her ability to purchase or hold Shares under the Plan or receive cash from his or her participation in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant's country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Further, Participant may be required to repatriate proceeds acquired as a result of participating in the Plan to his or her country through a designated bank or broker or within a certain time. Participant acknowledges and agrees that it is his or her responsibility to be compliant with such regulations and understands that Participant should speak with his or her personal legal advisor for any details regarding any foreign asset or account reporting or exchange control reporting requirements in Participant's country arising out of his or her participation in the Plan.

	salesforce.com, inc. The Landmark@One Market Street Suite 300 San Francisco, CA 94105
Notice of Grant of Restricted Stock Units and Terms and Conditions of Restricted Stock Units (together, with the exhibits and appendices thereto, the “Agreement”)	

FIRST_NAME: LAST_NAME: Award Number: [Number]

[ADDRESS] Plan: 2013 Equity Incentive Plan

[ADDRESS LINE 2] ID: [ID]

[ADDRESS LINE 2]

Effective [GRANT DATE] (the “Grant Date”) you have been granted an award of [NUMBER] restricted stock units (the “Award”). These units are restricted until the vest date(s), at which time you will receive shares of salesforce.com, inc. (the Company) common stock.

[Vesting Commencement Date: [INSERT IF/AS APPLICABLE]]

Vesting Schedule: Subject to any acceleration provisions contained in the Plan: [INSERT VESTING SCHEDULE].

The Award granted hereunder (including the Vesting Schedule above) is subject to the terms and conditions of any change of control, offer, retention and/or other agreement entered into between you and the Company (whether entered into before, on or after the Grant Date).

By signifying my acceptance below (either by my electronic or written signature), I agree that the Award is granted under and governed by the terms and conditions of the 2013 Equity Incentive Plan (the “Plan”) and the Agreement (including this Notice of Grant of Restricted Stock Units, the Terms and Conditions of Restricted Stock Units and any exhibits or appendices thereto), all of which are attached and made a part of this package. I agree to notify the Company upon any change in my residence address indicated above.

By clicking the “ACCEPT” button below, you agree to the following: “ **This electronic contract contains my electronic signature, which I have executed with the intent to sign this Agreement .**” If you prefer not to electronically sign this Agreement, you may accept this Agreement by signing a paper copy of the Agreement and delivering it to Global Equity Plan Services Department.

SALESFORCE.COM, INC.

RESTRICTED STOCK UNIT AGREEMENT

TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

Grant # _____

1. Grant. The Company hereby grants to the individual (the "Participant") named in the Notice of Grant of Restricted Stock Units (the "Grant Notice") to which these Terms and Conditions of Restricted Stock Units (together with the Grant Notice and attachments to each document, the "Agreement") are attached, an Award of Restricted Stock Units upon the terms and conditions set forth in this Agreement and the salesforce.com, inc. 2013 Equity Incentive Plan (the "Plan"), which is incorporated herein by reference.

2. Company's Obligation to Pay. For each Restricted Stock Unit that vests, Participant will receive one Share. Unless and until the Restricted Stock Units have vested in the manner set forth in paragraphs 3 or 4, Participant will have no right to payment of such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Any Restricted Stock Units that vest in accordance with paragraphs 3 or 4 will be paid to Participant (or in the event of Participant's death, to his or her estate) in whole Shares, subject to Participant satisfying any obligations for Tax Obligations. Payment of any vested Restricted Stock Units shall be made in whole Shares only.

3. Vesting Schedule. Except as otherwise provided in paragraph 4 of this Agreement, and subject to paragraph 6, the Restricted Stock Units awarded by this Agreement shall vest in accordance with the vesting schedule set forth in the Grant Notice, provided that Participant has continuously remained a Service Provider from the Grant Date through the relevant vesting date. Notwithstanding anything in this paragraph 3 to the contrary, and except as otherwise provided by the Administrator or as required by Applicable Law, vesting of the Restricted Stock Units shall be suspended during any unpaid personal leave of absence other than a Company-approved sabbatical and other than military leave such that vesting shall cease on the first (1st) day of any such unpaid personal leave of absence and shall only recommence upon return to active service; provided, however, that no vesting credit will be awarded for the time vesting has been suspended during such leave of absence.

4. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. Subject to the provisions of this paragraph 4, if the Administrator, in its discretion, accelerates the vesting of all or a portion of any unvested Restricted Stock Units, the payment of such accelerated Restricted Stock Units shall be made as soon as practicable upon or following the accelerated vesting date; provided, however, that if Participant is subject to a Change of Control and Retention Agreement or other agreement with or authorized by the Company (or with its Parent or one of its Subsidiaries) providing for acceleration of vesting of the

Restricted Stock Units, in each case entered into prior to the Grant Date, and such agreement provides different timing of payment for such accelerated Restricted Stock Units, the timing in such agreement shall control (provided that, if Participant is a U.S. taxpayer, such timing is compliant with Section 409A or results in such accelerated Restricted Stock Units being exempt from Section 409A, and subject to any delay required below by this paragraph 4; otherwise, this paragraph 4 shall control). Notwithstanding anything in the Plan, this Agreement or any other agreement (whether entered into before, on or after the Grant Date) to the contrary, if the Administrator, in its discretion, following the Grant Date provides for the further acceleration of vesting of any of the Restricted Stock Units subject to this Award, if Participant is a U.S. taxpayer, the payment of such accelerated Restricted Stock Units may only be made at a time or times that would result in such Restricted Stock Units to be exempt from or complying with the requirements of Section 409A. The prior sentence may be superseded in a future agreement or amendment to this Agreement only by direct and specific reference to such sentence.

Notwithstanding anything in the Plan, this Agreement or any other agreement (whether entered into before, on or after the Grant Date) to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a U.S. taxpayer and a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination as a Service Provider, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be paid in Shares to Participant's estate as soon as practicable following his or her death. It is the intent of this Agreement that it and all payments and benefits to U.S. taxpayers hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable to a U.S. taxpayer under this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). For purposes of this Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

Notwithstanding anything in the Plan, this Agreement or any other agreement (whether entered into before, on or after the Grant Date) to the contrary, the Administrator's discretion under this paragraph 4 to accelerate the vesting of Restricted Stock Units may only be utilized with respect to Restricted Stock Units that are no longer subject to performance-based vesting, unless otherwise permitted by Section 162(m) of the Code.

5. Payment after Vesting. The payment of Shares vesting pursuant to this Agreement shall in all cases be made at a time or in a manner that is exempt from, or complies with, Section 409A, unless otherwise determined by the Administrator if Participant is not a U.S. taxpayer. The prior sentence

may be superseded in a future agreement or amendment to this Agreement only by direct and specific reference to such sentence. Any Restricted Stock Units that vest in accordance with paragraph 3 will be paid to Participant (or in the event of Participant's death, to his or her estate) as soon as practicable following the date of vesting, subject to paragraph 8. Any Restricted Stock Units that vest in accordance with paragraph 4 will be paid to Participant (or in the event of Participant's death, to his or her estate) in accordance with the provisions of such paragraph, subject to paragraph 8. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of the payment of any Restricted Stock Units payable under this Agreement.

6. Forfeiture upon Termination of Status as a Service Provider. Notwithstanding any contrary provision of this Agreement, the balance of the Restricted Stock Units that have not vested as of the time of Participant's termination as a Service Provider for any or no reason will be forfeited and automatically transferred to and reacquired by the Company at no cost to the Company, and Participant's right to acquire any Shares hereunder will immediately terminate. The date of Participant's termination as a Service Provider is detailed in paragraph 11(h).

7. Death of Participant. Any distribution or delivery to be made to Participant under this Agreement will, if Participant is then deceased, be made to the administrator or executor of Participant's estate. Any such administrator or executor must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

8. Tax Obligations.

(a) Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, the Participating Company employing or retaining Participant (the "Employer"), the ultimate liability for Tax Obligations is and remains Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the applicable taxable event, Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares.

(a) Withholding of Taxes. Prior to the relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to the Company or the Employer to satisfy all Tax Obligations. In this regard, Participant authorizes the Company and the Employer, or their respective agents, at their discretion, to satisfy their withholding obligations with regard to all Tax Obligations, if any, by withholding from proceeds of the sale of Shares acquired at vesting of the Restricted Stock Units, either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization) without further consent. Alternatively, the Company and the Employer, or their respective agents, in their sole discretion and pursuant to such procedures as they may specify from time to time, may satisfy their withholding obligations with regard to all Tax Obligations, if any, in whole or in part (without limitation) by (i) requiring Participant to deliver cash or a check to the Company or the Employer, (ii) withholding from Participant's wages or other cash compensation paid to Participant by the Company or the Employer, or (iii) reducing the number of Shares otherwise deliverable to Participant; provided, however, that if Participant is a Section 16 officer of the Company under the Exchange Act, then the Company will withhold from proceeds of the sale of Shares acquired at vesting of the Restricted Stock Units, unless the use of such withholding method is inadvisable under Applicable Laws or has materially adverse accounting consequences, in which case, the withholding obligation for Tax Obligations, if any, may be satisfied by one or a combination of methods (i) and (ii) above. For avoidance of doubt, if Participant is a non-U.S. employee, payment of Tax Obligations may not be effectuated by surrender of other Shares with a Fair Market Value equal to the amount of any Tax Obligations. Further, depending on the withholding method, the Company or the Employer may withhold or account for Tax Obligations by considering applicable minimum statutory rates or other applicable withholding rates, including maximum applicable rates, in which case Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent; provided, however, that where the application of such maximum rates would, in the Company's determination, result in adverse accounting consequences to the Company, the Company shall withhold only amounts sufficient to meet the minimum statutory Tax Obligations required to be withheld or remitted with respect to the Restricted Stock Units.

9. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book entry form) will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. **No Guarantee of Continued Service**. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE EMPLOYER) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OF RESTRICTED STOCK UNITS OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH ANY RIGHT OF PARTICIPANT OR OF THE COMPANY (OR THE EMPLOYER) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

11. **Nature of Grant**. In accepting the grant, Participant acknowledges, understands and agrees that:

- (a) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;
- (b) all decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of the Company;
- (c) Participant is voluntarily participating in the Plan;
- (d) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (e) unless otherwise agreed with the Company, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of a Subsidiary or an Affiliate;
- (f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;
- (g) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted;

(h) for purposes of the Restricted Stock Units, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Participating Company (regardless of the reason for such termination and whether or not later to be found invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any, unless Participant is providing bona fide services during such time); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Units grant (including whether Participant may still be considered to be providing services while on a leave of absence);

(i) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(j) the following provisions apply only if Participant is providing services outside the United States:

i. the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purpose;

ii. Participant acknowledges and agrees that none of the Company, the Employer or any Participating Company shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement; and

iii. no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from the termination of Participant's status as a Service Provider (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and in consideration of the grant of the Restricted Stock Units to which Participant is otherwise not entitled, Participant irrevocably

agrees never to institute any claim against the Company, any Participating Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company, any Participating Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

12. **No Advice Regarding Grant**. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant understands that there may be adverse tax consequences as a result of Participant's participation in the Plan, including the receipt or disposition of the Shares issued as payment for the vested Restricted Stock Units. Participant acknowledges that the Company has advised Participant to consult with a tax, legal or financial consultant, that he or she has had the opportunity to consult with any such consultants that Participant deems advisable in connection with the receipt or disposition of the Shares, and that Participant is not relying on the Company for any tax advice.

13. **Data Privacy**. *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Employer, the Company and any Participating Company for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

Participant understands that the Company and the Employer may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

*Participant understands that Data will be transferred to E*Trade Financial Services, Inc. and its related companies ("E*TRADE") or any stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes the Company, E*TRADE, any stock plan service provider selected by the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of*

implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her status as a Service Provider with the Employer will not be affected; the only consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Restricted Stock Units or other equity awards to Participant or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

14. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of Global Equity Plan Services Department, at salesforce.com, inc., The Landmark Bldg., One Market Street, Suite 300, San Francisco, CA 94105, or at such other address as the Company may hereafter designate in writing.

15. Grant is Not Transferable. Except to the limited extent provided in paragraph 7 above, this grant of Restricted Stock Units and the rights and privileges conferred hereby will not be sold, pledged, assigned, hypothecated, transferred or disposed of any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process, until Participant has been issued the Shares. Upon any attempt to sell, pledge, assign, hypothecate, transfer or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

16. Restrictions on Sale of Securities. Any sale of the Shares issued under this Agreement will be subject to any market blackout-period that may be imposed by the Company and must comply with the Company's insider trading policies, and any other Applicable Laws.

17. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

18. Additional Conditions to Issuance of Certificates for Shares. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such

issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Subject to the terms of the Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for Shares hereunder prior to the lapse of such reasonable period of time following the date of vesting of the Restricted Stock Units as the Administrator may establish from time to time for reasons of administrative convenience.

19. Plan Governs. This Agreement and the Restricted Stock Units granted hereunder are subject to all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Agreement will have the meaning set forth in the Plan.

20. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

21. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company. To the extent Participant executes the Notice of Restricted Stock Unit Grant by electronic means, Participant should retain a copy of his or her returned electronically signed Agreement. Participant may obtain a paper copy at any time and at the Company's expense by requesting one from Global Equity Plan Services Department (see paragraph 14 of these Terms and Conditions).

22. Language. If Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

23. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

24. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

25. Governing Law and Venue. This Agreement will be governed by, and construed in accordance with, the laws of the state of California without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Restricted Stock Units or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Award of Restricted Stock Units is made and/or to be performed.

26. Modifications to the Agreement. Participant expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to amend this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A of the Code or to otherwise avoid imposition of any additional tax or income recognition under Section 409A of the Code prior to the actual payment of Shares pursuant to this Award of Restricted Stock Units, or if necessary to comply with any applicable laws in the jurisdiction in which Participant resides and/or is rendering services.

27. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and that he or she has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan.

28. Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or any other Participant.

29. Country Addendum. Notwithstanding any provisions in this Agreement, the Restricted Stock Unit grant shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Country Addendum, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Agreement.

30. Insider Trading and Market Abuse Laws. Depending on Participant's country, he or she may be subject to insider trading restrictions or market abuse laws, which may affect Participant's ability to acquire or sell Shares or rights to Shares (e.g., Restricted Stock Units) under the Plan during such times as Participant is considered to have material non-public information or "inside information" regarding the Company (as defined by the laws in Participant's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Participant acknowledges that it is his or her responsibility to comply with any applicable restrictions, and Participant should speak to his or her personal advisor on this matter.

31. Foreign Asset or Account and Exchange Control Reporting. Participant's country may have certain exchange controls and foreign asset or account reporting requirements that may affect his or her ability to purchase or hold Shares under the Plan or receive cash from his or her participation in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant's country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Further, Participant may be required to repatriate proceeds acquired as a result of participating in the Plan to his or her country through a designated bank or broker or within a certain time. Participant acknowledges and agrees that it is his or her responsibility to be compliant with such regulations and understands that Participant should speak with his or her personal legal advisor for any details regarding any foreign asset or account reporting or exchange control reporting requirements in Participant's country arising out of his or her participation in the Plan.

SALESFORCE.COM, INC.

2004 EMPLOYEE STOCK PURCHASE PLAN

SUBSCRIPTION AGREEMENT

NAME (Please print): _____
 (Last) (First) (Middle)

Original application for the Offering Period beginning (date): _____

Change in payroll deduction rate effective with the pay period beginning (date): _____

Stop payroll deductions effective with the pay period beginning (date): _____

I. SUBSCRIPTION

I elect to participate in the 2004 Employee Stock Purchase Plan (the “**Plan**”) of salesforce.com, inc. (the “**Company**”) and to subscribe to purchase shares of the Company’s Stock in accordance with this Subscription Agreement, including the Additional Terms and Conditions of Participation set forth in an addendum hereto (the “**Addendum**”), and the Plan.

I authorize payroll deductions of _____ percent (in whole percentages not less than 2%, unless an election to stop deductions is being made, or more than 15%) of my **Compensation** on each pay day throughout the **Offering Period** in accordance with the Plan. I understand that these payroll deductions will be accumulated for the purchase of shares of Stock at the applicable purchase price determined in accordance with the Plan. Except as otherwise provided by the Plan, I will automatically purchase shares on each **Purchase Date** unless I withdraw from the Plan by giving written notice on a form provided by the Company or unless my eligibility or employment terminates.

I understand that I will automatically participate in each subsequent Offering that commences immediately after the last day of an Offering in which I am participating until I withdraw from the Plan by giving written notice on a form provided by the Company or my eligibility or employment terminates.

Shares I purchase under the Plan should be issued in the name(s) set forth below. (For U.S. employees only, shares may be issued in the participant’s name alone or together with the participant’s spouse as community property or in joint tenancy.)

NAME(S) (please print): _____

ADDRESS: _____

MY SOCIAL SECURITY OR EMPLOYEE ID NUMBER: _____

I agree to make adequate provision for the federal, state, local and foreign tax withholding obligations, if any, which arise upon my purchase of shares under the Plan and/or my disposition of shares. The Company may withhold from my compensation the amount necessary to meet such withholding obligations, or using any other method specified in the Addendum.

If I am employed by the Company or a subsidiary of the Company located in the United States and subject to tax in the United States:

I agree that, unless otherwise permitted by the Company, until I dispose of shares I purchase under the Plan, I will hold such shares in the name(s) entered above (and not in the name of any nominee) until the later of (i) two years after the first day of the Offering Period in which I purchased the shares and (ii) one year after the Purchase Date on which I purchased the shares. This restriction only applies to the name(s) in which shares are held and does not affect my ability to dispose of Plan shares.

I agree that I will notify the Chief Financial Officer of the Company in writing within 30 days after any sale, gift, transfer or other disposition of any kind prior to the end of the periods referred to in the preceding paragraph (a “Disqualifying Disposition”) of any shares I purchased under the Plan. If I do not respond within 30 days of the date of a Disqualifying Disposition Survey delivered to me by certified mail, the Company is authorized to treat my nonresponse as my notice to the Company of a Disqualifying Disposition and to compute and report to the Internal Revenue Service the ordinary income I must recognize upon such Disqualifying Disposition.

II. PARTICIPANT DECLARATION

Any election I have made on this form revokes all prior elections with regard to this form.

I am familiar with the provisions of the Plan and agree to participate in the Plan subject to all of its provisions and subject to the Additional Terms and Conditions of Participation set forth in the Addendum to this Subscription Agreement. I understand that the Board of Directors of the Company reserves the right to terminate the Plan or to amend the Plan and my right to purchase stock under the Plan to the extent provided by the Plan or the Addendum. I understand that the effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Plan.

Date: _____

Signature of Participant

SALESFORCE.COM, INC.

2004 EMPLOYEE STOCK PURCHASE PLAN

NOTICE OF WITHDRAWAL

I elect to withdraw from the salesforce.com, inc. 2004 Employee Stock Purchase Plan (the “**Plan**”) and the Offering which began on (date) _____ and in which I am participating (the “**Current Offering**”).

I understand that I am terminating immediately my interest in the Plan and the Current Offering, and that no further payroll deductions will be made (provided I have given sufficient notice before the next pay day). My payroll deductions not previously used to purchase shares will not be used to purchase shares in the Current Offering, but instead will be paid to me as soon as practicable. I understand that I will not participate in the Plan unless I elect to become a participant in another Offering by filing a new Subscription Agreement with the Company. I understand that I will receive no interest on the amounts paid to me from my Plan account, and that I may not apply such amounts to any other Offering under the Plan or any other employee stock purchase plan of the Company.

Date: _____ Signature: _____

SALESFORCE.COM, INC.

2004 EMPLOYEE STOCK PURCHASE PLAN

ADDENDUM TO SUBSCRIPTION AGREEMENT

ADDITIONAL TERMS AND CONDITIONS OF PARTICIPATION

These Additional Terms and Conditions of Participation, including Appendix I attached hereto, constitute an addendum to the Subscription Agreement to the salesforce.com, inc. 2004 Employee Stock Purchase Plan (collectively, the Subscription Agreement and this Addendum are referred to herein as the “**Agreement**”). The terms of the Agreement are incorporated into the salesforce.com, inc. 2004 Employee Stock Purchase Plan, including any applicable subplans thereto (the “**Plan**”), and govern the terms of participation for participating employees (each, a “**Participant**”) in the Plan. Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Plan.

1. Responsibility for Taxes. The Participant acknowledges that, regardless of any action the Company and/or the Participant’s employer (the “**Employer**”) takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Participant’s participation in the Plan and legally applicable to the Participant, or deemed by the Company or the Employer in its discretion to be an appropriate charge to the Participant even if legally applicable to the Company or the Employer, (collectively, “**Tax-Related Items**”), the ultimate liability for all Tax-Related Items is and remains the Participant’s responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the grant of Purchase Rights, including but not limited to, the purchase of shares of Stock, the sale of shares of Stock acquired under the Plan or the receipt of any dividends, and (2) do not commit to and are under no obligation to structure the terms of the grant of the Purchase Rights or any aspect of the Participant’s Plan participation to reduce or eliminate the Participant’s liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant is subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to the taxable or tax withholding event, as applicable, the Participant agrees to pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company and/or the Employer to withhold all applicable Tax-Related Items from any wages or other cash compensation paid to the Participant by the Company and/or the Employer. Alternatively, or in addition, if permissible under local law, the Participant authorizes the Company and/or the Employer, or their respective agents, to (i) withhold from proceeds of the sale of shares of Stock acquired by the Participant upon purchase, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant’s behalf pursuant to this authorization), or (ii) withhold shares of Stock to be issued upon purchase, provided, however, that withholding in shares shall be subject to approval by the Compensation Committee to the extent deemed necessary or advisable by counsel to the Company at the time of any relevant tax withholding event.

Depending on the withholding method, the Company and/or the Employer may withhold or account for Tax-Related Items by considering maximum applicable rates, in which case the Participant may receive

a refund of any over-withheld amount in cash and will have no entitlement to the Stock equivalent; provided, however, that where the application of such maximum rates would, in the Company's determination, result in adverse accounting consequences to the Company, the Company shall withhold only amounts sufficient to meet the minimum statutory Tax-Related Items required to be withheld or remitted with respect to the Purchase Rights. If the obligation for Tax-Related Items is satisfied by withholding in shares of Stock, for tax purposes, the Participant is deemed to have been issued the full number of shares of Stock subject to the purchase, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

Finally, the Participant shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to purchase or deliver the shares or the proceeds of the sale of shares of Stock, if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

2. Nature of Plan. By enrolling and participating in the Plan, the Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company and it is discretionary in nature;
- (b) the grant of the Purchase Rights under the Plan is voluntary and occasional and does not create any contractual or other right to receive future purchase rights, or benefits in lieu of purchase rights, even if purchase rights have been granted in the past;
- (c) all decisions with respect to future Purchase Rights grants, if any, will be at the sole discretion of the Company;
- (d) neither the grant of the Purchase Rights nor the Participant's participation in the Plan shall create a right to employment or be interpreted as forming an employment contract with the Company, the Employer or any Subsidiary Corporation and shall not interfere with the ability of the Employer to terminate the Participant's employment contract (if any);
- (e) the Participant is voluntarily participating in the Plan;
- (f) the Purchase Rights and the shares of Stock subject to the Purchase Rights, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (g) unless otherwise agreed with the Company, the Purchase Rights and the shares of Stock purchased under the Plan, and the income from and value of same, are not granted as consideration for, or in connection with, the service the Participant may provide as a director of a Subsidiary Corporation.
- (h) the future value of the underlying shares of Stock is unknown and cannot be predicted with certainty, and the value of the shares of Stock purchased under the Plan may increase or decrease, even below the Purchase Price;
- (i) the Purchase Rights and the shares of Stock subject to the Purchase Rights, and the income from and value of same, are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments

and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary Corporation;

(j) for purposes of the Purchase Rights and unless otherwise determined by the Company, in the event of termination of the Participant's employment (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), the Participant's right to participate in the Plan and the Participant's right to purchase shares of Stock, if any, will terminate effective as of the date that the Participant is no longer actively providing services and will not be extended by any notice period mandated under local law (e.g., active employment would not include any contractual notice or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any); the Company shall have the exclusive discretion to determine when the Participant is no longer actively providing services for purposes of the Participant's Purchase Rights;

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Purchase Rights and the benefits evidenced by the Agreement do not create any entitlement to have the Plan or any such benefits granted thereunder, transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Stock; and

(l) if the Participant is rendering services outside the United States:

i. no claim or entitlement to compensation or damages shall arise from forfeiture of the Purchase Rights under the Plan resulting from termination of the Participant's employment with the Employer, the Company and its Participating Companies (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and, in consideration of the grant of the Purchase Rights to which the Participant is otherwise not entitled, the Participant irrevocably agrees to never institute any claim against the Employer, the Company or any Subsidiary Corporation, waives the Participant's ability, if any, to bring any such claim, and releases the Employer, the Company and its Subsidiary Corporations from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim;

ii. the Plan, the Purchase Rights and any shares of Stock acquired under the Plan are not part of the Participant's normal or expected compensation or salary for any purpose; and

iii. none of the Company, the Employer nor any Subsidiary Corporation shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the Purchase Rights or of any amounts due to the Participant pursuant to the purchase of shares of Stock under the Plan or the subsequent sale of any such shares of Stock.

3. No Advice Regarding Participation. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying shares of Stock. The Participant is hereby

advised to consult with the Participant's own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

4. **Data Privacy**. *The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in the Agreement and any other Plan participation materials ("Data") by and among, as applicable, the Employer, the Company and its Subsidiary Corporations for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.*

The Participant understands that Data may include, but is not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Purchase Rights granted under the Plan or any other entitlement to shares of Stock awarded, canceled, exercised, vested, unvested, or outstanding in the Participant's favor, for the exclusive purpose of implementing, administering and managing the Plan.

*The Participant understands that Data will be transferred to E*TRADE Financial Services, Inc. and any of its affiliated companies ("E*TRADE") or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of Data may be located in the United States or elsewhere, and that a recipient's country of operation (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of Data by contacting his or her local human resources representative.*

*The Participant authorizes the Company, E*TRADE and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. If the participant resides outside of the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting his or her local human resources representative in writing.*

The Participant understands that he or she is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke his or her prior consent, the Participant's employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Company would not be able to grant the Participant Purchase Rights under the Plan or other equity awards, or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing his or her consent may affect his or her ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant should contact his or her local human resources representative.

5. **Electronic Delivery/Enrollment**. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through

an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

6. Language. If the Participant has received the Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

7. Severability. The provisions of the Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

8. Waiver. The Participant acknowledges that a waiver by the Company of breach of any provision of the Agreement shall not operate or be construed as a waiver of any other provision of the Agreement, or any subsequent breach by the Participant or of any other participant.

9. Appendix I. Notwithstanding any provisions of the Agreement, the Purchase Rights shall be subject to any special terms and conditions for the Participant's country set forth in Appendix I to this Addendum. Moreover, if the Participant relocates to one of the countries included in Appendix I, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Appendix I constitutes part of the Agreement.

10. Imposition of Other Requirements. The Company, in its discretion, may elect to terminate, suspend or modify the terms of the Plan at any time, to the extent permitted by the Plan. The Participant agrees to be bound by such termination, suspension or modification regardless of whether notice is given to the Participant of such event, subject in any case to the Participant's right to timely withdraw from the Plan in accordance with the Plan withdrawal procedures then in effect. In addition, the Company reserves the right to impose other requirements on the Participant's participation in the Plan and on any shares of Stock purchased under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

11. Governing Law; Venue. The Purchase Rights and the provisions of the Agreement are governed by, and subject to, the laws of the State of California without regard to the conflict of law provisions, as provided in the Plan. For purposes of any action, lawsuit or other proceedings brought to enforce the Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the courts of San Francisco County California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

12. Insider Trading/Market Abuse Laws. Depending on the Participant's country, he or she may be subject to insider trading restrictions and/or market abuse laws, which may affect the Participant's ability to acquire or sell shares or rights to shares of Stock (*e.g.* , Purchase Rights) under the Plan during such times as the Participant is considered to have "inside information" regarding the Company (as defined by the laws in the Participant's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Participant acknowledges that it is his or her responsibility to comply with any applicable restrictions, and the Participant should speak to his or her personal advisor on this matter.

13. Foreign Asset/Account and Exchange Control Reporting. The Participant's country may have certain exchange controls and foreign asset and/or account reporting requirements which may affect his or her ability to purchase or hold shares of Stock under the Plan or receive cash from his or her participation in the Plan (including from any dividends received or sale proceeds arising from the sale of shares of Stock) in a brokerage or bank account outside the Participant's country. The Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Further, the Participant may be required to repatriate shares of Stock or proceeds acquired as a result of participating in the Plan to his or her country through a designated bank/broker and/or within a certain time. The Participant acknowledges and agrees that it is his or her responsibility to be compliant with such regulations and understands that the Participant should speak with his or her personal legal advisor for any details regarding any foreign asset/account reporting or exchange control reporting requirements in the Participant's country arising out of his or her participation in the Plan.

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;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 25, 2017

/s/ M ARC B ENIOFF

Marc Benioff

Chairman of the Board of Directors and
Chief Executive Officer
(Principal Executive Officer)

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 control over financial reporting.

August 25, 2017

/s/ M ARK J. H AWKINS

Mark J. Hawkins

President and Chief Financial Officer
(Principal Financial Officer)

**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, 2017 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 25, 2017

/s/ M ARC B ENIOFF

Marc Benioff

**Chairman of the Board of Directors and
Chief Executive Officer
(Principal 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, 2017 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 25, 2017

/s/ M ARK J H AWKINS

Mark J. Hawkins

**President and Chief Financial Officer
(Principal Financial Officer)**