Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2018

OR

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

Commission File Number: 001-35580



SERVICENOW, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-2056195**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

ServiceNow, Inc.
2225 Lawson Lane
Santa Clara, California 95054
(408) 501-8550
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	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 Act). Yes ☐ No ☒

As of March 31, 2018, there were approximately 176.6 million shares of the Registrant's Common Stock outstanding.

TABLE OF CONTENTS

		Page
	PART I	
Item 1.	Financial Statements	1
	Condensed Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017	1
	Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended March 31, 2018 and 2017	2
	Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2018 and 2017	3
	Notes to Condensed Consolidated Financial Statements	4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	41
Item 4.	Controls and Procedures	42
	PART II	
Item 1.	Legal Proceedings	43
Item 1A.	Risk Factors	43
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	57
Item 3.	Defaults Upon Senior Securities	57
Item 4.	Mine Safety Disclosures	57
Item 5.	Other Information	57
Item 6.	Exhibits	59
	Signatures	

PART I

ITEM 1. FINANCIAL STATEMENTS

SERVICENOW, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	March 31, 2018	December 31, 2017 *As Adjusted
Assets		
Current assets:		
Cash and cash equivalents	$ 682,854	$ 726,495
Short-term investments	1,203,105	1,052,803
Accounts receivable, net	371,008	437,051
Current portion of deferred commissions	115,867	109,643
Prepaid expenses and other current assets	117,092	95,959
Total current assets	2,489,926	2,421,951
Deferred commissions, less current portion	233,715	224,252
Long-term investments	451,209	391,442
Property and equipment, net	267,454	245,124
Intangible assets, net	82,553	86,916
Goodwill	128,685	128,728
Other assets	50,943	51,832
Total assets	$ 3,704,485	$ 3,550,245
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 37,715	$ 32,109
Accrued expenses and other current liabilities	250,738	253,257
Current portion of deferred revenue	1,292,638	1,210,695
Current portion of convertible senior notes, net	516,925	543,418
Total current liabilities	2,098,016	2,039,479
Deferred revenue, less current portion	50,244	36,120
Convertible senior notes, net	637,795	630,018
Other long-term liabilities	53,267	65,884
Total liabilities	2,839,322	2,771,501
Stockholders' equity:		
Common stock	177	174
Additional paid-in capital	1,819,410	1,731,367
Accumulated other comprehensive (loss) income	(12,970)	5,767
Accumulated deficit	(941,454)	(958,564)
Total stockholders' equity	865,163	778,744
Total liabilities and stockholders' equity	$ 3,704,485	$ 3,550,245

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

See accompanying notes to condensed consolidated financial statements

SERVICENOW, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended March 31,	
	2018	2017 *As Adjusted
Revenues:		
Subscription	$ 543,325	$ 387,584
Professional services and other	45,897	41,187
Total revenues	589,222	428,771
Cost of revenues[(1)]:		
Subscription	95,398	70,375
Professional services and other	48,075	45,709
Total cost of revenues	143,473	116,084
Gross profit	445,749	312,687
Operating expenses[(1)]:		
Sales and marketing	283,701	203,739
Research and development	117,268	84,489
General and administrative	65,063	46,251
Total operating expenses	466,032	334,479
Loss from operations	(20,283)	(21,792)
Interest expense	(17,064)	(8,678)
Interest income and other income (expense), net	29,987	7,729
Loss before income taxes	(7,360)	(22,741)
Benefit from income taxes	(17,982)	(1,227)
Net income (loss)	$ 10,622	$ (21,514)
Net income (loss) per share - basic and diluted	$ 0.06	$ (0.13)
Weighted-average shares used to compute net income (loss) per share - basic	175,482,833	168,742,366
Weighted-average shares used to compute net income (loss) per share - diluted	190,249,786	168,742,366
Other comprehensive loss:		
Foreign currency translation adjustments	$ (8,435)	$ 2,795
Unrealized (loss) gain on investments, net of tax	(3,068)	7,583
Other comprehensive (loss) income, net of tax	(11,503)	10,378
Comprehensive loss	$ (881)	$ (11,136)

(1) Includes stock-based compensation as follows:

	Three Months Ended March 31,	
	2018	2017 *As Adjusted
Cost of revenues:		
Subscription	$ 11,291	$ 7,938
Professional services and other	7,561	6,875
Sales and marketing	52,082	38,401
Research and development	28,598	21,801
General and administrative	21,809	14,854

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

See accompanying notes to condensed consolidated financial statements

SERVICENOW, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2018	2017 *As Adjusted
Cash flows from operating activities:		
Net income (loss)	$ 10,622	$ (21,514)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	33,411	25,226
Amortization of deferred commissions	30,419	22,038
Amortization of debt discount and issuance costs	17,064	8,678
Stock-based compensation	121,341	89,869
Deferred income tax	(24,348)	(3,291)
Unrealized gain on marketable equity securities	(18,455)	—
Repayments of convertible senior notes attributable to debt discount	(8,660)	—
Other	(5,805)	(1,273)
Changes in operating assets and liabilities, net of effect of business combinations:		
Accounts receivable	69,502	48,515
Deferred commissions	(42,475)	(30,956)
Prepaid expenses and other assets	(15,808)	(16,468)
Accounts payable	875	675
Deferred revenue	83,733	84,863
Accrued expenses and other liabilities	(1,336)	(18,754)
Net cash provided by operating activities	250,080	187,608
Cash flows from investing activities:		
Purchases of property and equipment	(35,371)	(33,186)
Business combination, net of cash and restricted cash acquired	—	(15,035)
Purchases of other intangibles	(7,850)	—
Purchases of investments	(376,130)	(223,596)
Sales of investments	—	21,789
Maturities of investments	182,105	122,263
Net cash used in investing activities	(237,246)	(127,765)
Cash flows from financing activities:		
Repayments of convertible senior notes attributable to principal	(28,606)	—
Proceeds from employee stock plans	52,657	34,807
Taxes paid related to net share settlement of equity awards	(85,555)	(53,023)
Payments on financing obligations	(288)	(1,415)
Net cash used in financing activities	(61,792)	(19,631)
Foreign currency effect on cash, cash equivalents and restricted cash [(1)]	6,491	(843)
Net (decrease) increase in cash, cash equivalents and restricted cash	(42,467)	39,369
Cash, cash equivalents and restricted cash at beginning of period [(1)]	727,829	401,932
Cash, cash equivalents and restricted cash at end of period [(1)]	$ 685,362	$ 441,301
Cash, cash equivalents and restricted cash at end of period:		
Cash and cash equivalents	$ 682,854	$ 439,915
Current portion of restricted cash included in prepaid expenses and other current assets	2,508	1,386
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	$ 685,362	$ 441,301
Non-cash investing and financing activities:		
Benefit from 2018 Note Hedges	$ 44,510	$ —
Property and equipment included in accounts payable and accrued expenses	24,288	8,857
Financing obligation for property and equipment	5,033	—

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

(1) During the three months ended December 31, 2017, we adopted Accounting Standards Update 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," which requires that amounts generally described as restricted cash or restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Accordingly, we have recast our prior period condensed consolidated statement of cash flows to conform to the current presentation. The impact of the adoption for the three months ended March 31, 2017 is not material.

See accompanying notes to condensed consolidated financial statements

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

Unless the context requires otherwise, references in this report to "ServiceNow," the "Company", "we," "us," and "our" refer to ServiceNow, Inc. and its consolidated subsidiaries.

(1) Description of the Business

ServiceNow is a leading provider of enterprise cloud computing solutions that define, structure, manage and automate services for global enterprises. We help our customers improve service quality and reduce costs while scaling and automating their businesses. We typically deliver our software via the Internet as a service, through an easy-to-use, consumer product-like interface, which means it can be easily configured and rapidly deployed. In a minority of cases, we deploy our software on-premises at a customer data center to support a customer's unique regulatory or security requirements.

(2) Summary of Significant Accounting Policies

Basis of Presentation

Effective January 1, 2018, we adopted the Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" as discussed in Note 2. All amounts and disclosures set forth in this Form 10-Q have been updated to comply with the new standards, as indicated by the "as adjusted" reference in these condensed consolidated financial statements and related notes. Certain prior period amounts reported in our condensed consolidated financial statements and notes thereto have been reclassified to conform to the current period presentation.

The accompanying unaudited condensed consolidated financial statements and condensed footnotes have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission (the SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (GAAP) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary under GAAP for fair statement of results for the interim periods presented have been included. The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018 or for other interim periods or future years. The condensed consolidated balance sheet as of December 31, 2017 is derived from audited financial statements as adjusted to reflect the impact of the full retrospective adoption of Topic 606; however, it does not include all of the information and footnotes required by GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on February 28, 2018.

Principles of Consolidation

The condensed consolidated financial statements have been prepared in conformity with GAAP, and include our accounts and the accounts of our wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as reported amounts of revenues and expenses during the reporting period. Such management estimates and assumptions include, but are not limited to, the stand-alone selling price (SSP) for each distinct performance obligation included in customer contracts with multiple performance obligations, the period of benefit for deferred commissions, the fair value of assets acquired and liabilities assumed for business combinations, stock-based compensation expenses, the assessment of the useful life and recoverability of our property and equipment, goodwill and identifiable intangible assets, and legal contingencies. Actual results could differ from those estimates.

New Accounting Pronouncements Adopted in 2018

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Topic 606, which supersedes the prior revenue recognition standard (Topic 605). Under Topic 606, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. In addition, this standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Topic 606 also includes Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers, which requires the deferral of incremental costs of obtaining a contract with a customer.

The Topic 606 guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). We adopted the requirements of Topic 606 as of January 1, 2018, utilizing a full retrospective method. The most significant impacts of the standard relate to the timing of revenue recognition related to our on-premises offerings, in which we grant customers the right to deploy our software on the customer's own servers without significant penalty, the accounting for incremental costs to obtain a contract, and the classification of proceeds for Knowledge and other user forums as a reduction in sales and marketing expenses instead of as professional services and other revenues. The adoption of Topic 606 resulted in changes to our accounting policies for revenue recognition, unbilled receivables, deferred commissions, deferred revenue and customer deposits as detailed below.

Under Topic 606, for our on-premises offerings, the requirement to have vendor specific objective evidence (VSOE) for undelivered elements was eliminated. As a result, for all periods presented, we have recognized as subscription revenues a portion of the sales price upon delivery of the software, compared to the prior practice under Topic 605 of recognizing the entire sales price ratably over an estimated subscription period due to the lack of VSOE. To the extent the amounts recognized as subscription revenues have not been billed, the revenues are primarily recorded as "unbilled receivables.". In addition, refundable amounts associated with customer contracts are recorded as "customer deposits."

In addition, under Topic 606, for all periods presented, we have deferred all incremental commission costs to obtain customer contracts, including indirect costs that are not tied to a specific contract, for both our on-premises offerings and our cloud-based subscription offerings. On initial contracts and contracts for increased purchases with existing customers (expansion contracts), these costs are primarily amortized over a period of benefit that we have determined to be five years. On renewal contracts, these costs are amortized over the renewal term. Additionally, for our on-premises offerings, consistent with the recognition of subscription revenue for on-premises offerings as described above, a portion of the commission cost is expensed upfront when the on-premises offering is made available. Our prior practice under Topic 605 was to defer only direct and incremental commission costs to obtain a contract and amortize those costs over the contract term, which is generally 12 to 36 months, for both our on-premises offerings and our cloud-based subscription offerings.

The direct effect on income taxes resulting from the full retrospective adoption of the above-mentioned changes to revenues and commission expenses resulted in a cumulative income tax expense of $23.3 million recorded in the prior periods. The indirect tax benefit of Topic 606 on income taxes associated with intercompany adjustments of $23.1 million, or $0.13 per basic share and $0.12 per diluted share, has been recorded in the first quarter of 2018.

The table below provides specified line items from our condensed consolidated balance sheet (i) as previously reported and (ii) as adjusted to reflect the impact of the full retrospective adoption of Topic 606 (in thousands):

	Year Ended December 31, 2017	
	As Previously Reported	As Adjusted
Assets		
Accounts receivable, net	$ 434,895	$ 437,051
Current portion of deferred commissions	118,690	109,643
Prepaid expenses and other current assets	77,681	95,959
Deferred commissions, less current portion	85,530	224,252
Other assets	49,600	51,832
Liabilities		
Accrued expenses and other current liabilities	244,605	253,257
Current portion of deferred revenue	1,280,499	1,210,695
Deferred revenue, less current portion	39,884	36,120
Other long-term liabilities	43,239	65,884
Stockholder's equity		
Accumulated other comprehensive (loss) income	(889)	5,767
Accumulated deficit	(1,146,520)	(958,564)

The table below provides specified line items from our condensed consolidated statement of comprehensive income (loss) (i) as previously reported and (ii) as adjusted to reflect the impact of the full retrospective adoption of Topic 606 (in thousands, except per share data):

	Three months ended March 31, 2017	
	As Previously Reported	As Adjusted
Revenues:		
Subscription	$ 376,135	$ 387,584
Professional services and other	40,648	41,187
Total revenues	416,783	428,771
Cost of revenues:		
Professional services and other	46,072	45,709
Total cost of revenues	116,447	116,084
Gross profit	300,336	312,687
Operating expenses:		
Sales and marketing	212,086	203,739
Total operating expenses	342,826	334,479
Loss from operations	(42,490)	(21,792)
Interest income and other income (expense), net	7,716	7,729
Loss before income taxes	(43,452)	(22,741)
Provision for income taxes	(2,790)	(1,227)
Net loss	$ (40,662)	$ (21,514)
Net loss per share - basic and diluted	$ (0.24)	$ (0.13)
Weighted-average shares used to compute net loss per share - basic and diluted	168,742,366	168,742,366

The table below provides specified line items from our condensed consolidated statement of cash flows (i) as previously reported and (ii) as adjusted to reflect the impact of the full retrospective adoption of Topic 606 (in thousands):

	Three Months Ended March 31, 2017	
	As Previously Reported	As Adjusted
Cash flows from operating activities:		
Net loss	$ (40,662)	$ (21,514)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of deferred commissions	26,180	22,038
Changes in operating assets and liabilities, net of effect of business combinations:		
Accounts receivable	47,021	48,515
Deferred commissions	(27,195)	(30,956)
Prepaid expenses and other assets	(22,772)	(16,468)
Deferred revenue	112,447	84,863
Accrued expenses and other liabilities	(27,553)	(18,754)
Net cash provided by operating activities	187,424	187,608
Foreign currency effect on cash, cash equivalents and restricted cash	(659)	(843)

Income Taxes

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," which provides entities the option to reclassify tax effects stranded in accumulated other comprehensive income as a result of the 2017 Tax Cuts and Jobs Act (the Tax Act) to retained earnings. This standard is effective for our fiscal year beginning January 1, 2019 and early adoption is permitted. We early adopted this new standard effective January 1, 2018, with an immaterial amount of cumulative effect adjustment recorded to our accumulated deficit as of January 1, 2018. As this standard was adopted on a prospective basis as of January 1, 2018, the adoption of this standard did not impact our previously reported financial statements for periods ended on or prior to December 31, 2017.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allows us to record provisional amounts for the 2017 Tax Cuts and Jobs Act (the Tax Act) during a measurement period not to extend beyond one year of the enactment date, with further clarifications made recently with the issuance of ASU2018-05. Through March 31,2018, we did not have any significant adjustments to our provisional amounts, including the accounting for deferred tax remeasurements, the impact of the transition of U.S. international taxation from a worldwide tax system to a territorial system and other provisions. In addition, we are still assessing whether to change our indefinite investment assertion in light of the Tax Act and consider that assessment to be incomplete as permitted under guidance issued by the SEC. We will continue our analysis of these provisional amounts, which are still subject to change during the measurement period, and we anticipate further guidance on accounting interpretations from the FASB and application of the law from the Department of Treasury. We expect to reach a final determination within the measurement period described above.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory," which includes a revision of the accounting for the income tax consequences of intra-entity transfers of assets other than inventory to reduce the complexity in accounting standards. We adopted this new standard as of January 1, 2018 with an immaterial amount of cumulative effect adjustment recorded to our accumulated deficit as of January 1, 2018. As this standard was adopted on a prospective basis as of January 1, 2018, the adoption of this standard did not impact our previously reported financial statements for periods ended on or prior to December 31, 2017.

Financial Instruments

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, with further clarifications made recently with the issuance of ASU 2018-03 and 2018-04. These new standards require equity securities to be measured at fair value with changes in fair value recognized through net income, which results in greater variability in our net income. We adopted these new standards as of January 1, 2018 with a cumulative-effect adjustment, net of tax of $7.2 million recorded to our accumulated deficit as of January 1, 2018. This adjustment relates to the unrealized gain on our marketable equity securities as of December 31, 2017, which was previously included in accumulated other comprehensive income (loss) on our condensed consolidated balance sheet. As part of the adoption, we elected to apply the measurement alternative for our non-marketable equity investments that do not have readily determinable fair values, measuring them 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. The adoption of these standards did not result in an adjustment for our non-marketable equity investments as our measurement alternative election requires adjustments to be recorded only on a prospective basis. As these standards were adopted on a prospective basis as of January 1, 2018, the adoption of these standards did not impact our previously reported financial statements for periods ended on or prior to December 31, 2017.

Updated Significant Accounting Policies

Revenue Recognition

We report our revenues in two categories: (i) subscriptions and (ii) professional services and other.

Revenues are recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

Subscription revenues

Subscription revenues are primarily comprised of subscription fees that give customers access to the ordered subscription service, related support and updates, if any, to the subscribed service during the subscription term. We recognize subscription revenues ratably over the contract term beginning on the commencement date of each contract, which is the date we make our services available to our customers. Our contracts with customers typically include a fixed amount of consideration, and are generally non-cancelable and without any refund-type provisions. We typically invoice our customers annually in advance for our subscription services upon execution of the initial contract or subsequent renewal, and our invoices are typically due within 30 days from the invoice date.

Subscription revenues also include revenues from our on-premises offerings in which we grant customers the right to deploy our subscription service on the customers' own servers without significant penalty. For these contracts, we account for the software element and the related support and updates separately as they are distinct performance obligations. Refer to the discussion below related to contracts with multiple performance obligations for further details. The transaction price is allocated to separate performance obligations on a relative SSP basis. Transaction price allocated to the software element is recognized upon delivery, which is when transfer of control of the software to the customer is complete. The transaction price allocated to the related support and updates are recognized ratably over the contract term.

Professional services and other revenues

Our professional services arrangements are primarily on a time-and-materials basis, and revenues on these arrangements are recognized over time as the services are delivered. We typically invoice our customers monthly in arrears for these professional services based on actual hours and expenses incurred, and our invoices are typically due within 30 days from the invoice date. Professional services revenues associated with fixed fee arrangements are recognized on a proportional performance basis. In instances where certain milestones are required to be met before revenues are recognized, we defer professional services revenues and the associated costs until milestone criteria have been met. Other revenues consist of fees from customer training delivered on-site or through publicly available classes.

Contracts with multiple performance obligations

We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. For these contracts, the transaction price is allocated to the separate performance obligations on a relative SSP basis. We determine SSP by considering the historical selling price of these performance obligations in similar transactions as well as other factors, including, but not limited to, competitive pricing of similar products, other software vendor pricing, industry publications and current pricing practices.

Unbilled Receivables

Unbilled receivables, which is a contract asset, represent subscription revenues that are recognized upon delivery of the software prior to being invoiced. Unbilled receivables are primarily presented under prepaid expenses and other current assets on our condensed consolidated balance sheets.

Deferred Commissions

Deferred commissions are the incremental selling costs that are associated with acquiring customer contracts and consist of sales commissions paid to our sales force and referral fees paid to independent third-parties. On initial and expansion contracts, commissions and referral fees are primarily deferred and amortized over a period of benefit that we have determined to be five years. On renewal contracts, commissions and referral fees are deferred and amortized over the renewal term. Additionally, for our on-premises offerings, consistent with the recognition of subscription revenue for on-premises offerings, a portion of the commission cost is expensed upfront when the on-premises offering is made available. We determine the period of benefit by taking into consideration our customer contracts, our technology and other factors. We include amortization of deferred commissions in sales and marketing expense in our condensed consolidated statements of comprehensive income (loss). There was no impairment loss in relation to the costs capitalized for all periods presented.

Deferred revenue

Deferred revenue, which is a contract liability, consists primarily of payments received in advance of revenue recognition from our contracts with customers and is recognized as the revenue recognition criteria are met. Once our services are available to customers, we record amounts due in accounts receivable and in deferred revenue. To the extent we bill customers in advance of the billing period commencement date, the accounts receivable and corresponding deferred revenue amounts are netted to zero on our condensed consolidated balance sheets, unless such amounts have been paid as of the balance sheet date.

Customer deposits

Customer deposits primarily relate to payments received from customers which could be refundable pursuant to the terms of the contract and are presented under “accrued expenses and other current liabilities” on our condensed consolidated balance sheets.

Strategic investments

Our strategic investments consist of debt and non-marketable equity investments in privately-held companies. Debt investments in privately-held companies are classified as available-for-sale and are recorded at their estimated fair value with changes in fair value recorded through accumulated other comprehensive income (loss). We have elected to apply the measurement alternative for equity investments that do not have readily determinable fair values, measuring them 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. An impairment loss is recorded when event or circumstance indicates a decline in value has occurred. We include these strategic investments in “Other assets” on the consolidated balance sheets.

New Accounting Pronouncements Pending Adoption

In January 2018, the FASB released guidance on the accounting for tax on the global intangible low-taxed income (GILTI) provisions of the Tax Cuts and Jobs Act. The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. We are currently evaluating the impact of the adoption of this standard on our condensed consolidated financial statements and have not yet made a provisional estimate, as we have not yet completed our assessment or elected an accounting policy to either recognize deferred taxes for basis differences expected to reverse as GILTI or to record GILTI as period costs if and when incurred.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. This new standard is effective for our interim and annual periods beginning January 1, 2020. We are currently evaluating the impact of the adoption of this standard on our condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which requires lessees to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets, and to recognize on the income statement the expenses in a manner similar to current practice. This new standard, including related amendments recently issued by the FASB, is effective for our interim and annual periods beginning January 1, 2019, and early adoption is permitted. We are in the process of evaluating the impact of this new standard on our existing systems and processes and do not plan to early adopt this new standard. We currently anticipate that the adoption of this standard will have a material impact on our condensed consolidated balance sheets given that we had operating lease commitments in excess of $300 million as of March 31, 2018. However, we do not anticipate that the adoption of this standard will have a material impact on our condensed consolidated statements of comprehensive income (loss) since the expense recognition under this new standard will be similar to current practice.

(3) Investments

Marketable Securities

The following is a summary of our available-for-sale investment securities, excluding marketable equity securities and those securities classified within cash and cash equivalents on the condensed consolidated balance sheets (in thousands):

	March 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Commercial paper	$ 320,564	$ —	$ (3)	$ 320,561
Corporate notes and bonds	1,151,991	19	(6,069)	1,145,941
Certificates of deposit	36,241	2	—	36,243
U.S. government agency securities	113,127	—	(731)	112,396
Total available-for-sale securities	$ 1,621,923	$ 21	$ (6,803)	$ 1,615,141

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Commercial paper	$ 258,348	$ 1	$ (5)	$ 258,344
Corporate notes and bonds	1,006,302	26	(3,084)	1,003,244
Certificates of deposit	33,084	—	—	33,084
U.S. government agency securities	129,494	—	(638)	128,856
Total available-for-sale securities	$ 1,427,228	$ 27	$ (3,727)	$ 1,423,528

As of March 31, 2018, the contractual maturities of our available-for-sale investment securities, excluding marketable equity securities and those securities classified within cash and cash equivalents on the condensed consolidated balance sheets, did not exceed 36 months. The fair values of these securities, by remaining contractual maturity, are as follows (in thousands):

	March 31, 2018
Due within 1 year	$ 1,163,932
Due in 1 year through 5 years	451,209
Total	$ 1,615,141

The following table shows the fair values and the gross unrealized losses of our available-for-sale investment securities, classified by the length of time that the securities have been in a continuous unrealized loss position, and aggregated by investment types, excluding those securities classified within cash and cash equivalents on the condensed consolidated balance sheets (in thousands):

	March 31, 2018					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Commercial paper	$ 14,870	$ (3)	$ —	$ —	$ 14,870	$ (3)
Corporate notes and bonds	$ 1,010,573	$ (5,704)	$ 121,328	$ (365)	$ 1,131,901	$ (6,069)
U.S. government agency securities	92,780	(653)	19,616	(78)	112,396	(731)
Total	$ 1,118,223	$ (6,360)	$ 140,944	$ (443)	$ 1,259,167	$ (6,803)

	December 31, 2017					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Commercial paper	$ 14,809	$ (5)	$ —	$ —	$ 14,809	$ (5)
Corporate notes and bonds	819,113	(2,703)	141,874	(381)	960,987	(3,084)
U.S. government agency securities	106,301	(593)	22,555	(45)	128,856	(638)
Total	$ 940,223	$ (3,301)	$ 164,429	$ (426)	$ 1,104,652	$ (3,727)

As of March 31, 2018, we had a total of 446 available-for-sale securities, excluding those securities classified within cash and cash equivalents on the consolidated balance sheet in an unrealized loss position. There were no impairments considered “other-than-temporary” as it is more likely than not we will hold the securities until maturity or a recovery of the cost basis.

Marketable Equity Securities

As of March 31, 2018 and December 31, 2017, we had marketable equity securities of $39.2 million and $20.7 million, respectively. During the three months ended March 31, 2018, we adopted ASU 2016-01 and recognized $18.5 million of unrealized gains relating to the changes in the fair value of these securities during the three months ended March 31, 2018, through net income. Refer to Note 2 for further details. During the three months ended March 31, 2017, prior to the adoption of ASU 2016-01, we recognized $11.7 million of unrealized gains on our marketable equity securities offset by $4.3 million of tax effect through accumulated other comprehensive loss on our condensed consolidated balance sheet.

Strategic Investments

As of March 31, 2018 and December 31, 2017, the total amount of equity investments in privately-held companies included in other assets on our condensed consolidated balance sheets was $4.8 million. We have not recorded any adjustments resulting from observable price changes or impairment charges for any of our equity investments in privately-held companies.

The fair value of our debt investments in privately-held companies included within our strategic investments is $1.0 million as of March 31, 2018 and December 31, 2017. These investments are recorded at fair value using significant unobservable inputs or data in an inactive market and the valuation requires our judgment due to the absence of quoted prices in active markets and inherent lack of liquidity and are categorized accordingly as Level 3 in the fair value hierarchy.

(4) Fair Value Measurements

The following table presents our fair value hierarchy for our assets measured at fair value on a recurring basis at March 31, 2018 (in thousands):

	Level 1	Level 2	Total
Cash equivalents:			
Money market funds	$ 131,149	$ —	$ 131,149
Commercial paper	—	99,647	99,647
Corporate notes and bonds	—	7,923	7,923
Certificates of deposit	—	3,750	3,750
Short-term investments:			
Commercial paper	—	320,561	320,561
Corporate notes and bonds	—	750,337	750,337
Certificates of deposit	—	30,448	30,448
U.S. government agency securities	—	62,586	62,586
Marketable equity securities	39,173	—	39,173
Long-term investments:			
Corporate notes and bonds	—	395,604	395,604
Certificates of deposit	—	5,795	5,795
U.S. government agency securities	—	49,810	49,810
Total	$ 170,322	$ 1,726,461	$ 1,896,783

The following table presents our fair value hierarchy for our assets measured at fair value on a recurring basis at December 31, 2017 (in thousands):

	Level 1	Level 2	Total
Cash equivalents:			
Money market funds	$ 282,507	$ —	$ 282,507
Commercial paper	—	100,456	100,456
Corporate notes and bonds	—	50,437	50,437
Short-term investments:			
Commercial paper	—	258,344	258,344
Corporate notes and bonds	—	688,316	688,316
Certificates of deposit	—	17,950	17,950
U.S. government agency securities	—	67,476	67,476
Marketable equity securities	20,717	—	20,717
Long-term investments:			
Corporate notes and bonds	—	314,928	314,928
Certificates of deposit	—	15,134	15,134
U.S. government agency securities	—	61,380	61,380
Total	$ 303,224	$ 1,574,421	$ 1,877,645

We determine the fair value of our security holdings based on pricing from our service providers and market prices from industry-standard independent data providers. Such market prices may be quoted prices in active markets for identical assets (Level 1 inputs) or pricing determined using inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs), such as yield curve, volatility factors, credit spreads, default rates, loss severity, current market and contractual prices for the underlying instruments or debt, broker and dealer quotes, as well as other relevant economic measures.

See Note 3 for the fair value measurement of our debt investments in privately-held companies, Note 8 for the fair value measurement of our derivative instruments and Note 11 for the fair value measurement of our convertible senior notes.

(5) Business Combinations

On January 20, 2017, we completed the acquisition of a privately-held company, DxContinuum, Inc. (DxContinuum), for approximately $15.0 million in cash. The results of operations of DxContinuum have been included in our condensed consolidated financial statements from the date of purchase. In allocating the aggregate purchase price based on the estimated fair value, we recorded $11.2 million of goodwill, $6.4 million of developed technology intangible assets (to be amortized over estimated useful life of five years) and $2.6 million of deferred tax liabilities. The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill, representing synergies expected from expanded market opportunities when integrating DxContinuum technologies with our offerings. The goodwill balance is not deductible for income tax purposes.

(6) Goodwill and Intangible Assets

Goodwill balances are presented below (in thousands):

	Carrying Amount
Balance as of December 31, 2017	$ 128,728
Foreign currency translation adjustments	(43)
Balance as of March 31, 2018	$ 128,685

Intangible assets consist of the following (in thousands):

	March 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	$ 75,271	$ (34,388)	$ 40,883
Patents	32,130	(4,092)	28,038
Other	16,831	(3,199)	13,632
Total intangible assets	$ 124,232	$ (41,679)	$ 82,553

	December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	$ 102,349	$ (43,382)	$ 58,967
Patents	31,030	(3,239)	27,791
Other	1,575	(1,417)	158
Total intangible assets	$ 134,954	$ (48,038)	$ 86,916

Amortization expense for intangible assets for the three months ended March 31, 2018 and 2017 was approximately $5.7 million and $4.7 million, respectively.

The following table presents the estimated future amortization expense related to intangible assets held at March 31, 2018 (in thousands):

Years Ending December 31,	
2018	$ 17,231
2019	22,920
2020	12,895
2021	10,959
2022	7,066
Thereafter	11,482
Total future amortization expense	$ 82,553

(7) Property and Equipment

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

	March 31, 2018	December 31, 2017
Computer equipment	$ 360,506	$ 326,378
Computer software	48,108	46,413
Leasehold improvements	63,082	56,232
Furniture and fixtures	39,844	38,789
Building	7,044	7,084
Construction in progress	11,083	5,341
	529,667	480,237
Less: accumulated depreciation	(262,213)	(235,113)
Total property and equipment, net	$ 267,454	$ 245,124

Construction in progress consists primarily of building, leasehold improvements and in-process software development costs. Depreciation expense for the three months ended March 31, 2018 and 2017 was $27.7 million and $20.4 million, respectively.

(8) Derivative Contracts

We conduct business on a global basis in multiple foreign currencies, subjecting us to foreign currency risk. In order to manage certain exposures to currency fluctuations, we initiated a limited hedging program during the three months ended March 31, 2018 by entering into foreign currency derivative contracts with maturities of 12 months or less to hedge a portion of our net outstanding monetary assets and liabilities.

These derivative contracts include spot and forward contracts entered into with various counterparties, and are not designated as hedging instruments under applicable accounting guidance. As such, all changes in the fair value of these derivative contracts are recorded in other income (expense), net on the condensed consolidated statements of comprehensive income (loss). These derivative contracts are intended to offset the foreign currency gains or losses associated with the underlying monetary assets and liabilities, and changes in the related derivative assets and liabilities balances are classified as operating activities.

These derivative contracts expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the arrangement. We mitigate this credit risk by transacting with major financial institutions with high credit ratings and entering into master netting arrangements, which permit net settlement of transactions with the same counterparty. 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. We are not required to pledge, and are not entitled to receive, cash collateral related to these derivative instruments. We do not enter into derivative contracts for trading or speculative purposes.

As of March 31, 2018, we had derivative contracts with total notional values of $835.1 million, which are not designated as hedge instruments. Our foreign currency contracts are classified within Level 2 because the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, such as currency spot and forward rates. The fair values of these outstanding derivative contracts as of March 31, 2018 were as follows (in thousands):

	Condensed Consolidated Balance Sheets Location	March 31, 2018
Derivative Assets:		
Foreign currency derivative contracts	Prepaid expenses and other current assets	$ 1,457
Derivative Liabilities		
Foreign currency derivative contracts	Accrued expenses and other current liabilities	$ 3,283

(9) Deferred Revenue and Performance Obligations

Revenues recognized during the three months ended March 31, 2018 from amounts included in deferred revenue as of December 31, 2017 are $479.2 million. Revenues recognized during the three months ended March 31, 2018 from performance obligations satisfied or partially satisfied in previous periods are not material.

Transaction Price Allocated to the Remaining Performance Obligations

Transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancelable amounts that will be invoiced and recognized as revenues in future periods. We applied the practical expedient in accordance with Topic 606 to exclude the amounts related to professional services contracts that are on a time-and-material basis, which typically have a remaining duration of one year or less. In addition, we elected to apply the practical expedient to not disclose the transaction price allocated to remaining performance obligations for all periods presented before January 1, 2018, the date of our initial adoption of Topic 606.

As of March 31, 2018, total remaining non-cancelable performance obligations under our contracts with customers was approximately $3.80 billion, and we expect to recognize revenues on approximately 50% of these remaining performance obligations over the following 12 months, with the balance to be recognized thereafter.

(10) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	March 31, 2018	December 31, 2017 *As Adjusted
Taxes payable	$ 21,673	$ 25,617
Bonuses and commissions	58,323	84,972
Accrued compensation	53,969	45,428
Other employee related liabilities	33,867	44,284
Other	82,906	52,956
Total accrued expenses and other current liabilities	$ 250,738	$ 253,257

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

(11) Convertible Senior Notes

In May and June 2017, we issued an aggregate of $782.5 million of 0% convertible senior notes (the 2022 Notes), which are due June 1, 2022 unless earlier converted or repurchased in accordance with their terms. In November 2013, we issued $575.0 million of 0% convertible senior notes (the 2018 Notes, and together with the 2022 Notes, the Notes), which are due November 1, 2018 unless earlier converted or repurchased in accordance with their terms. The Notes do not bear interest, and we cannot redeem the Notes prior to maturity.

The Notes are unsecured obligations and do not contain any financial covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries.

Upon conversion of the Notes, we may choose to pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock. We currently intend to settle the principal amount of the 2018 Notes with cash.

	Convertible Date	Initial Conversion Price per Share	Initial Conversion Rate per $1,000 Par Value	Initial Number of Shares
2022 Notes	February 1, 2022	$ 134.75	7.42 shares	5,806,936
2018 Notes	July 1, 2018	$ 73.88	13.54 shares	7,783,023

Holders of the Notes may convert their Notes at their option at any time prior to the close of business on the business day immediately preceding February 1, 2022 and July 1, 2018, for the 2022 Notes and 2018 Notes, respectively (each, a Convertible Date), only under the following circumstances:

- during any calendar quarter (and only during such calendar quarter) if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day (in each case, the Conversion Condition); or

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

- upon the occurrence of specified corporate events.

On or after the applicable Convertible Date, a holder may convert all or any portion of its Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date regardless of the foregoing conditions. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. As noted above, we currently intend to settle the principal amount of the 2018 Notes with cash.

The conversion price will be subject to adjustment in some events. Holders of the Notes who convert their Notes in connection with certain corporate events that constitute a “make-whole fundamental change” are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, in the event of a corporate event that constitutes a “fundamental change,” holders of the Notes may require us to purchase with cash all or a portion of the Notes upon the occurrence of a fundamental change, at a purchase price equal to 100% of the principal amount of the respective Notes plus any accrued and unpaid special interest, if any.

In accounting for the issuance of the Notes, we separated the Notes into liability and equity components. The carrying cost 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 Notes. The difference between the principal amount of the Notes and the proceeds allocated to the liability component, or the debt discount, is amortized to interest expense using the effective interest method over the term of the respective Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

In accounting for the transaction costs related to the issuance of the Notes, we allocated the total amount incurred to the liability and equity components based on their relative fair values. Transaction costs attributable to the liability component are being amortized to interest expense over the respective terms of the Notes, and transaction costs attributable to the equity component were netted with the equity component of the Notes in stockholders’ equity. The Notes consisted of the following (in thousands):

	March 31, 2018	December 31, 2017
Liability component:		
Principal:		
2022 Notes	$ 782,500	$ 782,500
2018 Notes	537,728	574,994
Less: debt issuance cost and debt discount, net of amortization		
2022 Notes	(144,705)	(152,482)
2018 Notes	(20,803)	(31,576)
Net carrying amount	$ 1,154,720	$ 1,173,436

	2022 Notes	2018 Notes
Equity component recorded at issuance:		
Note	$ 162,039	$ 155,319
Issuance cost	(2,148)	(3,257)
Net amount recorded in equity	$ 159,891	$ 152,062

The Conversion Condition for the 2022 Notes was not met for the quarter ended March 31, 2018 or any prior quarter, and therefore, our 2022 Notes were not convertible at the holders' option. The Conversion Condition for the 2018 Notes was met for the quarters ended June 30, 2017, September 30, 2017, December 31, 2017 and March 31, 2018, respectively. Therefore, the 2018 Notes became convertible at the holders' option beginning on July 1, 2017 and continue to be convertible at the holders' option through June 30, 2018. During the three months ended March 31, 2018, we paid cash to settle $37.3 million principal amount of the 2018 Notes and recorded a loss on early note conversions of $0.8 million. As a result of the settlements, we also recorded a $0.7 million net reduction to additional paid-in capital, reflecting $45.2 million fair value adjustments to the conversion option settled offset by a $44.5 million benefit from the 2018 Note Hedges (as defined below). For cash flow presentation, we bifurcate the $37.3 million paid during the three months ended March 31, 2018 into two components: the portion of the repayment attributable to debt discount is classified as cash outflows from operating activities, and the portion of the repayment attributable to the principal is classified as cash outflows from financing activities.

Based on additional conversion requests we have received through the filing date, we expect to settle in cash an aggregate of $319.5 million in principal amount of the 2018 Notes during the second quarter of 2018. We may receive additional conversion requests that require settlement in the second quarter of 2018.

We consider the fair value of the Notes at March 31, 2018 to be a Level 2 measurement. The estimated fair values of the Notes at March 31, 2018 and December 31, 2017 based on the closing trading price per $100 of the Notes were as follows (in thousands):

	March 31, 2018	December 31, 2017
2022 Notes	$ 1,035,130	$ 897,778
2018 Notes	$ 1,196,192	$ 1,015,554

As of March 31, 2018, the remaining life of the 2022 Notes and 2018 Notes are 50 months and 7 months, respectively. The following table sets forth total interest expense recognized related to the Notes (in thousands):

	Three Months Ended March 31,	
	2018	2017
Amortization of debt issuance cost		
2022 Notes	$ 376	$ —
2018 Notes	498	465
Amortization of debt discount		
2022 Notes	7,402	—
2018 Notes	8,788	8,213
Total	$ 17,064	$ 8,678
Effective interest rate of the liability component		
2022 Notes	4.75%	
2018 Notes	6.50%	

Note Hedges

To minimize the impact of potential economic dilution upon conversion of the Notes, we entered into convertible note hedge transactions (the 2022 Note Hedge and 2018 Note Hedge, respectively, and collectively, the Note Hedges) with certain investment banks, with respect to our common stock concurrently with the issuance of the 2022 Notes and 2018 Notes.

	Purchase	Shares
	(in thousands)	
2022 Note Hedge	$ 128,017	5,806,936
2018 Note Hedge	$ 135,815	7,783,023

The Note Hedges cover shares of our common stock at a strike price per share that corresponds to the initial conversion price of the respective Notes, subject to adjustment, and are exercisable upon conversion of the Notes. If exercised, we may elect to receive cash, shares of our common stock, or a combination of cash and shares. We have accounted for the aggregate amount of purchase price for the Note Hedges as a reduction to additional paid-in capital. The Note Hedges will expire upon the maturity of the Notes. The Note Hedges are intended to reduce the potential economic dilution upon conversion of the Notes in the event that the fair value per share of our common stock at the time of exercise is greater than the conversion price of the Notes. The Note Hedges are separate transactions and are not part of the terms of the Notes. Holders of the Notes will not have any rights with respect to the Note Hedges. The Note Hedges do not impact earnings per share, as they were entered into to offset any dilution from the Notes.

During the three months ended March 31, 2018, the Note Hedge counterparties paid $44.5 million in cash to holders of the 2018 Notes from the exercise of a portion of the 2018 Note Hedges. As of March 31, 2018, 7,278,525 shares remain subject to the 2018 Note Hedge due to early conversions that have occurred through March 31, 2018.

Warrants

	Proceeds	Shares	Strike Price	First Expiration Date
	(in thousands)			
2022 Warrants	$ 54,071	5,806,936	$ 203.40	September 2022
2018 Warrants	$ 84,525	7,783,023	$ 107.46	February 2019

Separately, we entered into warrant transactions with certain investment banks, whereby we sold warrants to acquire, subject to adjustment, the number of shares of our common stock shown in the table above (the 2022 Warrants and 2018 Warrants, respectively, and collectively, the Warrants). If the average market value per share of our common stock for the reporting period, as measured under the Warrants, exceeds the strike price of the respective Warrants, such Warrants would have a dilutive effect on our earnings per share to the extent we report net income. According to the terms of each of the Warrants, the Warrants will be automatically exercised over a 60 trading day period beginning on the first expiration date of the respective Warrants as set forth above. The Warrants are separate transactions and are not remeasured through earnings each reporting period. The Warrants are not part of the Notes or Note Hedges, and have been accounted for as part of additional paid-in capital.

(12) Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, consist of the following (in thousands):

	March 31, 2018	December 31, 2017 *As Adjusted
Foreign currency translation adjustment	$ (6,189)	$ 2,246
Net unrealized gain (loss) on investments, net of tax[(1)]	(6,781)	3,521
Accumulated other comprehensive (loss) income	$ (12,970)	$ 5,767

(1) The net unrealized loss on investments as of March 31, 2018 includes a cumulative-effect adjustment, net of tax of $7.2 million resulting from our adoption of ASU 2016-01. See Note 2 for further details.

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Reclassification adjustments out of accumulated other comprehensive income (loss) into net income (loss) were immaterial for all periods presented.

(13) Stockholders' Equity

Common Stock

Under our restated certificate of incorporation, we were authorized to issue 600,000,000 shares of common stock as of March 31, 2018. Holders of our common stock are not entitled to receive dividends unless declared by our board of directors. As of March 31, 2018, we had 176,562,963 shares of common stock outstanding and had reserved shares of common stock for future issuance as follows:

	March 31, 2018
Stock plans:	
Options outstanding	2,687,234
RSUs[1]	13,278,152
Shares of common stock available for future grants:	
2012 Equity Incentive Plan[2]	31,423,949
2012 Employee Stock Purchase Plan[2]	10,948,982
Total shares of common stock reserved for future issuance	58,338,317

(1) Represents the number of shares issuable upon settlement of outstanding RSUs and performance-based RSUs, assuming 100% of the target number of shares for the 2018 performance-based RSUs, as discussed under the section entitled "RSUs" in Note 14.

(2) Refer to Note 14 for a description of these plans.

During the three months ended March 31, 2018 and 2017, we issued a total of 2,287,099 shares and 2,290,586 shares, respectively, from stock option exercises, vesting of restricted stock units (RSUs), net of employee payroll taxes, and purchases from the employee stock purchase plan (ESPP).

(14) Equity Awards

We currently have two equity incentive plans, our 2005 Stock Option Plan (the 2005 Plan) and our 2012 Equity Incentive Plan (the 2012 Plan). Our 2005 Plan was terminated in connection with our initial public offering in 2012 but continues to govern the terms of outstanding stock options that were granted prior to the termination of the 2005 Plan. We no longer grant equity awards pursuant to our 2005 Plan.

Our 2012 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, RSUs, performance-based stock awards and other forms of equity compensation (collectively, equity awards). In addition, the 2012 Plan provides for the grant of performance cash awards. Incentive stock options may be granted only to employees. All other equity awards may be granted to employees, including officers, as well as directors and consultants. The share reserve may increase to the extent outstanding stock options under the 2005 Plan expire or terminate unexercised. The share reserve also automatically increases on January 1 of each year until January 1, 2022, by up to 5% of the total number of shares of common stock outstanding on December 31 of the preceding year as determined by our board of directors. On January 1, 2018, 8,713,793 shares of common stock were automatically added to the 2012 Plan pursuant to the provision described in the preceding sentence.

Our 2012 Employee Stock Purchase Plan (the 2012 ESPP) authorizes the issuance of shares of common stock pursuant to purchase rights granted to our employees. The price at which common stock is purchased under the 2012 ESPP is equal to 85% of the fair market value of our common stock on the first or last day of the offering period, whichever is lower. Offering periods are six months long and begin on February 1 and August 1 of each year. The number of shares of common stock reserved for issuance automatically increases on January 1 of each year until January 1, 2022, by up to 1% of the total number of shares of common stock outstanding on December 31 of the preceding year as determined by our board of directors. On January 1, 2018, 1,742,758 shares of common stock were automatically added to the 2012 ESPP pursuant to the provision described in the preceding sentence.

Stock Options

A summary of the stock option activity for the three months ended March 31, 2018 is as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2017	3,369,732	$ 38.43		
Exercised	(621,330)	27.83		$ 77,936
Canceled	(61,168)	68.12		
Outstanding at March 31, 2018	2,687,234	$ 40.21	5.56	$ 336,572
Vested and expected to vest as of March 31, 2018	2,665,675	$ 39.93	5.54	$ 334,594
Vested and exercisable as of March 31, 2018	1,949,267	$ 24.40	4.41	$ 274,948

Aggregate intrinsic value represents the difference between the estimated fair value of our common stock and the exercise price of outstanding, in-the-money options. The total fair value of stock options vested during the three months ended March 31, 2018 was $5.2 million.

As of March 31, 2018, total unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested stock options was approximately $20.2 million. The weighted-average remaining vesting period of unvested stock options at March 31, 2018 was 2.96 years.

RSUs

A summary of RSU activity for the three months ended March 31, 2018 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value (Per Share)	Aggregate Intrinsic Value (in thousands)
Unvested at December 31, 2017	11,403,341	$ 81.50	
Granted	4,078,322	151.13	
Vested	(1,854,662)	73.94	$ 281,822
Forfeited	(348,849)	87.01	
Unvested at March 31, 2018	13,278,152	$ 103.80	$ 2,196,870

RSUs granted to employees under the 2012 Plan generally vest over a four-year period. As of March 31, 2018, total unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested RSUs was approximately $1.24 billion and the weighted-average remaining vesting period was 3.16 years.

Included in the RSU activity table above are RSUs with both service and performance-based vesting criteria that were granted to certain employees. The number of shares eligible to vest for the performance-based RSUs (PRSUs) will depend upon achievement of a corporate performance metric, with level of achievement determined by the Leadership Development and Compensation Committee of our Board of Directors in January of the year following the grant. The ultimate number of shares eligible to vest for PRSUs range from 0% to 180% of the target number of shares depending on achievement relative to the performance metric over the applicable period. The eligible shares subject to PRSUs granted during the three months ended March 31, 2018 will vest 33% in February 2019 and continue to vest quarterly for the remaining two subsequent years, contingent on each holder's continuous status as a service provider on the applicable vesting dates. The PRSUs shown in the table above reflect the number of shares that would be eligible to vest at 100% of target performance, in the case of PRSUs for which achievement has not yet been determined, and reflect adjustments for over- or under- achievement, in the case of PRSUs for which achievement has already been determined. We recognized $15.1 million and $8.8 million of stock-based compensation expense, net of actual and estimated forfeitures, associated with PRSUs on a graded vesting basis during the three months ended March 31, 2018 and 2017, respectively.

(15) Net Income (Loss) Per Share

Basic net income (loss) per share attributable to common stockholders is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, adjusted for the effects of dilutive shares of common stock, which are comprised of outstanding stock options, RSUs, ESPP obligations, the Notes and the Warrants. The dilutive potential shares of common stock are computed using the treasury stock method or the as-if converted method, as applicable. The effects of outstanding stock options, RSUs, ESPP obligations, Notes and Warrants are excluded from the computation of diluted net income (loss) per share in periods in which the effect would be antidilutive.

The following table presents the calculation of basic and diluted net income (loss) per share (in thousands, except share and per share data):

	Three Months Ended March 31,	
	2018	2017 *As Adjusted
Numerator:		
Net income (loss)	$ 10,622	$ (21,514)
Denominator:		
Weighted-average shares outstanding - basic	175,482,833	168,742,366
Weighted-average effect of potentially dilutive securities:		
Common stock options	1,995,185	—
Restricted stock units	5,869,792	—
ESPP obligations	7,510	—
In-the-money portion of 2018 Notes	3,794,221	—
2018 Warrants	2,363,658	—
In-the-money portion of 2022 Notes	736,587	—
Weighted-average shares outstanding - diluted	190,249,786	168,742,366
Net income (loss) per share - basic	$ 0.06	$ (0.13)
Net income (loss) per share - diluted	$ 0.06	$ (0.13)

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

The denominator for diluted net income per share does not include any effect from the Note Hedges that we entered into concurrently with the issuance of the Notes, as the effect of the Note Hedges would be anti-dilutive. In the event of conversion of the Notes and in the event we elect to share settle, the shares delivered to us under the Note Hedges will offset the dilutive effect of the shares that we would issue for the in-the-money portion of the Notes.

Potentially dilutive securities (in weighted-average terms for periods in which we have a net income) that are not included in the calculation of diluted net income (loss) per share because doing so would be antidilutive are as follows:

	March 31,	
	2018	2017
Common stock options	—	5,649,375
Restricted stock units	38,114	14,129,353
ESPP obligations	—	290,102
2018 convertible senior notes	—	7,783,023
Warrants related to the issuance of 2018 convertible senior notes	—	7,783,023
Warrants related to the issuance of 2022 convertible senior notes	5,806,933	—
Total potentially dilutive securities	5,845,047	35,634,876

(16) Income Taxes

We compute our provision for income taxes by applying the estimated annual effective tax rate to year-to-date loss from recurring operations and adjust the provision for discrete tax items recorded in the period.

Our effective tax rate was 244% for the three months ended March 31, 2018, which was higher than the U.S. federal statutory tax rate of 21%. The higher tax rate was primarily attributable to the indirect effect of Topic 606 on income taxes associated with intercompany adjustments.

Our effective tax rate was 5% for the three months ended March 31, 2017, which was lower than the U.S. federal statutory tax rate of 34%. The lower tax rate was primarily attributable to our loss from operations, the foreign tax rate differential, a release of the valuation allowance in connection with an acquisition and excess tax benefits of stock-based compensation.

We are subject to taxation in the United States and foreign jurisdictions. As of March 31, 2018, our tax years 2004 to 2017 remain subject to examination in most jurisdictions.

There are differing interpretations of tax laws and regulations, and as a result, disputes may arise with tax authorities involving issues of the timing and amount of deductions and allocations of income among various tax jurisdictions. We periodically evaluate our exposures associated with our tax filing positions. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these examinations, and we do not anticipate a significant impact to our gross unrecognized tax benefits within the next 12 months related to these years. Although the timing of the resolution, settlement, and closure of any audit is highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. However, given the number of years that remain subject to examination, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits.

(17) Commitments and Contingencies

Operating Leases and Other Contractual Commitments

For some of our offices and data centers, we have entered into non-cancelable operating lease agreements with various expiration dates. Future minimum payments under our non-cancelable operating leases and other contractual commitments outstanding as of March 31, 2018 are presented in the table below (in thousands):

	Operating Leases	Purchase Obligations[1]	Other	Total
Years Ending December 31,				
Remainder of 2018	$ 37,317	$ 28,656	$ 145	$ 66,118
2019	49,294	28,158	571	78,023
2020	50,495	15,948	979	67,422
2021	47,837	7,153	1,018	56,008
2022	45,700	3,526	1,038	50,264
Thereafter	126,897	4,185	1,471	132,553
Total	$ 357,540	$ 87,626	$ 5,222	$ 450,388

(1) Consists of future minimum payments under non-cancelable purchase commitments primarily related to data center and IT operations and sales and marketing activities. Not included in the table above are certain purchase commitments related to our future annual Knowledge user conferences and other customer or sales conferences. If we were to cancel these contractual commitments as of March 31, 2018, we would have been obligated to pay cancellation penalties of approximately $14.0 million in aggregate, of which $7.9 million is related to our Knowledge user conference in May 2019.

In addition to the amounts above, the repayment of our 2022 Notes with an aggregate principal amount of $782.5 million is due on June 1, 2022, and the repayment of our 2018 Notes with an aggregate principal amount of $537.7 million is due on November 1, 2018. Refer to Note 11 for further information regarding our Notes.

In addition to the obligations in the table above, approximately $9.8 million of unrecognized tax benefits have been recorded as liabilities as of March 31, 2018. It is uncertain as to if or when such amounts may be settled.

Subsequent to the three months ended March 31, 2018, we entered into lease agreements related to the expansion and lease term extension of our existing Santa Clara headquarters office facility through 2035. Total estimated incremental future minimum payments under the expansion and extension is $453.7 million, which amount is not included in the table above. Refer to Part II Item 5, Other Information, for further information regarding the expansion and lease term extension.

Legal Proceedings

From time to time, we are party to litigation and other legal proceedings in the ordinary course of business. While the results of any litigation or other legal proceedings are uncertain, management does not believe the ultimate resolution of any pending legal matters is likely to have a material adverse effect on our financial position, results of operations or cash flows, except for those matters for which we have recorded a loss contingency. We accrue for loss contingencies when it is both probable that we will incur the loss and when we can reasonably estimate the amount of the loss or range of loss.

Generally, our subscription agreements require us to defend our customers for third-party intellectual property infringement and other claims. Any adverse determination related to intellectual property claims or other litigation could prevent us from offering our services and adversely affect our financial condition and results of operations.

(18) Information about Geographic Areas and Products

Revenues by geographic area, based on the location of our users, were as follows for the periods presented (in thousands):

	Three Months Ended March 31,	
	2018	2017 *As Adjusted
North America [1]	$ 387,473	$ 293,855
EMEA [2]	152,426	101,685
Asia Pacific and other	49,323	33,231
Total revenues	$ 589,222	$ 428,771

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Property and equipment, net by geographic area were as follows (in thousands):

	March 31, 2018	December 31, 2017
North America[3]	$ 173,900	$ 164,040
EMEA[2]	61,668	50,028
Asia Pacific and other	31,886	31,056
Total property and equipment, net	$ 267,454	$ 245,124

(1) Revenues attributed to the United States were approximately 95% and 94% of North America revenues for the three months ended March 31, 2018 and 2017, respectively.
(2) Europe, the Middle East and Africa
(3) Property and equipment, net attributed to the United States were approximately 88% and 89% of property and equipment, net attributable to North America as of March 31, 2018 and December 31, 2017, respectively.

Subscription revenues consist of the following (in thousands):

	Three Months Ended March 31,	
	2018	2017 *As Adjusted
Service management products	$ 462,562	$ 343,792
ITOM products	80,763	43,792
Total subscription revenues	$ 543,325	$ 387,584

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Our service management products include our platform, IT service management, IT business management, customer service management, HR service delivery and security operations, and are generally priced on a per user basis. Our IT operations management (ITOM) products are generally priced on a per node basis.

(19) Subsequent Events

During the three months ended June 30, 2018, we paid approximately $25 million cash to acquire all of the outstanding stock of two privately-held companies. Our accounting and analysis of these transactions is pending completion.

See Note 17 and Part II Item 5, Other Information, for subsequent event relating to our headquarters expansion and Note 11 for outstanding note conversion requests received through filing date.

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

The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with the (1) unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and (2) the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2017 included in the Annual Report on Form 10-K dated as of, and filed with the Securities and Exchange Commission (the SEC) on February 28, 2018 (File No. 001-35580). This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled "Risk Factors," set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in our other SEC filings. We disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Our billings and free cash flow measures included in the sections entitled "—Key Business Metrics—Billings," and "—Key Business Metrics—Free Cash Flow" are not presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP). These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. These measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We encourage investors to carefully consider our results under GAAP, as well as our supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand our business.

Overview

ServiceNow is a leading provider of enterprise cloud computing solutions that define, structure, manage and automate services for global enterprises. We help our customers improve service quality and reduce costs while scaling and automating their businesses.

We generally offer our services on an annual subscription fee basis, which includes access to the ordered subscription service and related support, including updates to the subscription service during the subscription term. We provide a scaled pricing model based on the duration of the subscription term, and we frequently extend discounts to our customers based on the volume of units purchased. We generate sales through our direct sales team and, to a lesser extent, indirectly through resale partners and third-party referrals. We also generate revenues from professional services and for training of customer and partner personnel. We generally bill our customers annually in advance for subscription services and monthly in arrears for our professional services as the work is performed.

A majority of our revenues come from large global enterprise customers. We continue to invest in the development of our services, infrastructure and sales and marketing to drive long-term growth. We increased our overall employee headcount to 6,675 as of March 31, 2018 from 5,223 as of March 31, 2017.

Key Business Metrics

Number of customers with ACV greater than $1 million. We count the total number of customers with annualized contract value (ACV) greater than $1 million as of the end of the period. We had 536 and 374 customers with ACV greater than $1 million as of March 31, 2018 and 2017, respectively. For purposes of customer count, a customer is defined as an entity with a unique Dunn & Bradstreet Global Ultimate (GULT), Data Universal Numbering System (DUNS) number and an active subscription contract as of the measurement date. The DUNS number is a global standard for business identification and tracking. We make exceptions for holding companies, government entities and other organizations for which the GULT, in our judgment, does not accurately represent the ServiceNow customer. For example, while all U.S. government agencies roll up to "Government of the United States" under the GULT, we count each government agency that we contract with as a separate customer. Our customer count is subject to adjustments for acquisitions, spin-offs and other market activity. Previously disclosed number of customers with ACV greater than $1 million as well as our average contract term calculations are restated to allow for comparability. ACV is calculated based on the foreign exchange rate in effect at the time the contract was signed. Foreign exchange rate fluctuations could cause some variability in the number of customers with ACV greater than $1 million.

G2K customer count. The Global 2000 (G2K) customer count is defined as the total number of G2K companies in our customer base as of the end of the period. The Forbes Global 2000 is an annual ranking of the top 2,000 public companies in the world by Forbes magazine. The ranking is based on a mix of four metrics: sales, profit, assets, and market value. The Forbes Global 2000 is generally updated annually in the second quarter of the calendar year, and we adjust current and prior period G2K customer counts following the release of the latest Global 2000 list in the second or third quarter of the calendar year for comparability purposes. We also adjust the G2K count for acquisitions, spin-offs and other market activity. For example, we add a G2K customer when a G2K company that is not our customer acquires a company in our existing customer base that is not a G2K company. When we enter into a contract with a G2K parent company, or any of its related subsidiaries, or any combination of entities within a G2K company, we count only one G2K customer. We do not count further penetration into entities within a given G2K as a new customer in the G2K customer count. Our G2K customer count also excludes customers that have only purchased our Express product offering, which is our entry-level IT service management solution. Our G2K customer count does not include large private companies, government agencies and educational organizations, which represent a growing portion of our customer base. Our G2K customer count was 850 and 765 as of March 31, 2018 and 2017, respectively.

Average ACV per G2K customer. We calculate average ACV for our G2K customers by taking aggregate ACV from G2K customers as of the end of the period divided by the total number of G2K customers as of the end of the period. ACV is calculated based on the foreign exchange rate in effect at the time the contract was entered into, and as a result, foreign currency rate fluctuations could cause variability in the average ACV per G2K customer. Prior G2K customer counts used in calculating ACV per G2K customer are adjusted for the most recent Forbes Global 2000 list for comparability purposes. Our average ACV per G2K customer was approximately $1.4 million and $1.1 million as of March 31, 2018 and 2017, respectively.

Renewal rate. We calculate our renewal rate by subtracting our attrition rate from 100%. Our attrition rate for a period is equal to the ACV from customers lost during the period, divided by the total ACV from all customers that renewed during the period, excluding changes in price or users, and total ACV from all customers lost during the period. Accordingly, our renewal rate is calculated based on ACV and is not based on the number of customers that have renewed. A lost customer is a customer that did not renew an expiring contract and that, in our judgment, will not be renewed. Typically, a customer that reduces its subscription upon renewal is not considered a lost customer. However, in instances where the subscription decrease represents the majority of the customer's ACV, we may deem the renewal as a lost customer. For our renewal rate calculation, we define a customer as an entity with a separate production instance of our service and an active subscription contract as of the measurement date, instead of an entity with a unique GULT or DUNS number. Our renewal rate was 98% and 97% for the three months ended March 31, 2018 and 2017, respectively. As our renewal rate is impacted by the timing of renewals, which could occur in advance of, or subsequent to the original contract end date, period-to-period comparison of renewal rates may not be meaningful.

Total backlog. Total backlog consists of unbilled backlog, deferred revenue and customer deposits. Unbilled backlog is an operational measure representing future unearned revenue amounts believed to be firm that are to be invoiced under our existing agreements and are not included in the deferred revenue or customer deposits on our consolidated balance sheets. In our previous Annual Reports on Form 10-K, we referred to unbilled backlog as "backlog." We believe total backlog is a useful measure of customer adoption of our services.

As of March 31, 2018, our total backlog was $3.98 billion, of which $2.63 billion was unbilled backlog and $1.35 billion was deferred revenue and customer deposits. Of this total backlog, we expect to recognize approximately 51% in revenues over the 12 months following March 31, 2018, with the balance to be recognized thereafter.

As of December 31, 2017, our total backlog was $3.80 billion, of which $2.55 billion was unbilled backlog and $1.25 billion was deferred revenue and customer deposits, which reflects the impact of the full retrospective adoption of Topic 606. For the disclosure of unbilled backlog prior to the adoption of Topic 606, see the section entitled "Business" in our Annual Report on Form 10-K for the year ended December 31, 2017 filed on February 28, 2018.

We expect total backlog to fluctuate due to a number of factors, including the timing, duration and size of customer contracts, the mix of cloud and on-premises offerings and foreign exchange rate fluctuations.

Billings. We define billings, a non-GAAP financial measure, as revenues recognized plus the change in total unbilled receivables, deferred revenue and customer deposits as presented on the condensed consolidated statements of cash flows. While we had in previous filings defined billings as revenues recognized plus the change in total deferred revenue as presented on the condensed consolidated statements of cash flows, our current definition better aligns with Topic 606, which became effective for our interim and annual periods beginning January 1, 2018. Refer to Note 2 in the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information regarding Topic 606.

A calculation of billings is provided below:

	Three Months Ended March 31,		
	2018	2017 *As Adjusted	% Change
	(dollars in thousands)		
Billings:			
Total revenues	$ 589,222	$ 428,771	37%
Change in total deferred revenue, unbilled receivables and customer deposits[(1)]	100,164	90,700	10%
Total billings	$ 689,386	$ 519,471	33%

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

(1) As presented on or derived from our condensed consolidated statements of cash flows.

Billings consists of amounts invoiced for subscription contracts with existing customers, renewal contracts, contracts for increased purchases with existing customers (expansion contracts), and contracts with new customers, and contracts for professional services and training. Factors that may cause our billings results to vary from period to period include the following:

- *Billings duration*. While we typically bill customers annually for our subscription services, customers sometimes request, and we accommodate, billings with durations less than or greater than the typical 12-month term.

- *Contract start date*. From time to time, we enter into contracts with a contract start date in the future, and we exclude these amounts from billings as these amounts are not included in our consolidated balance sheets, unless such amounts have been paid as of the balance sheet date.

- *Foreign currency exchange rates*. While a majority of our billings have historically been in U.S. Dollars, an increasing percentage of our billings in recent periods has been in foreign currencies, particularly the Euro and British Pound Sterling.

- *Timing of contract renewals*. While customers typically renew their contracts at the end of the contract term, from time to time customers may do so either before or after the scheduled expiration date. For example, in cases where we are successful in selling additional products or services to an existing customer, a customer may decide to renew its existing contract early to ensure that all its contracts expire on the same date. In other cases, prolonged negotiations or other factors may result in a contract not being renewed until after it has expired.

While we believe billings is a useful leading indicator regarding the performance of our business, due to the factors described above, an increase or decrease in new or renewed subscriptions in a reporting period may not have an immediate impact on billings for that reporting period.

To facilitate greater year-over-year comparability in our billings results, we disclose the impact that foreign currency rate fluctuations and fluctuations in billings duration had on our billings. The impact of foreign currency rate fluctuations is calculated by translating the current period results for entities reporting in currencies other than U.S. Dollars into U.S. Dollars at the average exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period. The impact of fluctuations in billings duration is calculated by replacing the portion of multi-year billings in excess of 12 months during the current period with the portion of multi-year billings in excess of 12 months during the prior period presented. Notwithstanding the adjustments described above, the comparability of billings results from period to period remains subject to the impact of variations in the dollar value of contracts with future start dates and the timing of contract renewals, for which no adjustments have been presented.

Foreign currency rate fluctuations had a favorable impact of $29.6 million on billings for the three months ended March 31, 2018. Changes in billings duration had an unfavorable impact of $2.0 million for the three months ended March 31, 2018.

We have historically experienced seasonality in terms of when we enter into customer agreements for our services. We sign a significantly higher percentage of agreements with new customers, as well as renewal agreements with existing customers, in the fourth quarter of each year. The increase in customer agreements for the fourth quarter is primarily a result of the terms of our commission plans to incentivize our direct sales force to meet their annual quotas by December 31 and large enterprise account buying patterns typical in the software industry, which are driven primarily by the expiration of annual authorized budgeted expenditures. Furthermore, we usually sign a significant portion of these agreements during the last month, and often the last two weeks, of each quarter. This seasonality in the timing of entering into customer contracts is sometimes not immediately apparent in our billings, due to the fact that we typically exclude cloud-offering contracts with a future start date from our billings. Similarly, this seasonality is reflected to a much lesser extent, and sometimes is not immediately apparent in our revenues, due to the fact that we recognize subscription revenues from our cloud offerings over the term of the license agreement, which is generally 12 to 36 months. Although these seasonal factors are common in the technology industry, historical patterns should not be considered a reliable indicator of our future sales activity or performance.

Free cash flow. We define free cash flow, a non-GAAP financial measure, as GAAP net cash provided by operating activities reduced by purchases of property and equipment. Purchases of property and equipment are otherwise included in cash used in investing activities under GAAP. We believe information regarding free cash flow provides useful information to investors because it is an indicator of the strength and performance of our business operations. However, our calculation of free cash flow may not be comparable to similar measures used by other companies. In addition, free cash flow is impacted by the timing of collections and disbursements, including the timing of capital expenditures. We have historically seen higher collections in the quarter ended March 31 due to seasonality in timing of entering into customer contracts in the quarter ended December 31. A calculation of free cash flow is provided below:

	Three Months Ended March 31,		
	2018	2017	% Change
	(dollars in thousands)		
Free cash flow:			
Net cash provided by operating activities	$ 250,080	$ 187,608	33%
Purchases of property and equipment	(35,371)	(33,186)	7%
Free cash flow[(1)]	$ 214,709	$ 154,422	39%

(1) Free cash flow for the three months ended March 31, 2018 includes the effect of $8.7 million relating to the repayments of convertible senior notes attributable to debt discount.

Average contract term. We calculate the average contract term for new customers, expansion contracts, and renewals based on the terms of those contracts entered into during the period weighted by their ACV. The average new customer contract term was 37 months and 33 months for the three months ended March 31, 2018 and 2017, respectively. The average expansion contract term was 27 months and 26 months for the three months ended March 31, 2018 and 2017, respectively. The average renewal contract term was 26 months and 25 months for the three months ended March 31, 2018 and 2017, respectively.

Components of Results of Operations

Revenues

Subscription revenues. Subscription revenues are primarily comprised of fees that give customers access to the ordered subscription service, and related support and updates, if any, to the subscription service during the subscription term. Pricing includes multiple instances, hosting and support services, data backup and disaster recovery services, as well as future updates, when and if available, offered during the subscription term. We typically invoice our customers for subscription fees in annual increments upon execution of the initial contract or subsequent renewal. Our contracts are generally non-cancelable during the subscription term, though a customer can terminate for breach if we materially fail to perform.

Professional services and other revenues. Professional services revenues consist of fees associated with professional services. Our arrangements for professional services are primarily on a time-and-materials basis. We generally invoice our professional services monthly in arrears based on actual hours and expenses incurred. Other revenues primarily consist of fees from customer training delivered on-site or through publicly available classes. Typical payment terms require our customers to pay us within 30 days of invoice.

We generate sales directly through our sales team and, to a lesser extent, through our resale partners. Revenues from our direct sales organization represented 85% and 91% of our total revenues for the three months ended March 31, 2018 and 2017, respectively. We make sales to our resale partners at a discount and record those revenues at the discounted price when all revenue recognition criteria have been met. From time to time, other third parties provide us referrals for which we pay a referral fee. We include revenues associated with these referrals as part of revenues from our direct sales organization. Referral fees paid to these third parties are between 5% and 15% of the customer's ACV, depending on the level of activity these third parties perform in the sales process. We include these fees in sales and marketing expense.

Allocation of Overhead Costs

Overhead costs associated with office facilities, IT and certain depreciation related to infrastructure that is not dedicated for customer use or research and development use are allocated to cost of revenues and operating expenses based on headcount.

Cost of Revenues

Cost of subscription revenues. Cost of subscription revenues consists primarily of expenses related to hosting our services and providing support to our customers. These expenses are comprised of data center capacity costs, which include facility costs associated with our data centers as well as interconnectivity between data centers, depreciation related to our infrastructure hardware equipment dedicated for customer use, amortization of intangible assets and personnel-related costs directly associated with data center operations and customer support, including salaries, benefits, bonuses and stock-based compensation and allocated overhead.

Cost of professional services and other revenues. Cost of professional services and other revenues consists primarily of personnel-related costs directly associated with our professional services and training departments, including salaries, benefits, bonuses and stock-based compensation, the costs of contracted third-party partners, travel expenses and allocated overhead.

Professional services are performed directly by our services team, as well as by contracted third-party partners. Fees paid to third-party partners are primarily recognized as cost of revenues as the professional services are delivered. Cost of revenues associated with our professional services engagements contracted with third-party partners as a percentage of professional services and other revenues was 20% and 24% for each of the three months ended March 31, 2018 and 2017, respectively.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel-related expenses directly associated with our sales and marketing staff, including salaries, benefits, bonuses, commissions and stock-based compensation. Sales and marketing expenses also include third-party referral fees, expenses offset by proceeds related to our annual Knowledge user conference, other marketing program expenses, which include events other than Knowledge, and costs associated with purchasing advertising and marketing data, and allocated overhead.

Research and Development

Research and development expenses consist primarily of personnel-related expenses directly associated with our research and development staff, including salaries, benefits, bonuses and stock-based compensation and allocated overhead. Research and development expenses also include data center capacity costs, costs associated with outside services contracted for research and development purposes, amortization of intangible assets and depreciation of infrastructure hardware equipment that is used solely for research and development purposes.

General and Administrative

General and administrative expenses consist primarily of personnel-related expenses for our executive, finance, legal, human resources, facilities and administrative personnel, including salaries, benefits, bonuses and stock-based compensation, external legal, accounting and other professional services fees, other corporate expenses, amortization of intangible assets and allocated overhead.

Provision for Income Taxes

Provision for income taxes consists of federal, state and foreign income taxes. Due to cumulative losses, we maintain a valuation allowance against our U.S. deferred tax assets as of March 31, 2018. We consider all available evidence, both positive and negative, including but not limited to earnings history, projected future outcomes, industry and market trends and the nature of each of the deferred tax assets in assessing the extent to which a valuation allowance should be applied against our U.S. deferred tax assets.

Results of Operations

To enhance comparability, the following table sets forth our results of operations for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Three Months Ended March 31,	
	2018	2017 *As Adjusted
	(in thousands)	
Revenues:		
Subscription	$ 543,325	$ 387,584
Professional services and other	45,897	41,187
Total revenues	589,222	428,771
Cost of revenues[(1)]:		
Subscription	95,398	70,375
Professional services and other	48,075	45,709
Total cost of revenues	143,473	116,084
Gross profit	445,749	312,687
Operating expenses[(1)]:		
Sales and marketing	283,701	203,739
Research and development	117,268	84,489
General and administrative	65,063	46,251
Total operating expenses	466,032	334,479
Loss from operations	(20,283)	(21,792)
Interest expense	(17,064)	(8,678)
Interest income and other income (expense), net	29,987	7,729
Loss before income taxes	(7,360)	(22,741)
Benefit from income taxes	(17,982)	(1,227)
Net income (loss)	$ 10,622	$ (21,514)

(1) Stock-based compensation included in the statements of operations above was as follows:

	Three Months Ended March 31,	
	2018	2017 *As Adjusted
	(in thousands)	
Cost of revenues:		
Subscription	$ 11,291	$ 7,938
Professional services and other	7,561	6,875
Sales and marketing	52,082	38,401
Research and development	28,598	21,801
General and administrative	21,809	14,854
Total stock-based compensation	$ 121,341	$ 89,869

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

The following table sets forth our results of operations as a percentage of total revenues for the periods presented.

	Three Months Ended March 31,	
	2018	2017 *As Adjusted
Revenues:		
Subscription	92%	90 %
Professional services and other	8	10
Total revenues	100	100
Cost of revenues[(1)]:		
Subscription	16	16
Professional services and other	8	11
Total cost of revenues	24	27
Gross profit	76	73
Operating expenses[(1)]:		
Sales and marketing	48	48
Research and development	20	20
General and administrative	11	11
Total operating expenses	79	79
Loss from operations	(3)	(6)
Interest expense	(3)	(2)
Interest income and other income (expense), net	5	2
Loss before income taxes	(1)	(5)
Benefit from income taxes	(3)	—
Net income (loss)	2%	(5)%

(1) Stock-based compensation included in the statements of operations above as a percentage of revenues was as follows:

	Three Months Ended March 31,	
	2018	2017 *As Adjusted
Cost of revenues:		
Subscription	2%	2%
Professional services and other	1	2
Sales and marketing	9	9
Research and development	5	5
General and administrative	4	3
Total stock-based compensation	21%	21%

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Comparison of the Three Months Ended March 31, 2018 and 2017

Revenues

	Three Months Ended March 31,		
	2018	2017 *As Adjusted	% Change
	(dollars in thousands)		
Revenues:			
Subscription	$ 543,325	$ 387,584	40%
Professional services and other	45,897	41,187	11%
Total revenues	$ 589,222	$ 428,771	37%
Percentage of revenues:			
Subscription	92%	90%	
Professional services and other	8%	10%	
Total	100%	100%	

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Subscription revenues increased $155.7 million during the three months ended March 31, 2018, compared to the same period in the prior year, driven by increased purchases by existing customers and an increase in our customer count. Included in subscription revenues is $24.5 million and $31.0 million of revenues recognized upfront from the delivery of software associated with our on-premises offering during the three months ended March 31, 2018 and 2017, respectively. We expect subscription revenues to grow in absolute dollars and as a percentage of total revenues for the year ending December 31, 2018 compared to the year ended December 31, 2017 as we continue to add new customers and existing customers increase their usage of our products. Our expectations for revenues, cost of revenues and operating expenses for the remainder of 2018 are based on foreign exchange rates as of March 31, 2018.

Subscription revenues consist of the following:

	Three Months Ended March 31,		
	2018	2017 *As Adjusted	% Change
	(dollars in thousands)		
Service management products	$ 462,562	$ 343,792	35%
ITOM products	80,763	43,792	84%
Total subscription revenues	$ 543,325	$ 387,584	40%

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Our service management products include our platform, IT service management, IT business management, customer service management, HR service delivery and security operations, and are generally priced on a per user basis. Our ITOM products are generally priced on a per node basis.

Professional services and other revenues increased $4.7 million during the three months ended March 31, 2018, compared to the same period in the prior year, due to an increase in the services provided to our growing customer base.

Our international operations have provided and will continue to provide a significant portion of our total revenues. Revenues outside North America represented 34% and 31% of total revenues for the three months ended March 31, 2018 and 2017, respectively. As a result, the general weakening of the U.S. Dollar relative to other major foreign currencies (primarily the Euro and British Pound Sterling) from the three months ended March 31, 2017 to the three months ended March 31, 2018 had a favorable impact on our revenues. For entities reporting in currencies other than the U.S. Dollar, if we had translated our results for the three months ended March 31, 2018 at the exchange rates in effect for the three months ended March 31, 2017 rather than the actual exchange rates in effect during the period, our reported subscription revenues would have been $23.3 million lower and our reported professional services and other revenues would have been $2.1 million lower.

Cost of Revenues and Gross Profit Percentage

	Three Months Ended March 31,		
	2018	2017 *As Adjusted	% Change
	(dollars in thousands)		
Cost of revenues:			
Subscription	$ 95,398	$ 70,375	36%
Professional services and other	48,075	45,709	5%
Total cost of revenues	$ 143,473	$ 116,084	24%
Gross profit (loss) percentage:			
Subscription	82 %	82 %	
Professional services and other	(5)%	(11)%	
Total gross profit percentage	76 %	73 %	
Gross profit	$ 445,749	$ 312,687	
Headcount (at period end)			
Subscription	1,003	785	28%
Professional services and other	568	528	8%
Total headcount	1,571	1,313	20%

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Cost of subscription revenues increased $25.0 million during the three months ended March 31, 2018, compared to the same period in the prior year, primarily due to increased headcount resulting in an increase of $9.3 million in personnel-related costs excluding stock-based compensation, an increase of $3.4 million in stock-based compensation and an increase of $2.8 million in overhead expenses. In addition, depreciation expense increased $5.0 million primarily due to purchases of infrastructure hardware equipment for our data centers and expenses associated with software, IT services, and technical support increased $2.1 million during the three months ended March 31, 2018 compared to the same period in the prior year.

Our subscription gross profit percentage was 82% for the three months ended March 31, 2018 and 2017. We expect our cost of subscription revenues to increase in absolute dollar terms for the year ending December 31, 2018 compared to the year ended December 31, 2017 as we provide subscription services to more customers and increase usage within our customer instances. We expect our subscription gross profit percentage to improve slightly for the year ending December 31, 2018 compared to the year ended December 31, 2017 as we continue to leverage the investments we have made in our existing data center infrastructure. To the extent future acquisitions are consummated, our cost of subscription revenues may increase due to additional non-cash charges associated with the amortization of intangible assets acquired.

Cost of professional services and other revenues increased $2.4 million during the three months ended March 31, 2018 as compared to the same period in the prior year, primarily due to increased headcount resulting in an increase of $2.8 million in personnel-related costs excluding stock-based compensation.

Our professional services and other gross loss percentage decreased to 5% for the three months ended March 31, 2018, from 11% for the three months ended March 31, 2017, primarily due to professional services and other revenues increasing at a higher rate than personnel-related costs including stock-based compensation.

The general weakening of the U.S. Dollar relative to other major foreign currencies from the three months ended March 31, 2017 to the three months ended March 31, 2018 had an unfavorable impact on our cost of revenues. For entities reporting in currencies other than the U.S. Dollar, if we had translated our results for the three months ended March 31, 2018 at the exchange rates in effect for the three months ended March 31, 2017 rather than the actual exchange rates in effect during the period, our reported cost of subscription revenues would have been $2.2 million lower. The impact from the foreign currency movements from the three months ended March 31, 2017 to the three months ended March 31, 2018 is not material to cost of professional services and other revenues.

Sales and Marketing

	Three Months Ended March 31,		
	2018	2017 *As Adjusted	% Change
	(dollars in thousands)		
Sales and marketing	$ 283,701	$ 203,739	39%
Percentage of revenues	48%	48%	
Headcount (at period end)	2,616	2,089	25%

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Sales and marketing expenses increased $80.0 million during the three months ended March 31, 2018 compared to the same period in the prior year, primarily due to increased headcount that resulted in an increase of $37.1 million in personnel-related costs excluding stock-based compensation and commissions, an increase of $13.7 million in stock-based compensation and an increase of $7.7 million in overhead expenses. Marketing program expenses, which include events and costs associated with purchasing advertising and market data, increased $8.3 million during the three months ended March 31, 2018 compared to the same period in the prior year. Commissions and third-party referral fees increased $7.8 million, and amounted to 5% and 6% of subscription revenues for the three months ended March 31, 2018 and 2017, respectively. Outside service costs increased $4.8 million during the three months ended March 31, 2018 compared to the same period in the prior year, primarily due to an increase in contractors and professional fees to support our sales and marketing functions.

The general weakening of the U.S. Dollar relative to other major foreign currencies from the three months ended March 31, 2017 to the three months ended March 31, 2018 had an unfavorable impact on our sales and marketing expenses. For entities reporting in currencies other than the U.S. Dollar, if we had translated our results for the three months ended March 31, 2018 at the exchange rates in effect for the three months ended March 31, 2017 rather than the actual exchange rates in effect during the period, our reported sales and marketing expenses would have been $6.9 million lower.

We have historically seen an increase in marketing expenses in the quarter ended June 30, and a corresponding decrease in marketing expenses in the quarter ended September 30 due to the net expenses incurred for our annual Knowledge user conference. We expect sales and marketing expenses to increase in absolute dollar terms for the year ending December 31, 2018 compared to the year ended December 31, 2017, but remain relatively flat as a percentage of total revenues as we continue to expand our direct sales force, increase our marketing activities, grow our international operations and build brand awareness.

Research and Development

	Three Months Ended March 31,		
	2018	2017 *As Adjusted	% Change
	(dollars in thousands)		
Research and development	$ 117,268	$ 84,489	39%
Percentage of revenues	20%	20%	
Headcount (at period end)	1,509	1,123	34%

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Research and development expenses increased $32.8 million during the three months ended March 31, 2018 compared to the same period in the prior year, primarily due to increased headcount, which resulted in an increase of $19.1 million in personnel-related costs excluding stock-based compensation, an increase of $6.8 million in stock-based compensation and an increase of $5.0 million in overhead expenses.

The impact from the foreign currency movements from the three months ended March 31, 2017 to the three months ended March 31, 2018 is not material to research and development expenses.

We expect research and development expenses to increase in absolute dollar terms for the year ending December 31, 2018 compared to the year ended December 31, 2017, but remain relatively flat as a percentage of total revenues as we continue to improve the existing functionality of our services, develop new applications to fill market needs and enhance our core platform.

General and Administrative

	Three Months Ended March 31,		
	2018	2017 *As Adjusted	% Change
	(dollars in thousands)		
General and administrative	$ 65,063	$ 46,251	41%
Percentage of revenues	11%	11%	
Headcount (at period end)	979	698	40%

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

General and administrative expenses increased $18.8 million during the three months ended March 31, 2018, compared to the same period in the prior year, primarily due to increased headcount, which resulted in an increase of $7.0 million in stock-based compensation and an increase of $9.7 million in personnel-related costs excluding stock-based compensation. Outside service costs increased $2.2 million during the three months ended March 31, 2018 compared to the same period in the prior year, primarily due to an increase in contractors and professional fees to support our administrative function.

The impact from the foreign currency movements from the three months ended March 31, 2017 to the three months ended March 31, 2018 is not material to general and administrative expenses.

We expect general and administrative expenses to increase in absolute dollar terms for the year ending December 31, 2018 compared to the year ended December 31, 2017 as we continue to hire people, but remain relatively flat as a percentage of total revenues.

Stock-based Compensation

	Three Months Ended March 31,		
	2018	2017 *As Adjusted	% Change
	(dollars in thousands)		
Cost of revenues:			
Subscription	$ 11,291	$ 7,938	42%
Professional services and other	7,561	6,875	10%
Sales and marketing	52,082	38,401	36%
Research and development	28,598	21,801	31%
General and administrative	21,809	14,854	47%
Total stock-based compensation	$ 121,341	$ 89,869	35%
Percentage of revenues	21%	21%	

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Stock-based compensation increased $31.5 million during the three months ended March 31, 2018, compared to the same period in the prior year, primarily due to increased headcount and increased weighted-average grant date fair value of stock awards.

Stock-based compensation is inherently difficult to forecast due to fluctuations in our stock price. Based upon our stock price as of March 31, 2018, we expect stock-based compensation to increase in absolute dollar terms for the year ending December 31, 2018 compared to the year ended December 31, 2017, but remain relatively flat as a percentage of total revenues.

Interest Expense

	Three Months Ended March 31,		
	2018	2017	% Change
	(dollars in thousands)		
Interest expense	$ (17,064)	$ (8,678)	97%
Percentage of revenues	3%	2%	

Interest expense increased $8.4 million during the three months ended March 31, 2018 compared to the same period in the prior year, primarily due to the increase in amortization expense of debt discount and issuance costs related to the 2022 Notes.

Interest Income and Other Income (Expense), net

	Three Months Ended March 31,		
	2018	2017 *As Adjusted	% Change
	(dollars in thousands)		
Interest income	$ 7,168	$ 2,713	164%
Foreign currency exchange gain	6,397	5,048	27%
Unrealized gain on marketable equity securities	18,455	—	NM
Other	(2,033)	(32)	NM
Interest and other income (expense), net	$ 29,987	$ 7,729	288%
Percentage of revenues	5%	2%	

NM - Not meaningful.

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Interest income and other income (expense), net increased $22.3 million during the three months ended March 31, 2018 compared to the same period in the prior year, primarily due to $18.5 million of unrealized gains relating to changes in the market value of our marketable equity securities resulting from the adoption of ASU 2016-01. Refer to Note 2 for further details. Interest income increased $4.5 million due to higher cash and investment balances and higher yields on our invested balances for the three months ended March 31, 2018.

In order to manage certain exposures to currency fluctuations, we initiated a limited hedging program during the three months ended March 31, 2018 by entering into foreign currency derivative contracts with maturities of 12 months or less to hedge a portion of our net outstanding monetary assets and liabilities. These hedging contracts may reduce, but cannot entirely eliminate, the impact of adverse currency exchange rate movements. Moreover, we may not be able to establish a perfect or effective correlation between such hedging instruments and the net monetary assets or liabilities being hedged. Any imperfect correlation may prevent us from achieving the intended hedge and expose us to additional risk of loss.

Benefit from Income Taxes

	Three Months Ended March 31,		
	2018	2017 *As Adjusted	% Change
	(dollars in thousands)		
Loss before income taxes	$ (7,360)	$ (22,741)	(68)%
Benefit from income taxes	(17,982)	(1,227)	NM
Effective tax rate	244%	5%	

NM - Not meaningful.

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Our effective tax rate was 244% for the three months ended March 31, 2018 compared to 5% for the three months ended March 31, 2017, primarily due to the one-time indirect tax benefit of Topic 606 on income taxes associated with intercompany adjustments, which is not expected to recur in future periods.

We continue to maintain a full valuation allowance on our federal and state deferred tax assets, and the significant components of the tax expense recorded are current cash taxes in various jurisdictions. The cash tax expenses are impacted by each jurisdiction's individual tax rates, laws on timing of recognition of income and deductions, and availability of net operating losses and tax credits. Given the full valuation allowance and sensitivity of current cash taxes to local rules, we expect that our effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory rates and higher than anticipated in countries that have higher statutory rates.

Net Income (Loss)

	Three Months Ended March 31,		
	2018	2017 *As Adjusted	% Change
	(dollars in thousands)		
Net income (loss)	$ 10,622	$ (21,514)	(149)%
Percentage of revenues	2%	(5)%	

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

We had net income of $10.6 million for the three months ended March 31, 2018 compared to a net loss of $21.5 million for the same period in the prior year. The net income for the three months ended March 31, 2018 is primarily due to gains relating to our adoption of two new accounting standards. The adoption of Topic 606 required us to record a one-time indirect tax benefit of $23.1 million, and the adoption of ASU 2016-01 required us to recognize $18.5 million in unrealized gain on marketable equity investments through our statement of operations instead of our balance sheet. Refer to Note 2 for details. We do not expect to be profitable for the full year ending December 31, 2018 as these gains are not recurring.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents, investments, and cash generated from operations. As of March 31, 2018, our principal sources of liquidity were $1.89 billion in cash and cash equivalents and short-term investments, of which $241.6 million represented cash held by foreign subsidiaries and $259.5 million are denominated in currencies other than U.S. Dollar. In addition, we had $451.2 million in long-term investments that provide additional capital resources. We do not anticipate that we will need funds generated from foreign operations to fund our domestic operations.

The price of our common stock was greater than or equal to 130% of the conversion price of the 2018 Notes for at least 20 trading days during the 30 consecutive trading days ending on the last trading day of the quarter ended June 30, 2017, September 30, 2017, December 31, 2017, and March 31, 2018. Therefore, the 2018 Notes became convertible at the holders' option beginning on July 1, 2017 and continue to be convertible at the holders' option through June 30, 2018. We have settled and intend to settle the principal amount of any converted 2018 Notes in cash.

During the three months ended March 31, 2018, we paid cash to settle $37.3 million principal amount of the 2018 Notes and recorded a loss on early note conversions of $0.8 million. As a result of the settlements, we also recorded a $0.7 million reduction to additional paid-in capital, reflecting fair value adjustments to the conversion option settled offset by the benefit of the 2018 Note Hedge. Based on additional conversion requests we have received through the filing date, we expect to settle in cash an aggregate of $319.5 million in principal amount of the 2018 Notes during the second quarter of 2018. We may receive additional conversion requests that require settlement in the second quarter of 2018.

We anticipate our current cash and cash equivalents balance and cash generated from operations will be sufficient to meet our liquidity needs, including the repayment of our 2018 Notes, expansion of data centers, lease obligations, expenditures related to the growth of our headcount and the acquisition of fixed assets, intangibles, and investments in office facilities, to accommodate our growth for at least the next 12 months. Whether these resources are adequate to meet our liquidity needs beyond that period will depend on our growth, operating results, cash utilized for acquisitions and/or debt retirements if any are consummated, and the capital expenditures required to meet possible increased demand for our services. If we require additional capital resources to grow our business at any time in the future, we may seek to finance our operations from the current funds available or seek additional equity or debt financing.

	Three Months Ended March 31,	
	2018	2017 *As Adjusted
	(dollars in thousands)	
Net cash provided by operating activities	$ 250,080	$ 187,608
Net cash used in investing activities	(237,246)	(127,765)
Net cash used in financing activities	(61,792)	(19,631)
Net (decrease) increase in cash, cash equivalents and restricted cash, net of foreign currency effect on cash, cash equivalents and restricted cash	(42,467)	39,369

*As adjusted to reflect the impact of the full retrospective adoption of Topic 606. See Note 2 for further details.

Operating Activities

Cash provided by operating activities mainly consists of our net income (loss) adjusted for certain non-cash items such as repayments of convertible senior notes attributable to debt discount, depreciation and amortization, amortization of premiums on investments, amortization of deferred commissions, amortization of issuance cost and debt discount, stock-based compensation and changes in operating assets and liabilities during the year.

Net cash provided by operating activities was $250.1 million for the three months ended March 31, 2018 compared to $187.6 million for the three months ended March 31, 2017. The increase in operating cash flow was primarily due to a net income of $10.6 million for the three months ended March 31, 2018 compared to a net loss of $21.5 million for the same period in the prior year. The remaining change was due to an increase in non-cash adjustments to reconcile net income (loss) to net cash provided by operations and the favorable impact on operating cash flow from changes in operating assets and liabilities.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2018 was $237.2 million compared to $127.8 million for the three months ended March 31, 2017. The increase in cash used in investing activities was mainly due to a $114.5 million increase in net purchases of investments, $7.9 million increase in purchase of other intangibles and a $2.2 million increase in capital expenditures related to purchases of infrastructure hardware equipment to support the expansion of our data centers as well as investments in leasehold improvements, furniture and equipment to support our headcount growth. The increase in cash used in investing activities was partially offset by a $15.0 million decrease in business combinations.

Financing Activities

Net cash used in financing activities was $61.8 million for the three months ended March 31, 2018 compared to net cash used in financing activities of $19.6 million for the three months ended March 31, 2017. The change was primarily due to $32.5 million increase in taxes paid related to net share settlement of equity awards and $28.6 million in repayments of convertible senior notes attributable to principal, partially offset by a $17.9 million increase in proceeds from employee equity plans.

Contractual Obligations and Commitments

Except as set forth in Note 17, Commitments and Contingencies, of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, there have been no material changes outside the ordinary course of business in the contractual obligations and commitments disclosed in our Annual Report on 10-K for the year ended December 31, 2017.

Off-Balance Sheet Arrangements

During all periods presented, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

Critical Accounting Policies and Significant Judgments and Estimates

Except for the accounting policies for revenue recognition and deferred commissions that were updated as a result of adopting Topic 606, there have been no changes to our critical accounting policies and estimates described in the Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 28, 2018, that have had a material impact on our condensed consolidated financial statements and related notes.

Revenue Recognition

We report our revenues in two categories: (i) subscriptions and (ii) professional services and other.

Revenues are recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

Subscription revenues

Subscription revenues are primarily comprised of subscription fees that give customers access to the ordered subscription service, related support and updates, if any, to the subscribed service during the subscription term. We recognize subscription revenues ratably over the contract term beginning on the commencement date of each contract, the date we make our services available to our customers. Our contracts with customers typically include a fixed amount of consideration, and are generally non-cancelable and without any refund-type provisions. We typically invoice our customers annually in advance for our subscription services upon execution of the initial contract or subsequent renewal, and our invoices are typically due within 30 days from the invoice date.

Subscription revenues also include revenues from our on-premises offerings in which we grant customers the right to deploy our subscription service on the customers' own servers without significant penalty. For these contracts, we account for the software element and the related support and updates separately as they are distinct performance obligations (Refer to the discussion below related to contracts with multiple performance obligations for further details). The transaction price is allocated to separate performance obligations on a relative standalone selling price (SSP) basis. Transaction price allocated to the software element is recognized upon delivery, which is when transfer of control of the software to the customer is complete. The transaction price allocated to the related support and updates are recognized ratably over the contract term.

Professional services and other revenues

Our professional services arrangements are primarily on a time-and-materials basis, and revenues on these arrangements are recognized over time as the services are delivered. We typically invoice our customers monthly in arrears for these professional services based on actual hours and expenses incurred, and our invoices are typically due within 30 days from the invoice date. Professional services revenues associated with fixed fee arrangements are recognized on a proportional performance basis. In instances where certain milestones are required to be met before revenues are recognized, we defer professional services revenues and the associated costs until milestone criteria have been met. Other revenues consist of fees from customer training delivered on-site or through publicly available classes.

Contracts with multiple performance obligations

We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. For these contracts, the transaction price is allocated to the separate performance obligations on a relative SSP basis. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Significant judgment is also involved in determining SSP by considering the historical selling price of these performance obligations in similar transactions as well as other factors, including, but not limited to, competitive pricing of similar products, other software vendor pricing, industry publications and current pricing practices.

Deferred Commissions

Deferred commissions are the incremental selling costs that are associated with acquiring customer contracts and consist of sales commissions paid to our sales force and referral fees paid to independent third-parties. On initial and expansion contracts, commissions and referral fees are primarily deferred and amortized over a period of benefit that we have determined to be five years. On renewal contracts, commissions and referral fees are deferred and amortized over the renewal term. Additionally, for our on-premises offerings, consistent with the recognition of subscription revenue for on-premises offerings, a portion of the commission cost is expensed upfront when the on-premises offering is made available. The determination of the period of benefit requires significant judgment by taking into consideration our customer contracts, our technology and other factors. We include amortization of deferred commissions in sales and marketing expense in our condensed consolidated statements of comprehensive income (loss).

New Accounting Pronouncements Pending Adoption

The impact of recently issued accounting standards is set forth in Note 2, Summary of Significant Accounting Policies, of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Except as set forth below, there have been no material changes in our market risk as compared to the disclosures in Part II, Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on February 28, 2018.

Foreign Currency Exchange Risk

In order to manage certain exposures to currency fluctuations, we initiated a limited hedging program during the three months ended March 31, 2018 by entering into foreign currency derivative contracts to hedge a portion of our net outstanding monetary assets and liabilities.

These derivative contracts include spot and forward contracts entered into with various counterparties, and are not designated as hedging instruments under applicable accounting guidance. As such, all changes in the fair value of the derivative contracts are reported in Interest income and other income (expense), net in our consolidated statements of operations. These derivative contracts are intended to offset the foreign currency gains or losses associated with the underlying monetary assets and liabilities, and cash flows from such derivative contracts are classified as operating activities.

These derivative contracts expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the arrangement. We mitigate this credit risk by transacting with major financial institutions with high credit ratings and entering into master netting arrangements, which permit net settlement of transactions with the same counterparty. 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 our obligations to the counterparties. We are not required to pledge, and are not entitled to receive, cash collateral related to these derivative instruments. We do not enter into derivative contracts for trading or speculative purposes.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Regulations under the Exchange Act require public companies, including our company, to maintain "disclosure controls and procedures," which are defined in Rule 13a-15(e) and Rule 15d-15(e) to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required or necessary disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer have concluded, based on the evaluation of the effectiveness of the disclosure controls and procedures by our management as of the end of the quarter covered by this Quarterly Report on Form 10-Q, that our disclosure controls and procedures were effective at the reasonable assurance level for this purpose.

Changes in Internal Control Over Financial Reporting

Regulations under the Exchange Act require public companies, including our company, to evaluate any change in our "internal control over financial reporting" as such term is defined in Rule 13a-15(f) and Rule 15d-15(f) of the Exchange Act. In connection with their evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer did not identify any change in our internal control over financial reporting during the quarter covered by this Quarterly Report on Form 10-Q that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are party to litigation and other legal proceedings in the ordinary course of business. While the results of any litigation or other legal proceedings are uncertain, we are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes, before making an investment decision. We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition, results of operations and future prospects. Our business could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.

Risks Related to Our Business and Industry

We expect our revenue growth rate to continue to decline, and we may incur losses in accordance with U.S. Generally Accepted Accounting Principles (GAAP) during future periods.

We have experienced significant revenue growth in prior periods; however, our revenue growth rate is declining, and we expect that it will continue to decline into the foreseeable future. We also expect our costs to increase in future periods as we continue to invest in our capacity to support anticipated growth. These investments may not result in increased revenues or growth in our business. While we were profitable under GAAP for the three months ended March 31, 2018, such profitability was driven by the adoption of two new accounting standards as discussed in Note 2, and we do not expect to be profitable for the full year ending December 31, 2018 as the gains from the adoption of these accounting standards are non-recurring. Even if our revenues continue to increase, we expect to incur losses in accordance with GAAP during future periods due to increased costs such as non-cash charges associated with equity awards, business combinations and other expenses. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays and other unforeseen or unpredictable factors that may result in increased costs. Furthermore, it is difficult to predict the size and growth rate of our market, customer demand for our products, customer adoption and renewal rates, and the entry of competitive products or the success of existing competitive products. As a result of these and other factors, we may not maintain profitability in the future, our gross margins may be negatively impacted, and our ability to generate cash flow from operations may be negatively impacted. If we fail to increase our revenues sufficiently to keep pace with our growing investments and other expenses, our business, operating results and growth prospects will be adversely affected.

If we suffer a cyber-security event, we may lose customers and incur significant liabilities, any of which would harm our business and operating results.

Our operations involve the storage, transmission and processing of our customers' confidential, proprietary and sensitive information, including personally identifiable information, protected health information and credit card and other financial information. While we have security measures in place designed to protect customer information and prevent data loss, these measures may be breached as a result of third-party actions, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise, and result in someone obtaining unauthorized access to our customers' data or our data, including our intellectual property and other confidential business information. Moreover, computer malware, viruses and hacking, phishing and denial of service attacks by third parties have become more prevalent in our industry, and have occurred on our systems in the past and may occur on our systems in the future. Because techniques used to obtain unauthorized access to or sabotage systems change frequently and generally are not recognized until successfully launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. We devote significant financial and personnel resources to implement and maintain security measures; however, as cyber-security threats develop, evolve, and grow more complex over time, it may be necessary to make significant further investments to protect data and infrastructure. A security breach or unauthorized access or loss of data could result in a disruption to our service, litigation, the triggering of indemnification and other contractual obligations, regulatory investigations, government fines and penalties, reputational damage, loss of sales and customers, mitigation and remediation expenses and other significant costs and liabilities. We do not have insurance sufficient to compensate us for the potentially significant losses that may result from security breaches.

If we do not accurately predict, prepare for, and respond promptly to rapidly evolving technological and market developments, our competitive position and business prospects may be harmed.

The markets in which we compete have evolved rapidly, and the pace of innovation will continue to accelerate, as cloud, mobile, workflow, consumer product-like user experiences, social, collaboration, machine learning, artificial intelligence, internet connected devices, robotic automation, security, cryptography, development tools and other digital technologies increasingly become the basis for customer purchases. At the same time, our customers and prospective customers are facing their own competitive imperatives to adopt digital technologies, resulting in the ongoing disruption of almost every sector of the global economy. Accordingly, to compete effectively in our rapidly changing markets, we must: identify and innovate in the right emerging technologies among the many in which we could make investments knowing that we cannot make substantial investments in all of them; accurately predict our customers' changing business needs; successfully deliver new platform technologies and products that meet these business needs; efficiently integrate with other technologies within our customers' digital environments; profitably market and sell new products in markets where our sales and marketing teams have less experience; and effectively deliver, either directly or through our ecosystem of partners, the business process planning, IT systems architecture planning, and product implementation services that our customers require to be successful. If we fail to meet any of these requirements, our competitive position and business prospects may be harmed.

Delays in the release of, or actual or perceived defects in, new or updated products may slow the adoption of our most recent technologies, reduce our ability to efficiently provide our services, decrease customer satisfaction, increase our vulnerability to cyber attacks, and adversely impact sales of additional products to our customers.

We must successfully continue to release new products and updates to existing products. The success of any release depends on a number of factors, including our ability to manage the risks associated with quality or other defects or deficiencies, delays in the timing of releases, and other complications that may arise during the early stages of introduction. If releases are delayed or if customers perceive that our releases contain bugs or other defects, customer adoption of our new products or updates may be adversely impacted, customer satisfaction may decrease, our ability to efficiently provide our services may be reduced, and our growth prospects may be harmed.

Various factors, including our customers' business, integration, migration and security requirements, or errors by us or our partners, may cause implementations of our products to be delayed, inefficient or otherwise unsuccessful.

Our business depends upon the successful implementation of our products by our customers. Increasingly, we, as well as our customers, rely on our network of partners to deliver implementation services, and there may not be enough qualified implementation partners available to meet customer demand. Further, various factors, including our customers' business, integration, migration and security requirements, or errors by us or our partners, may cause implementations to be delayed, inefficient or otherwise unsuccessful. For example, changes in the functional requirements of our customers, delays in timeline, or deviation from recommended best practices may occur during the course of an implementation project. As a result of these and other risks, we or our customers may incur significant implementation costs in connection with the purchase and implementation of our products. Some customer implementations may take longer than planned or fail to meet our customers' expectations, which may delay our ability to sell additional products or result in customers canceling or failing to renew their subscriptions before our products have been fully implemented. Unsuccessful, lengthy, or costly customer implementation and integration projects could result in claims from customers, harm to our reputation, and opportunities for competitors to displace our products, each of which could have an adverse effect on our business and operating results.

Disruptions or defects in our services could damage our customers' businesses, subject us to substantial liability and harm our reputation and financial results.

From time to time, we experience defects in our services, and new defects may be detected in the future. For example, we provide regular updates to our services, which frequently contain undetected defects when first introduced or released. Defects may also be introduced by our use of third-party software, including open source software. Disruptions may result from errors we make in delivering, configuring or hosting our services, or designing, installing, expanding or maintaining our cloud infrastructure. Disruptions in service can also result from incidents that are outside of our control, including denial of service attacks. We currently serve our customers primarily using equipment managed by us and co-located in third-party data center facilities operated by several different providers located around the world. These centers are vulnerable to damage or interruption from earthquakes, floods, fires, power loss and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct, equipment failure and adverse events caused by operator error. Despite precautions taken at these facilities, problems at these facilities could result in lengthy interruptions in our services and the loss of customer data. In addition, our customers may use our services in ways that cause disruptions in service for other customers. Our customers use our services to manage important aspects of their own businesses, and our reputation and business will be adversely affected if our customers and potential customers believe our services are unreliable. Disruptions or defects in our services may reduce our revenues, cause us to issue credits or pay penalties, subject us to claims and litigation, cause our customers to delay payment or terminate or fail to renew their subscriptions, and adversely affect our ability to attract new customers. The occurrence of payment delays, or service credit, warranty, termination for material breach or other claims against us, could result in an increase in our bad debt expense, an increase in collection cycles for accounts receivable, an increase to our service level credit accruals or other increased expenses or risks of litigation. We do not have insurance sufficient to compensate us for the potentially significant losses that may result from claims arising from disruptions in our services.

Our operating results may vary significantly from period to period, and if we fail to meet the financial performance expectations of investors or securities analysts, the price of our common stock could decline substantially.

Our operating results may vary significantly from period to period as a result of various factors, some of which are beyond our control. For any quarterly or annual period, there is a risk that our financial performance will not meet the financial guidance we have previously given for that period, or that we may otherwise fail to meet the financial performance expectations of the securities analysts who issue reports on our company and our common stock price, or of investors in our common stock. There is also a risk that we may issue forward-looking financial guidance for a quarterly or annual period that fails to meet the expectations of such securities analysts or investors. If any of the foregoing occurs, for any reason either within or outside of our control, the price of our common stock could decline substantially and investors in our common stock could incur substantial losses. Some of the important factors that may cause our revenues, operating results and cash flows to vary widely, or cause our forward-looking financial guidance, to fall below the expectations of such securities analysts or investors, include:

- our ability to attract new customers, retain and increase sales to existing customers, and satisfy our customers' requirements;
- changes in our mix of products and services;
- changes in foreign currency exchange rates and our ability to effectively hedge our foreign currency exposure;
- the rate of expansion and productivity of our sales force;
- the number of new employees added;
- the cost, timing and management effort for our development of new products and services;
- general economic conditions that may adversely affect either our customers' ability or willingness to purchase additional subscriptions, delay a prospective customer's purchasing decision, reduce the value of new subscription contracts or adversely affect renewal rates;
- the amount and timing of operating costs and capital expenditures related to the operation and expansion of our business;
- seasonality in terms of when we enter into customer agreements for our services;
- the length of the sales cycle for our services;
- changes to our management team;
- changes in our pricing policies, whether initiated by us or as a result of competition;
- significant security breaches, technical difficulties or interruptions of our services;
- new solutions, products or changes in pricing policies introduced by our competitors;
- changes in effective tax rates;
- changes in the average contract term of our customer agreements, changes in timing of renewals and changes in billings duration;
- changes in our renewal and expansion rates;
- the timing of customer payments and payment defaults by customers;
- extraordinary expenses such as litigation costs or damages, including settlement payments;

- the costs associated with acquiring new businesses and technologies and the follow-on costs of integration, including the tax effects of acquisitions;
- the impact of new accounting pronouncements, including the new revenue recognition standards that were effective for us beginning January 1, 2018;
- changes in laws or regulations impacting the delivery of our services;
- our ability to comply with privacy laws and regulations, including the General Data Protection Regulation (GDPR);
- the amount and timing of equity awards and the related financial statement expenses; and
- our ability to accurately estimate the total addressable market for our products and services.

Changes in our effective tax rate could impact our financial results.

We are subject to income taxes in the United States and various foreign jurisdictions. We believe that our provision for income taxes is reasonable, but the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods in which such outcome is determined. Our effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses, the valuation of deferred tax assets and liabilities and the effects of acquisitions. Increases in our effective tax rate would reduce our profitability or in some cases increase our losses.

Additionally, our future effective tax rate could be impacted by changes in accounting principles or changes in U.S. federal, state or international tax laws or tax rulings. The U.S. recently enacted significant tax reform, and certain provisions of the new law may adversely affect us. Many countries and organizations such as the Organization for Economic Cooperation and Development are actively considering changes to existing tax laws or have proposed or enacted new laws that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. Any changes in federal, state or international tax laws or tax rulings may increase our worldwide effective tax rate and harm our financial position and results of operations.

In addition, we may be subject to income tax audits by tax jurisdictions throughout the world, many of which have not established clear guidance on the tax treatment of cloud computing companies. Although we believe our income tax liabilities are reasonably estimated and accounted for in accordance with applicable laws and principles, an adverse resolution of one or more uncertain tax positions in any period could have a material impact on the results of operations for that period.

Uncertainties in the interpretation and application of the 2017 Tax Cuts and Jobs Act could materially affect our tax obligations and effective tax rate.

The 2017 Tax Cuts and Jobs Act (the Tax Act) was enacted on December 22, 2017, and significantly changes how the U.S. imposes income tax on multinational corporations. The U.S. Department of Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how we will apply the law and affect our results of operations in the period issued.

The Tax Act requires complex computations not previously provided in U.S. tax law. As such, the application of accounting guidance for such items is currently uncertain. Further, compliance with the Tax Act and the accounting for such provisions require accumulation of information not previously required or regularly produced. As a result, we have provided a provisional estimate on the effect of the Tax Act in our financial statements for the year ended December 31, 2017. As additional regulatory guidance is issued by the applicable taxing authorities, accounting treatment is clarified, we perform additional analysis on the application of the law, and we refine estimates in calculating the impact, our final analysis, which will be recorded in the period completed, may be different from our current provisional amounts, which could materially affect our tax obligations and effective tax rate.

Our financial results may be adversely affected by changes in accounting principles applicable to us.

We prepare our financial statements in accordance with GAAP, which are subject to interpretation or changes by the Financial Accounting Standards Board (FASB), the SEC and other bodies formed to promulgate and interpret appropriate accounting principles. New accounting pronouncements and changes in accounting principles have occurred in the past and are expected to occur in the future, which may have a significant effect on our financial results. For example, in May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," which became effective for our interim and annual periods beginning January 1, 2018. Topic 606 superseded nearly all prior revenue recognition guidance under GAAP. Under the Topic 606 standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. Topic 606 has had a material impact on the timing of revenue and expense recognition for our contracts related to on-premises offerings and on our deferred commissions asset and the related amortization expense. Refer to Note 2 in the notes to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information on Topic 606 and its impact on us. Adoption of this standard and any difficulties in implementation of changes in accounting principles, including the ability to modify our accounting systems and internal controls, could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

Foreign currency exchange rate fluctuations could harm our financial results.

We conduct significant transactions, including revenue transactions and intercompany transactions, in currencies other than the U.S. Dollar or the functional operating currency of the transactional entities. In addition, our international subsidiaries maintain significant net assets that are denominated in currencies other than the functional operating currencies of these entities. Accordingly, changes in the value of currencies relative to the U.S. Dollar may impact our consolidated revenues and operating results due to transactional and translational remeasurement that is reflected in our earnings. It is particularly difficult to forecast any impact from exchange rate movements, so there is risk that unanticipated currency fluctuations could adversely affect our financial results or cause our results to differ from investor expectations or our own guidance in any future periods. In addition, the June 23, 2016 referendum by British voters to exit the European Union adversely impacted global markets, including currencies, and resulted in a decline in the value of the British pound, as compared to the U.S. Dollar and other currencies. Volatility in exchange rates and global financial markets may continue due to a number of factors, including the continued negotiation of the United Kingdom's exit from the European Union and the recent political and economic uncertainty globally.

We recently began using derivative instruments, such as foreign currency forwards, swaps and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. These hedging contracts may reduce, but cannot entirely eliminate, the impact of adverse currency exchange rate movements. Further, unanticipated changes in currency exchange rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a number of reasons, including our limited experience with these hedging contracts, we may not seek or be able to establish a perfect or effective correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss.

The markets in which we participate are intensely competitive, and if we do not compete effectively our business and operating results will be adversely affected.

The markets for our enterprise cloud solutions are rapidly evolving and highly competitive, with relatively low barriers to entry. As the market for service management matures, we expect competition to intensify. We compete primarily with large, well-established, enterprise application software vendors, in-house solutions, large integrated systems vendors, established and emerging cloud vendors and vendors of products and services for development operations. Many prospective customers have invested substantial personnel and financial resources to implement and integrate their current enterprise software into their businesses and therefore may be reluctant or unwilling to migrate away from their current solution to our enterprise cloud solutions. Many of our competitors and potential competitors are larger, have greater name recognition, longer operating histories, more established customer relationships, larger marketing budgets and greater resources than we do. Further, other potential competitors not currently offering competitive products may expand their services to compete with our services. We have expanded the breadth of our services to include offerings in the markets for IT operations management, customer service management, security operations management, HR service delivery and use of our platform by developers of custom applications. As a result, we expect increasing competition from platform vendors and from application development vendors focused on these other markets. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards and customer requirements. In addition, some of our competitors offer their products or services at a lower price, which has resulted in pricing pressures. Larger competitors with more diverse product and service offerings may reduce the price of products or subscriptions that compete with ours or may bundle them with other products and subscriptions. We expect that smaller competitors and new entrants may accelerate pricing pressures, including in the IT service management market, which is our more mature offering and from which we derive the substantial majority of our revenues. For all of these reasons, we may not be able to compete successfully and competition could result in reduced sales, reduced margins, losses or the failure of our solutions to achieve or maintain market acceptance, any of which could harm our business.

Lawsuits against us by third-parties that allege we infringe their intellectual property rights could harm our business and operating results.

There is considerable patent and other intellectual property development activity in our industry. Many companies in our industry, including our competitors and other third parties, as well as non-practicing entities, own large numbers of patents, copyrights, trademarks and trade secrets, which they may use to assert claims of patent infringement, misappropriation or other violations of intellectual property rights against us.

Moreover, the patent portfolios of most of our competitors are larger than ours. This disparity may increase the risk that our competitors may sue us for patent infringement and may limit our ability to counterclaim for patent infringement or settle through patent cross-licenses. From time to time, our competitors or other third parties, including patent holding companies seeking to monetize patents they have purchased or otherwise obtained, may claim that we are infringing upon their intellectual property rights. For example, we recorded charges for aggregate legal settlements of $270.0 million in our consolidated statement of comprehensive loss during the year ended December 31, 2016. The charge covers the fulfillment by us of all financial obligations under settlement agreements with BMC and HPE, with no remaining financial obligations under either settlement.

In any intellectual property litigation, regardless of the scope or merits of the claims at issue, we may incur substantial attorney's fees and other litigation expenses and, if the claims are successfully asserted against us and we are found to be infringing upon the intellectual property rights of others, we could be required to: pay substantial damages and make substantial ongoing royalty payments; cease offering our products and services; modify our products and services; comply with other unfavorable terms, including settlement terms; and indemnify our customers and business partners and obtain costly licenses on their behalf and refund fees or other payments previously paid to us. Further, upon expiration of the term of any third-party agreements that allow us to use their intellectual property, we may be unable to renew such agreements on favorable terms, if at all, in which case we may face intellectual property litigation. The mere existence of any lawsuit, or any interim or final outcomes, and the course of its conduct and the public statements related to it (or absence of such statements) by the courts, press, analysts and litigants, could be unsettling to our customers and prospective customers and could cause an adverse impact to our customer satisfaction and related renewal rates and cause us to lose potential sales, and could also be unsettling to investors or prospective investors in our common stock and could cause a substantial decline in the price of our common stock. Accordingly, any claim or litigation against us could be costly, time-consuming and divert the attention of our management and key personnel from our business operations and harm our financial condition and operating results.

Our intellectual property protections may not provide us with a competitive advantage, and defending our intellectual property may result in substantial expenses that harm our operating results.

Our success depends to a significant degree on our ability to protect our proprietary technology and our brand under a combination of patent and other intellectual property laws of the United States and other jurisdictions. Though we seek patent protection for our technology, we may not be successful in obtaining patent protection, and any patents acquired 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. Any of our intellectual property rights may be challenged by others or invalidated through administrative process or litigation. 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 United States, and mechanisms for enforcement of intellectual property rights may be inadequate. We may be required to spend significant resources to monitor and protect our intellectual property rights. We have, and in the future 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, divert the efforts of our technical and management personnel and may result in counter-claims with respect to infringement of intellectual property rights by us. If we are unable to prevent third parties from infringing upon or misappropriating our intellectual property, or are required to incur substantial expenses in defending our intellectual property rights, our business and operating results may be adversely affected.

If we are unsuccessful in increasing our penetration of international markets or managing the risks associated with foreign markets, our business and operating results will be adversely affected.

Sales outside of North America represented approximately 34% and 31% of our total revenues for each of the three months ended March 31, 2018 and 2017, respectively. Our business and future prospects depend on increasing our international sales as a percentage of our total revenues, and the failure to grow internationally will harm our business. Additionally, operating in international markets requires significant investment and management attention and will subject us to regulatory and economic risks that are different from those in the United States. We have made, and will continue to make, substantial investments in data centers and cloud computing infrastructure, sales, marketing, personnel and facilities as we enter and expand in new geographic markets. When we make these investments, it is typically unclear whether, and when, sales in the new market will justify our investments, and we may significantly underestimate the level of investment and time required to be successful, or whether we will be successful. Our rate of acquisition of new Global 2000 customers, a key factor effecting our growth, has generally been lower in Africa, Asia, Eastern Europe, South America and other markets in which we are less established, as compared to North America, Australia and areas within Western Europe. Over time an increasing proportion of the Global 2000 companies that are not yet our customers are located in emerging markets where we are less established. We have experienced, and may continue to experience, difficulties in some of our investments in geographic expansion, including in hiring qualified sales management personnel and managing foreign operations.

Risks inherent with international sales include without limitation:

- compliance with multiple, conflicting and changing governmental laws and regulations, including employment, tax, competition, privacy and data protection laws and regulations, including the GDPR;
- compliance by us and our business partners with international bribery and anti-corruption laws, including the UK Bribery Act and the Foreign Corrupt Practices Act;
- the risk that illegal or unethical activities of our business partners will be attributed to or result in liability to us;
- longer and potentially more complex sales cycles;
- longer accounts receivable payment cycles and other collection difficulties;
- tax treatment of revenues 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 and distribution environments;
- foreign currency fluctuations which may cause transactional and translational remeasurement losses;
- potential changes in international trade policies and agreements;
- local business practices and cultural norms that may favor local competitors; and
- localization of our services, including translation into foreign languages and associated expenses.

If we are unable to manage these risks, if our required investments in these international markets are greater than anticipated, or if we are unsuccessful in increasing sales in emerging markets, our revenue growth rate, business and operating results will be adversely affected.

If we lose key employees or are unable to attract and retain the employees we need, our business and operating results will be adversely affected.

Our success depends largely upon the continued services of our management team, including our Chief Executive Officer, and many key individual contributors. From time to time, there may be changes in our management team resulting from the hiring or departure of executives. For example, in 2017, Frank Slootman stepped down as our President and Chief Executive Officer, and John J. Donahoe was appointed as his successor. Such changes may result in a loss of institutional knowledge and cause disruptions to 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 solutions, as well as competition for sales executives and operations personnel. We may not be successful in attracting and retaining qualified personnel. We have from time to time experienced, and we may continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications, and may not be able to fill positions in desired geographic areas or at all. In particular, competition for experienced software and cloud computing infrastructure engineers in the San Francisco Bay area, San Diego, Seattle, London and Amsterdam, our primary operating locations, is intense. Our employees, including our executive officers, are employed by us on an "at-will" basis, which means they may terminate their employment with us at any time. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be adversely affected.

Privacy laws and concerns, evolving regulation of cloud computing, cross-border data transfer restrictions, other foreign and domestic regulations and standards related to personal data and the Internet may adversely affect our business.

National and local governments or agencies have in the past adopted, and may in the future adopt, laws and regulations affecting data privacy, the use of the Internet as a commercial medium, and data sovereignty requirements concerning the location of data centers that store and process data. Changing laws, regulations and standards applying to the collection, transfer, processing, storage or use of personal data could affect our customers' ability to use and share data, potentially restricting our ability to store, process and share data with our customers in connection with providing our services, and in some cases, could impact our ability to offer our services in certain locations or our customers' ability to deploy our services globally. For example, the European Union (EU) and United States agreed to a framework to facilitate the transfer of data from the EU to the United States, called Privacy Shield, but this new framework has been challenged by private parties and may face additional challenges by national regulators or private parties. Additionally, in 2016 the EU adopted the GDPR, which takes effect in May 2018 and establishes new requirements applicable to the handling of personal data. Further, laws such as the EU's proposed e-Privacy Regulation are increasingly aimed at the use of personal information for marketing purposes, and the tracking of individuals' online activities.

The costs of compliance with, and other burdens imposed by, GDPR, the e-Privacy Regulation and other privacy laws, regulations and standards may cause us to incur substantial operational costs or require us to modify our data handling practices, may limit the use and adoption of our services and reduce overall demand for our services. In addition, non-compliance could result in proceedings against us by governmental entities or others, significant fines, and may otherwise adversely impact our business, financial condition and operating results.

In addition to government activity, privacy advocacy groups and the technology and other industries have established or may establish various new, additional or different self-regulatory standards that may place additional burdens on us. Our customers may expect us to meet voluntary certifications or adhere to other standards established by third parties. If we are unable to maintain these certifications or meet these standards, it could reduce demand for our applications and adversely affect our business.

Because we generally recognize revenues from our subscription service over the subscription term, a decrease in new or renewed subscriptions during a reporting period may not be immediately reflected in our operating results for that period.

We generally recognize revenues from customers ratably over the terms of their subscriptions. As a result, most of the revenues we report in each period are derived from the recognition of deferred revenues relating to subscriptions entered into during previous periods. Consequently, a decrease in new or renewed subscriptions in any single reporting period will have a limited impact on our revenues for that period. In addition, our ability to adjust our cost structure in the event of a decrease in new or renewed subscriptions may be limited.

Further, a decline in new or renewed subscriptions in a given period will negatively affect our revenues in future periods. Accordingly, the effect of significant downturns in sales and market acceptance of our services, and changes in our rate of renewals, 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 revenues through additional sales in any period, as revenues from new customers are generally recognized over the applicable subscription term. Additionally, due to the complexity of certain of our customer contracts, the actual revenue recognition treatment required under Topic 606 will depend on contract-specific terms and may result in greater variability in revenues from period to period.

A decrease in new or renewed subscriptions in a reporting period may not be immediately reflected in our billings results for that period due to factors that may offset the decrease.

A decrease in new or renewed subscriptions in a reporting period may not have an immediate impact on billings for that period due to factors that may offset the decrease, such as an increase in billings duration, the dollar value of contracts with future start dates, or the dollar value of collections in the current period related to contracts with future start dates.

As we acquire or invest in companies and technologies, we may not realize the expected business or financial benefits and the acquisitions and investments may divert our management's attention and result in additional dilution to our stockholders.

We have acquired or invested in companies and technologies in the past as part of our business strategy and may continue to evaluate potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products and other assets in the future. We also may enter into relationships with other businesses to expand our service offerings, functionality or our ability to provide services in international locations, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing or investments in other companies. Acquisitions and investments involve numerous risks, including:

- assimilating or integrating the businesses, technologies, products, personnel or operations of the acquired companies;
- failing to achieve the expected benefits of the acquisition or investment;
- potential loss of key employees of the acquired company;
- inability to maintain relationships with customers and partners of the acquired business;
- unanticipated expenses related to acquired technology and its integration into our existing technology;
- potential adverse tax consequences;
- inability to generate sufficient revenue to offset acquisition or investment costs;
- disruption to our business and diversion of management attention and other resources;
- potential financial and credit risks associated with acquired customers;
- dependence on acquired technologies or licenses for which alternatives may not be available to us without significant cost or complexity;
- in the case of foreign acquisitions, the challenges associated with integrating operations across different cultures and languages and any currency and regulatory risks associated with specific countries; and
- potential unknown liabilities associated with the acquired businesses.

In addition, we may have to pay cash, incur debt, or issue equity or equity-linked securities to pay for any future acquisitions, each of which could adversely affect our financial condition or the market price of our common stock. Furthermore, 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. The occurrence of any of these risks could harm our business, operating results and financial condition.

A portion of our revenues are generated by sales to government entities and heavily regulated organizations, which are subject to a number of challenges and risks.

A portion of our sales are to governmental agencies. Additionally, many of our current and prospective customers, such as those in the financial services and health care industries, are highly regulated and may be required to comply with more stringent regulations in connection with subscribing to and implementing our services. Selling to these entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that we will successfully complete a sale. Furthermore, engaging in sales activities to foreign governments introduces additional compliance risks specific to the Foreign Corrupt Practices Act, the UK Bribery Act and other similar statutory requirements prohibiting bribery and corruption in the jurisdictions in which we operate. Government and highly regulated entities often require contract terms that differ from our standard arrangements and impose compliance requirements that are complicated, require preferential pricing or "most favored nation" terms and conditions, or are otherwise time consuming and expensive to satisfy. If we undertake to meet special standards or requirements and do not meet them, we could be subject to increased liability from our customers or regulators. Even if we do meet them, the additional costs associated with providing our services to government and highly regulated customers could harm our margins. Moreover, changes in the underlying regulatory conditions that affect these types of customers could harm our ability to efficiently provide our services to them and to grow or maintain our customer base.

Our use of open source software could harm our ability to sell our services and subject us to possible litigation.

Our products incorporate software licensed to us by third-party authors under open source licenses, and we may continue to incorporate open source software into other services in the future. We attempt to monitor our use of open source software in an effort to avoid subjecting our services to adverse licensing conditions. However, there can be no assurance that our efforts have been or will be successful. There is little or no legal precedent governing the interpretation of the terms of open source licenses, and therefore the potential impact of these terms on our business is uncertain and enforcement of these terms may result in unanticipated obligations regarding our services and technologies. For example, depending on which open source license governs open source software included within our services or technologies, we may be subjected to conditions requiring us to offer our services to users at no cost; make available the source code for modifications and derivative works based upon, incorporating or using the open source software; and license such modifications or derivative works under the terms of the particular open source license. Moreover, if an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal costs defending ourselves against such allegations, be subject to significant damages or be enjoined from the distribution of our services.

If we are unable to maintain effective internal control over financial reporting, the accuracy and timeliness of our financial reporting may be adversely affected.

The Sarbanes-Oxley Act requires us, among other things, to assess and report on the effectiveness of our internal control over financial reporting annually and disclosure controls and procedures quarterly. In addition, our independent registered public accounting firm is required to audit the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act annually. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Moreover, our testing, or the subsequent testing by our independent registered public accounting firm, may reveal material weaknesses. If material weaknesses are identified or we are not able to comply with the requirements of Section 404 in a timely manner, our reported financial results could be materially misstated or could subsequently require restatement, we could receive an adverse opinion regarding our internal control over financial reporting from our independent registered public accounting firm, we could be subject to investigations or sanctions by regulatory authorities and we could incur substantial expenses. New accounting principles, such as the new revenue recognition standards that became effective for us beginning January 1, 2018, require significant changes to our existing processes and controls. We may not be able to effectively implement system and process changes required for new standards on a timely basis. Any delays or failure to update our systems and processes could also lead to a material weakness.

Global economic conditions may harm our industry, business and results of operations.

We operate globally and as a result our business and revenues are impacted by global macroeconomic conditions. Global financial developments seemingly unrelated to us or the software industry may harm us. From time to time, the United States and other key international economies have been impacted by geopolitical instability, high levels of bad debt globally, falling demand for a variety of goods and services, high levels of persistent unemployment and wage and income stagnation in some geographic markets, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies, international trade agreements and overall uncertainty with respect to the economy. These conditions can arise suddenly and affect the rate of information technology spending and could adversely affect our customers' ability or willingness to purchase our services, delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions, or affect renewal rates, all of which could harm our operating results. In addition, the effects, if any, of global financial conditions on our business can be difficult to distinguish from the effects on our business from product, pricing, and other developments in the markets specific to our products and our relative competitive strength. If we make incorrect judgments about our business for this reason our business and results of operations could be adversely affected.

Natural disasters and other events beyond our control could harm our business.

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 negative effect on us. Our business operations are subject to interruption by natural disasters, flooding, fire, power shortages, pandemics, terrorism, political unrest, telecommunications failure, vandalism, cyber-attacks, geopolitical instability, war, the effects of climate change (such as drought, wildfires, increased storm severity and sea level rise) 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, could decrease demand for our services, and could cause us to incur substantial expense. Our insurance may not be sufficient to cover losses or additional expense that we may sustain in connection with any natural disaster. The majority of our research and development activities, corporate offices, information technology systems, and other critical business operations are located near major seismic faults in California and Washington. Customer data could be lost, significant recovery time could be required to resume operations and our financial condition and operating results could be adversely affected in the event of a major natural disaster or catastrophic event.

Risks Related to Our 0% Convertible Senior Notes Due 2022 (2022 Notes) and Our 0% Convertible Senior Notes Due 2018 (2018 Notes)

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

Holders of the 2022 Notes and 2018 Notes have the right to require us to repurchase all or a portion of their 2022 Notes and 2018 Notes upon the occurrence of a fundamental change (as defined in the indenture for each of the 2022 Notes and 2018 Notes, as applicable) at a repurchase price equal to 100% of the principal amount of the 2022 Notes and 2018 Notes to be repurchased, plus accrued and unpaid special interest, if any. In addition, if a make-whole fundamental change (as defined in the indenture for each of the 2022 Notes and 2018 Notes, as applicable) occurs prior to the maturity date of the 2022 Notes or 2018 Notes, we will in some cases be required to increase the conversion rate for a holder that elects to convert its 2022 Notes or 2018 Notes in connection with such make-whole fundamental change. Upon conversion of the 2022 Notes or 2018 Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the 2022 Notes or 2018 Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the 2022 Notes or 2018 Notes surrendered therefor or pay cash with respect to the 2022 Notes or 2018 Notes being converted.

We and our subsidiaries may incur substantial additional debt in the future, subject to the restrictions contained in our future debt instruments, some of which may be secured debt. We are not restricted under the terms of the indentures governing each of the 2022 Notes and 2018 Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that could have the effect of diminishing our ability to make payments on the 2022 Notes and 2018 Notes when due. Furthermore, the indentures for each of the 2022 Notes and 2018 Notes prohibit us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the 2022 Notes and 2018 Notes and their respective indentures. These and other provisions in each of the indentures could deter or prevent a third party from acquiring us even when the acquisition may be favorable to holders of the 2022 Notes and 2018 Notes.

In addition, our ability to repurchase or to pay cash upon conversion of the 2022 Notes or 2018 Notes may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase 2022 Notes or 2018 Notes at a time when the repurchase is required by each indenture or to pay cash upon conversion of the 2022 Notes or 2018 Notes as required by each indenture would constitute a default. A default under each indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. Moreover, the occurrence of a fundamental change under each indenture could constitute an event of default under any such agreements. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the 2022 Notes or 2018 Notes, or to pay cash upon conversion of the 2022 Notes or 2018 Notes.

The conditional conversion feature of the 2022 Notes and 2018 Notes, if triggered, may adversely affect our financial condition and operating results.

The holders of the 2022 Notes and 2018 Notes may elect to convert their notes during any calendar quarter (and only during such calendar quarter) if the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to $175.18, in the case of the 2022 Notes, or $96.04, in the case of the 2018 Notes (in each case, the Conversion Condition). The Conversion Condition was met for the 2018 Notes during the three months ended June 30, 2017, September 30, 2017, December 31, 2017, and March 31, 2018, respectively. Accordingly, the 2018 Notes were convertible at the holders' option during each of the three months ended September 30, 2017, December 31, 2017, and March 31, 2018 and will continue to be convertible at the holders' option through the three months ending June 30, 2018. During the three months ended March 31, 2018, we paid cash to settle $37.3 million principal amount of the 2018 Notes. Based on additional conversion requests we have received through the filing date, we expect to settle in cash an aggregate of $319.5 million in principal amount of the 2018 Notes during the second quarter of 2018. We may receive additional conversion requests that require settlement in the second quarter or the remainder of the 2018 fiscal year. If one or more holders elect to convert their 2018 Notes (or 2022 Notes, if the Conversion Condition is triggered) in future periods, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we may settle all or a portion of our conversion obligation in cash, which could adversely affect our liquidity and result in a material adverse effect on our financial position, results of operations and cash flows. In addition, to the extent we receive conversion requests, we may also record a loss on early conversions of the 2018 Notes (or 2022 Notes, if the Conversion Condition is triggered) converted by noteholders based on the difference between the fair market value allocated to the liability component on the settlement date and the net carrying amount of the liability component and unamortized debt issuance on the settlement date.

The convertible note hedge and warrant transactions may affect the value of the 2022 Notes and 2018 Notes and our common stock.

In connection with the sale of the 2022 Notes and 2018 Notes, we entered into convertible note hedge (the 2022 Note Hedge and 2018 Note Hedge, respectively) transactions with certain financial institutions (option counterparties). We also entered into warrant transactions with the option counterparties pursuant to which we sold warrants for the purchase of our common stock (the 2022 Warrants and 2018 Warrants, respectively). The 2022 Note Hedge and 2018 Note Hedge transactions are expected generally to reduce the potential dilution upon any conversion of the 2022 Notes or 2018 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted 2022 Notes or 2018 Notes, as the case may be. The warrant transactions could separately have a dilutive effect to the extent that the market price per share of our common stock exceeds the exercise price of the 2022 Warrants or 2018 Warrants, which is $203.40 and $107.46, respectively.

The option counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock in secondary market transactions prior to the maturity of the 2022 Notes or 2018 Notes (and are likely to do so during any observation period related to a conversion of 2022 Notes or 2018 Notes, or following any repurchase of 2022 Notes or 2018 Notes by us on any fundamental change repurchase date (as defined in the indentures for the 2022 Notes and 2018 Notes) or otherwise). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the 2022 Notes or 2018 Notes, which could affect note holders' ability to convert the 2022 Notes or 2018 Notes and, to the extent the activity occurs during any observation period related to a conversion of the 2022 Notes or 2018 Notes, it could affect the amount and value of the consideration that note holders will receive upon conversion of the 2022 Notes or 2018 Notes.

The potential effect, if any, of these transactions and activities on the market price of our common stock or the 2022 Notes or 2018 Notes will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock and the value of the 2022 Notes and 2018 Notes (and as a result, the value of the consideration, the amount of cash and/or the number of shares, if any, that note holders would receive upon the conversion of any 2022 Notes or 2018 Notes) and, under certain circumstances, the ability of the note holders to convert the 2022 Notes or 2018 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 2022 Notes or 2018 Notes or our common stock. In addition, we do not make any representation that the option counterparties will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We are subject to counterparty risk with respect to the 2022 Note Hedge and 2018 Note Hedge transactions.

The option counterparties are financial institutions, and we will be subject to the risk that any or all of them may default under the 2022 Note Hedge or 2018 Note Hedge transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Recent global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings, with a claim equal to our exposure at that time under our transactions with that option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

Risks Related to Ownership of Our Common Stock

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

The trading price of our common stock has been, and is likely to continue to be, volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. In addition, the trading prices of the securities of technology companies in general have been highly volatile, and the volatility in market price and trading volume of securities is often unrelated or disproportionate to the financial performance of the companies issuing the securities. Factors affecting the market price of our common stock, some of which are beyond our control, include:

- changes in the estimates of our operating results or changes in recommendations by securities analysts that elect to follow our common stock;
- announcements of new products, services or technologies, new applications or enhancements to services, strategic alliances, acquisitions, or other significant events by us or by our competitors;
- fluctuations in the valuation of companies perceived by investors to be comparable to us, such as high-growth or cloud companies;
- changes to our management team;
- trading activity by directors, executive officers and significant stockholders, or the perception in the market that the holders of a large number of shares intend to sell their shares;
- the size of our market float;
- the volume of trading in our common stock, including sales upon exercise of outstanding options or vesting of equity awards or sales and purchases of any common stock issued upon conversion of the 2022 Notes or 2018 Notes or in connection with the 2022 Note Hedge and 2022 Warrant transactions relating to the 2022 Notes, or 2018 Note Hedge and 2018 Warrant transactions relating to the 2018 Notes;
- the economy as a whole, market conditions in our industry, and the industries of our customers; and
- overall performance of the equity markets.

Following periods of volatility in the market price of a company’s securities, securities class action litigation has often been brought against that company. Securities litigation could result in substantial costs and divert our management’s attention and resources from our business. This could have a material adverse effect on our business, operating results, and financial condition.

We do not intend to pay dividends on our common stock so any returns will be limited to changes in the value of our common stock.

We have never declared or paid any cash dividends on our common stock. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, our ability to pay cash dividends on our common stock may be prohibited or limited by the terms of any future debt financing arrangement. Any return to stockholders will therefore be limited to the increase, if any, of our stock price.

Provisions in our charter documents, Delaware law, our 2022 Notes and our 2018 Notes 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 restated certificate of incorporation and restated 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:

- establish a classified board of directors so that not all members of our board are elected at one time;
- permit the board of directors to establish the number of directors;
- provide that directors may only be removed "for cause" and only with the approval of 66 2/3% of our stockholders;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and restated bylaws;
- authorize the issuance of "blank check" preferred stock that our board could use to implement a stockholder rights plan;
- eliminate 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 restated 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 (though our restated bylaws have implemented stockholder proxy access).

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% or more of our common stock.

Further, the fundamental change provisions of our 2022 Notes or 2018 Notes may delay or prevent a change in control of our company, because those provisions allow note holders to require us to repurchase such notes upon the occurrence of a fundamental change.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Entry Into a Material Definitive Agreement.

Santa Clara Headquarters Expansion

On May 3, 2018, we entered into the following agreements with SI 55 LLC, a California limited liability company (Landlord), with respect to the extension of the lease and expansion of our existing headquarters located in Santa Clara, California:

- a Third Amendment to Lease (the Amendment), pursuant to which we will extend the term of the Lease, dated as of December 12, 2014, as amended (the Lease) for approximately 328,867 square feet of space located at 2215 Lawson Lane and 2225 Lawson Lane, Santa Clara, California (collectively, the Premises). The Amendment extends the term of the Lease by approximately 7.5 years through February 28, 2035. We have three options to renew the Lease for additional terms of five years each and also have a right of first offer to purchase the Premises.

- an expansion lease (the First Expansion Lease), pursuant to which we will lease approximately 268,556 square feet of space comprising an entire building to be located at Lawson Lane, Santa Clara, California (the First Expansion Building). The initial term of the First Expansion Lease is expected to commence on March 1, 2021, although the commencement date may be extended in certain circumstances if specified improvements to the First Expansion Building have not been completed by such date. The initial term shall be for 14 years following the commencement date. We have three options to renew the First Expansion Lease for additional terms of five years each and also have a right of first offer to purchase the First Expansion Building.

- an expansion lease (the Second Expansion Lease), pursuant to which we will lease, contingent on the Landlord achieving certain approvals, approximately 241,100 square feet of space, comprising an entire building to be located at Lawson Lane, Santa Clara, California (the Second Expansion Building). Should the Landlord fail to achieve certain approvals, we will have the right under the Second Expansion Lease to either accept a building with a total area of less than 175,000 square feet or to terminate the Second Expansion lease without penalty or delay. The initial term of the Second Expansion Lease is expected to commence on March 1, 2023, although the commencement date may be extended in certain circumstances if specified improvements to the Second Expansion Building have not been completed by such date. The initial term shall be for 10 years following the commencement date but may be extended to be coterminous with the First Expansion Lease. We have three options to renew the Second Expansion Lease for additional terms of five years each and also have a right of first offer to purchase the Second Expansion Building.

Under the Amendment, we anticipate that we will commence paying monthly base rent for the extended term for the Premises during the third quarter of 2027, in an amount of approximately $1.2 million per month, increasing annually up to approximately $1.5 million per month in the final year of the extended term of the Lease, for a total minimum payment of approximately $123.6 million over the extended term of the Lease. In addition to our monthly rent obligations, we will be responsible for the operating costs and taxes associated with the Premises. Under the First Expansion Lease, we anticipate that we will commence paying monthly base rent for the First Expansion Building during the third quarter of 2022, in an amount of approximately $1.0 million per month, increasing annually up to approximately $1.4 million per month in the final year of the initial term of the First Expansion Lease, for a total minimum payment of approximately $184.3 million over the initial term of the First Expansion Lease. In addition to our monthly rent obligations, we will be responsible for the operating costs and taxes associated with the First Expansion Building. Under the Second Expansion Lease, should the Landlord achieve certain approvals, we anticipate that we will commence paying monthly base rent for the Second Expansion Building during the second quarter of 2024, in an amount of approximately $1.0 million per month, increasing annually up to approximately $1.2 million per month in the final year of the initial term of the Second Expansion Lease, for a total minimum payment of approximately $145.9 million over the initial term of the Second Expansion Lease. In addition to our monthly rent obligations, we will be responsible for the operating costs and taxes associated with the Second Expansion Building.

The foregoing is a summary description of certain terms of the Amendment, the First Expansion Lease, and the Second Expansion Lease, and is qualified in its entirety by reference to the full text of each of the Amendment, the First Expansion Lease, and the Second Expansion Lease, a copy of which is filed as Exhibit 10.1, 10.2, and 10.3 to this Quarterly Report on Form 10-Q, respectively, and incorporated by reference herein.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit Number	Description of Document	Incorporated by Reference			Filed Herewith
		Form	File No.	Exhibit	
10.1	Third Amendment to Lease dated May 3, 2018, between the Registrant and SI 55, LLC				X
10.2	Lease dated May 3, 2018, between the Registrant and SI 55, LLC				X
10.3	Lease dated May 3, 2018, between the Registrant and SI 55, LLC				X
31.1	Certification of Periodic Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Periodic Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X

* The certifications on Exhibit 32 hereto are deemed not “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liability of that Section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

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

SERVICENOW, INC.

Date: May 8, 2018

By: /s/ John J. Donahoe

John J. Donahoe

President and Chief Executive Officer

(On behalf of the Registrant)

Date: May 8, 2018

By: /s/ Michael P. Scarpelli

Michael P. Scarpelli

Chief Financial Officer

(As Principal Financial and Accounting Officer)

EXHIBIT 10.1

THIRD AMENDMENT TO LEASE

(2215 and 2225 Lawson Lane)

THIS THIRD AMENDMENT TO LEASE (this "**Third Amendment**") is dated for reference purposes only as of April 16, 2018 by and between SI 55, LLC, a California limited liability company ("**Landlord**") and ServiceNow, Inc., a Delaware corporation ("**Tenant**"). Landlord and Tenant may each be referred to in this Third Amendment individually as a "**Party**", and collectively as the "**Parties**."

RECITALS

A. Landlord and Tenant are the landlord and tenant, respectively, under that certain lease dated as of December 12, 2014 (the "**Original Lease**") for certain premises located at 2215 and 2225 Lawson Lane , Santa Clara, California, and more particularly described in the Original Lease (the "**Premises**"). The Original Lease was amended by an Amendment to Lease between Landlord and Tenant dated for reference purposes as of June 19, 2015 (the "**First Amendment**") and a Second Amendment to Lease between Landlord and Tenant dated for reference purposes as of November 5, 2015 (the "**Second Amendment**"). The Original Lease, as amended by the First Amendment and Second Amendment, is referred to in this Third Amendment as the "**Existing Lease**".

B. Pursuant to Section 19.E of the Original Lease (titled "Right of First Negotiation to Lease Additional Space"), Tenant had rights of first negotiation for the lease of additional space in the First Expansion Building and Second Expansion Building, as more particularly described in the Original Lease. Tenant's rights under Section 19.E of the Original Lease (titled "Right of First Negotiation to Lease Additional Space") terminated on September 30, 2016 and are not subject to revival. Concurrently with the termination of Tenant's rights under Section 19.E of the Original Lease (titled "Right of First Negotiation to Lease Additional Space"), Tenant's rights under Section 19.G of the Original Lease (titled "Right of First Refusal to Lease Second Expansion Building") also terminated and are not subject to revival.

C. Pursuant to Section 19.F of the Original Lease (titled "Right of First Refusal to Lease Expansion Building Space"), Tenant has a right of first refusal to lease space in the First Expansion Building and Second Expansion Building, on the terms and conditions set forth in the Original Lease. Concurrently with this Third Amendment, in lieu of Tenant's rights under Section 19.F of the Original Lease (titled "Right of First Refusal to Lease Expansion Building Space"), Landlord and Tenant are entering into a lease for space in the First Expansion Building to be constructed on the Phase 2 Land (the "**First Expansion Building Lease**") and a lease for space in the Second Expansion Building to be constructed on the Phase 2 Land (the "**Second Expansion Building Lease**"), the addresses for which will be confirmed when City approvals and building permits are obtained for such buildings. The First Expansion Building Lease and Second Expansion Building Lease are collectively referred to in this Third Amendment as the "**Expansion Building Leases**", or individually as an "**Expansion Building Lease**".

D. Landlord and Tenant desire to amend the Existing Lease on the terms and conditions set forth in this Third Amendment.

NOW, THEREFORE, Landlord and Tenant, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. Definitions. All capitalized terms not otherwise defined in this Third Amendment shall have the meanings assigned to such terms in the Existing Lease.

2. Third Amendment Effective Date; Termination of Third Amendment. This Third Amendment shall become effective when this Third Amendment, the First Expansion Building Lease and the Second Expansion Building Lease have all been signed by Landlord and Tenant (the date of full execution of all of such documents being the "**Third Amendment Effective Date**"). If the First Expansion Building Lease terminates before the Phase 2 Construction Start Date (defined in Section 3(a) of this Third Amendment) occurs, then this Third Amendment shall terminate concurrently with the termination of the First Expansion Building Lease and be of no further force or effect except for Section 5 of this Third Amendment (titled "Expansion Building Leases") and except for Section 16 of this Third Amendment (titled "Brokers"), which Sections 5 and 16 shall survive the termination of this Third Amendment. If Tenant terminates the First Expansion Building Lease in accordance with the terms and conditions of the First Expansion Building Lease because permits for the Building Shell (as defined in the First Expansion Building Lease) and Premises Site Improvements (as defined in the First Expansion Building Lease) (not including the Bridgeways, however) have not been issued by all governmental authorities having jurisdiction by end of day on March 1, 2019, then this Third Amendment shall terminate concurrently with the termination of the First Expansion Building Lease and be of no further force or effect except for Section 5 of this Third Amendment (titled "Expansion Building Leases") and except for Section 16 of this Third Amendment (titled "Brokers"), which Sections 5 and 16 shall survive the termination of this Third Amendment.

3. Lease Term; Base Monthly Rent For Extension Periods; Free Base Monthly Rent.

(a) Extension Relating to First Expansion Building Lease. The Expiration Date under the Existing Lease is currently August 31, 2027. On the date that Landlord begins any construction work on the Phase 2 Land pursuant to the First Expansion Building Lease pursuant to any building permit issued after the Third Amendment Effective Date by a governmental authority for the Building Shell (as defined in the First Expansion Building Lease) or Premises Site Improvements (as defined in the First Expansion Building Lease) (such date being the "**Phase 2 Construction Start Date**"), the Expiration Date shall be extended for a period of seven and one half (7.5) years (as may be adjusted pursuant to this Section 3(a) and Section 3(b) of this Third Amendment below, the "**Extension Term**") to February 28, 2035, subject to adjustment as described in the next sentence. At such time as the original expiration date under the First Expansion Building Lease (not taking into account any options to extend) is determined, if the Expiration Date is not coterminous with the original expiration date of First Expansion Building Lease (not taking into account any options to extend), then the Expiration Date shall be adjusted to be coterminous with the original expiration date under the First Expansion Building Lease (not taking into account any options to extend), which could result in the Expiration Date being earlier or later than the Expiration Date prior to such adjustment. Once the original expiration date under the First Expansion Building Lease has been determined, the Parties shall promptly thereafter confirm in writing the adjusted Expiration Date for the Existing Lease. If, after the Phase 2 Construction Start Date, the First Expansion Building Lease terminates before the original expiration date of the First Expansion Building Lease has been determined, the Expiration Date shall not be adjusted to be coterminous with the First Expansion Building Lease, and shall remain February 28, 2035.

(b) Extension Relating to Second Expansion Building Lease. Once the expiration date under the Second Expansion Building Lease has been determined, if such expiration date extends beyond the then existing Expiration Date, then the Expiration Date shall be further extended

to be coterminous with the original expiration date under the Second Expansion Building Lease (not taking into account any options to extend). Once the expiration date under the Second Expansion Building Lease has been determined, the Parties shall promptly thereafter confirm in writing the new Expiration Date. If the Second Expansion Building Lease terminates before the original expiration date of the Second Expansion Building Lease has been determined, the Expiration Date shall not be extended pursuant to this Section 3(b).

(c) Base Monthly Rent During Extension Period. If the Expiration Date is extended to February 28, 2035 pursuant to Section 3(a) of this Third Amendment above, then Base Monthly Rent payable for each month of such seven and one half (7.5) year period shall be the following:

Period	Base Monthly Rent
September 1, 2027 - August 31, 2028	One Million Two Hundred Twenty Six Thousand Two Hundred Thirteen Dollars and Fifty Cents ($1,226,213.50)
September 1, 2028 - August 31, 2029	One Million Two Hundred Sixty Two Thousand Nine Hundred Ninety Nine Dollars and Ninety Cents ($1,262,999.90)
September 1, 2029 - August 31, 2030	One Million Three Hundred Thousand Eight Hundred Eighty Nine Dollars and Ninety Cents ($1,300,889.90)
September 1, 2030 - August 31, 2031	One Million Three Hundred Thirty Nine Thousand Nine Hundred Sixteen Dollars and Sixty Cents ($1,339,916.60)
September 1, 2031 - August 31, 2032	One Million Three Hundred Eighty Thousand One Hundred Fourteen Dollars and Nine Cents ($1,380,114.09)
September 1, 2032 - August 31, 2033	One Million Four Hundred Twenty One Thousand Five Hundred Seventeen Dollars and Fifty Two Cents ($1,421,517.52)
September 1, 2033 - August 31, 2034	One Million Four Hundred Sixty Four Thousand One Hundred Sixty Three Dollars and Four Cents ($1,464,163.04)
September 1, 2034 - February 28, 2035	One Million Five Hundred Eight Thousand Eighty Seven Dollars and Ninety Three Cents ($1,508,087.93)

If the Lease Term is extended beyond February 28, 2035 to be conterminous with the original expiration date under the First Expansion Building Lease pursuant to Section 3(a) of this Third Amendment above, Base Monthly Rent shall continue to be One Million Five Hundred Eight Thousand Eighty Seven Dollars and Ninety Three Cents ($1,508,087.93) per month, to be increased commencing on September 1, 2035 and each September 1 thereafter during the period of such extension to one hundred three percent (103%) of the Base Monthly Rent in effect immediately before such increase (without regard to temporary abatements then in effect). If the Lease Term is extended to be coterminous with the original expiration date under the Second Expansion Building Lease pursuant to Section 3(b) of this Third Amendment above, Base Monthly Rent shall increase commencing on each September 1 during the period of such extension to one hundred three percent (103%) of the Base Monthly Rent in effect immediately before such increase (without regard to temporary abatements then in effect). Once a new Expiration Date pursuant to Section 3(a) or 3(b) of this Third Amendment has been determined, the Parties shall promptly thereafter confirm in writing the Base Monthly Rent amount for each month of such extension that is beyond February 28, 2035. Base Monthly Rent during any Option Terms shall continue to be the Fair Market Rental pursuant to Section 19 of the Original Lease.

(d) Free Base Monthly Rent Following Phase 2 Construction Start Date. Notwithstanding the foregoing, in addition to any other rent abatement described in this Third Amendment, Landlord agrees to provide Tenant with an abatement following the Phase 2 Construction Start Date of the Base Monthly Rent due for each of the first five (5) full January months for which Base Monthly Rent is due thereafter. For example only, if the Phase 2 Construction Start Date occurs at any time during calendar year 2021, then Base Monthly Rent shall abate pursuant to this Section 3(d) for the months of January 2022, 2023, 2024, 2025 and 2026.

(e) Additional Base Monthly Rent Abatement. In addition to any other rent abatement hereunder, following the Phase 2 Construction Start Date, Tenant shall receive an additional abatement of Base Monthly Rent (the "**Additional Base Monthly Rent Abatement**") equal to the sum of (a) One Hundred Twenty Seven Thousand Five Hundred Dollars ($127,500.00) plus (b) the product of thirty five percent (35%) multiplied by (A) the product of (1) the number of years of the Extension Term (prorated for partial years), multiplied by (2) the rentable square feet of the Premises, multiplied by (3) One Dollars and Twenty Five Cents ($1.25), minus (B) Five Hundred Thousand Dollars ($500,000). For example, if the Extension Term is seven and one half (7.5) years and the rentable square footage of the Premises at the time the abatement applies is three hundred twenty eight thousand eight hundred sixty seven (328,867), then the Additional Base Monthly Rent Abatement shall initially be One Million Thirty One Thousand Five Hundred Ninety Five Dollars ($1,031,595.00) (i.e., $127,500 + (35% x ($3,083,128.13 - $500,000.00))). The initial Additional Base Monthly Rent Abatement shall be based on an assumed Extension Term equal to seven and one half (7.5) years, and shall be applied to the Base Monthly Rent due for the first full February following the first full January that rent is abated pursuant to Section 3(d) of this Third Amendment above and each calendar month thereafter during the Lease Term until fully applied. If the Extension Term is adjusted to be co-terminus with the lease term for the First Expansion Building Lease as described in Section 3(a) of this Third Amendment above, then when the adjustment to the Extension Term is finally determined, the Additional Base Monthly Rent Abatement shall be recalculated at that time, and the Parties shall promptly confirm in writing the recalculated Additional Base Monthly Abatement due hereunder. If pursuant to Section 3(a) of this Third Amendment above the Extension Term is reduced to be co-terminus with the lease term for the First Expansion Building Lease, and the amount of Additional Base Monthly Rent Abatement already received by Tenant is more than the actual amount determined pursuant to the sentence immediately above, then such excess amount shall be paid by Tenant to Landlord not later than ten (10) business days after the recalculated amount has been determined. If pursuant to Section 3(a) of this Third Amendment above the Extension

Term is extended to be co-terminus with the lease term for the First Expansion Building Lease, and the amount of Additional Base Monthly Rent Abatement already received by Tenant is less than the actual amount determined pursuant to this Section 3(e) above, then any additional Base Monthly Rent Abatement due to Tenant shall be applied to Base Monthly Rent next coming due under the Lease until exhausted. If the Extension Term is further extended to be co-terminus with the lease term for the Second Expansion Building Lease as described in Section 3(b) of this Third Amendment above, then when such extension to the Extension Term is finally determined, the Additional Base Monthly Rent Abatement shall be recalculated at that time, the Parties shall promptly confirm in writing the recalculated Additional Base Monthly Abatement due hereunder, and any additional Base Monthly Rent Abatement due to Tenant shall be applied to Base Monthly Rent next coming due under the Lease until exhausted.

4. Additional Option to Extend. Pursuant to Section 19.A of the Original Lease, Tenant has two (2) Options to extend the Lease Term, each Option Term to be for a period of sixty (60) months. Commencing on the Phase 2 Construction Start Date, Tenant is granted one additional option to extend the Lease Term (which additional option shall also constitute an "**Option**" under the Existing Lease as modified by this Third Amendment), the term of such extension to also be for a period of sixty (60) months (which option term shall also constitute an "**Option Term**" under the Existing Lease as modified by this Third Amendment), on all of the terms and conditions set forth in the Original Lease relating to the Options, as modified by this Section 4 below. Commencing on the Phase 2 Construction Start Date, notwithstanding Section 19.A of the Original Lease (titled "Grant and Exercise of Option") to the contrary, concurrent exercise of a corresponding option to extend the lease term under an Additional Lease for a building located on the Phase 2 Land shall not be requirement for the exercise of an Option; however, in order to exercise an Option to extend, Tenant must also exercise the corresponding option to extend in all Additional Leases of space in the buildings located in Phase 1, if any such Additional Leases exist.

5. Expansion Building Leases. Each Expansion Building Lease shall constitute an Additional Lease under the Existing Lease as modified by this Third Amendment. From and after the Third Amendment Effective Date, Section 19.F of the Original Lease (titled "Right of First Refusal to Lease Expansion Building Space") shall terminate and be of no further force or effect. This Section 5 shall survive the termination of this Third Amendment.

6. Bridgeways. As part of Landlord's efforts to obtain all of the entitlements and permits required for the construction of the First Expansion Building pursuant to the First Expansion Building Lease, Landlord will seek to obtain approval of above-grade bridgeways between the Buildings with an extension over Lawson Lane to the planned roof deck to be located on the amenities extension portion of the First Expansion Building as more particularly described in the First Expansion Building Lease (the "**Bridgeways**"). Tenant acknowledges that there is no assurance that all City, County and other governmental approvals necessary for the construction of the Bridgeways can or will be obtained. In no event shall Landlord have any liability to Tenant under the Existing Lease, as amended by this Third Amendment, if the Bridgeways are not constructed for any reason, including without limitation failure of Landlord and Tenant to agree upon any matters relating to the Bridgeways pursuant to the First Expansion Building Lease or failure to obtain all required governmental approvals; however, if such agreement is reached and such approvals are obtained, Tenant consents under this Lease to the construction of the Bridgeways in accordance with the terms and conditions of the First Expansion Building Lease. If the Bridgeways are constructed by Landlord, Tenant shall be solely responsible for cleaning, maintaining in good condition and repair, and repairing when necessary the Bridgeways, at Tenant's sole cost and expense, except for punch list items and deficiencies covered by the general contractor's one (1) year warranty for the Bridgeways described in the First Expansion Building Lease,

and except as provided below. Tenant acknowledges and agrees that if at any time Tenant is not a tenant of any of the buildings served by any portion of the Bridgeways, Landlord shall have the right (but not the obligation) to block access over the Bridgeways to the buildings or space not leased by Tenant, in any manner reasonably desired by Landlord so long as Landlord does not block Tenant's access between the buildings served by the Bridgeways which are still leased by Tenant, and in such event, in addition to Landlord's obligations set forth in this Section below, Landlord shall be responsible for cleaning, maintaining in good condition, order and repair, and repairing when necessary, that portion of the Bridgeways as to which Landlord has blocked Tenant's access, at no cost to Tenant (other than Tenant's Allocable Share of the cost of cleaning of exterior glass (if any), insurance costs and deductibles relating to the Bridgeways and utility costs relating to the Bridgeways, all of which shall be included as part of Reimbursable Operating Costs, or as provided in this Section 6 below). Tenant shall not have the right to make alterations to the Bridgeways, except as TRCs (defined in the First Expansion Building Lease) pursuant to the First Expansion Building Lease. During any period when Tenant leases all of the rentable square footage of the Buildings, all of the rentable square footage of one (1) Phase 2 building, plus any square footage in the other Phase 2 building, Tenant shall have the right to install signage on the Bridgeways, subject to all applicable Laws, Landlord's prior written approval (Landlord's approval not to be unreasonably withheld, conditioned or delayed), and the other provision of this Lease relating to signage.

Notwithstanding this Section 6 above, Landlord at its sole cost and expense, shall maintain in good condition, order, and repair, and replace as and when necessary, the structural components of the Bridgeways, if the Bridgeways are constructed, subject to Section 16 of the Original Lease as amended by this Third Amendment, except that the cost to repair any damage caused by Tenant or Tenant's Agents shall be paid for by Tenant to the extent the cost of repair is not fully paid to Landlord from available insurance proceeds. The All Risk or equivalent insurance which Landlord is required to obtain for the Building pursuant to the Existing Lease shall also include the Bridgeways (if constructed). Landlord's insurance costs and deductibles for the Bridgeways shall be included in Reimbursable Operating Costs. During any period when Tenant leases all of the space located in the Project buildings served by the Bridgeways, Tenant shall also arrange for and pay directly to the providing utility all utilities supplied to the Bridgeways. During any period that Tenant does not lease all of the space located in the Project buildings served by the Bridgeways, Landlord shall arrange for and pay to the providing utility all utilities supplied to the Bridgeways, the cost of which shall be included in Reimbursable Operating Costs and as to which Tenant shall pay Tenant's Allocable Share.

7. Late Charge. Commencing on the Phase 2 Construction Start Date, the late charge payable by Tenant pursuant to Section 4.C of the Original Lease (titled "Late Charge") shall be reduced from five percent (5%) to four percent (4%).

8. Non-Structural Alterations. Commencing on the Phase 2 Construction Start Date, in the second to last sentence of Section 8.A of the Original Lease, the phrase "(i) such Alterations do not exceed Five Hundred Thousand Dollars ($500,000) aggregate in a calendar year," shall be revised to read as follows: "(i) such Alterations do not exceed Five Hundred Thousand Dollars ($500,000) aggregate per contract, and do not exceed Three Million Dollars ($3,000,000) aggregate in a calendar year,".

9. Damage and Destruction. Commencing on the Phase 2 Construction Start Date, the first sentence of Section 16.A of the Original Lease (titled "Landlord's Obligation to Restore") shall be amended so that immediately after the words "In the event of damage or destruction of the Premises" the following words are added ", or the Bridgeways if they are constructed,". In no event shall Landlord have any liability to Tenant, and in no event shall Tenant be entitled to any rent reduction or abatement or have the right to terminate this Lease if repair or reconstruction of the Bridgeways following casualty is not allowed by any governmental authority having jurisdiction. Commencing on the Phase 2 Construction Start Date, the first sentence of Section 16.B of the Original Lease (titled "Limitations on Landlord's Restoration Obligation") shall be amended so that immediately after the words "Notwithstanding the provisions of Section 16.A above, Landlord shall have no obligation to repair or restore a Building in which any portion of the Premises is located" the following words are added "(or any portion of the Bridgeways, if they are constructed)". Commencing on the Phase 2 Construction Start Date, the sixth sentence of Section 16.B (titled "Limitations on Landlord's Restoration Obligation"), which begins "Tenant shall also have the right to terminate this Lease in the event either (1) Landlord estimates the repairs cannot be made" shall be amended by adding at the end of this sentence "; provided however that Tenant's termination right pursuant to this sentence shall not apply with respect to the Bridgeways". In no event shall Landlord have the obligation to restore any portion of the Bridgeways serving a Project building if such Project building is no longer leased by Tenant.

10. Failure to Surrender. Commencing on the Phase 2 Construction Start Date, notwithstanding the third sentence of Section 7.B of the Original Lease (titled "Failure to Surrender") to the contrary, the Base Monthly Rent payable each month during such hold over with Landlord's consent shall be one hundred twenty five percent (125%) of the Base Monthly Rent for the month preceding the Expiration Date or termination of the Existing Lease as modified by this Third Amendment (whichever occurs earlier) (without regard to temporary abatements then in effect) for the first ninety (90) days of hold over, and one hundred fifty percent (150%) of the Base Monthly Rent for the month preceding the Expiration Date or termination of the Existing Lease as modified by this Third Amendment (whichever occurs earlier) (without regard to temporary abatements then in effect) starting on the ninety first (91st) day of holdover. Commencing on the Phase 2 Construction Start Date, if Tenant surrenders the Premises at expiration or sooner termination of this Lease, but the Premises is not in the condition required by this Lease, Tenant shall not be required to pay one hundred and fifty percent (150%) of Base Monthly Rent as described in Section 7.B of the Original Lease with respect to failure to surrender the Premises in the condition required by the Lease a period not to exceed thirty (30) days immediately after the expiration or sooner termination of this Lease, and instead of such increased Base Monthly Rent shall pay Base Monthly Rent in the amount applicable immediately before such surrender (without regard to temporary abatements then in effect), if and only if (i) the cost to perform the work to render the Premises in the required condition is less than Two Hundred Fifty Thousand ($250,000), (ii) Tenant shall not be relieved of its obligation to perform the work necessary to render the Premises in the required condition, and (iii) such work is unrelated to any Hazardous Materials condition. Notwithstanding that Tenant may be relieved of the obligation to pay increased Base Monthly Rent during the thirty (30) day period described in the immediately prior sentence, following the surrender of the Premises to Landlord pursuant to the immediately prior sentence, Tenant shall not be relieved of any other liability to Landlord resulting from such default, and no notice or cure period shall apply with respect thereto

11. First Opportunity to Purchase. All of the provisions of this Section 11, except for the provision relating to any subordination, nondisturbance or attornment agreement or any priority agreement, shall become effective commencing on the Phase 2 Construction Start Date and shall be of no force or effect before the Phase 2 Construction Start Date. The provision relating to any subordination, nondisturbance or attornment agreement or any priority agreement in this Section 11 shall become

effective upon the Third Amendment Effective Date. Commencing on the Phase 2 Construction Start Date, if Landlord elects to sell or convey the all or any portion of the fee interest in a Building and separate legal parcel upon which it is situated and the other improvements located on such separate legal parcel (collectively, the "**Building Site**") whether alone or together with other portions of the Project (such interest in the Building Site and other portions of the Project proposed for sale or other conveyance being the "**Offered Property**") to a Third Party (defined below) during the then remaining Lease Term (but not any holdover period), then Landlord shall, prior to offering the Offered Property to a Third Party, provide Tenant with written notice of its desire to sell, and the economic terms under which Landlord desires to sell the Offered Property to Tenant (which for purposes of this Section 11 means and is limited to the purchase price, and closing costs and prorations) (the "**Sale Notice**"). As used in this Lease, a "**Third Party**" means a third party that is not a Sobrato Affiliate (defined below) and not a Landlord Affiliate (defined below). Provided that at the time of delivery of the Sale Notice to Tenant, Tenant is not in default of its obligations under this Lease beyond any applicable notice and cure period expressly set forth in this Lease, and Tenant leases all of the rentable square footage of the Building, then Tenant shall have thirty (30) days after receipt of the Sale Notice in which to accept or reject Landlord's offer in writing. Tenant shall have no rights under this Section 11 during any period when Tenant is in default of its obligations under this Lease beyond any applicable notice and cure period expressly set forth in this Lease and Tenant does not lease all of the rentable square footage of the Building. If Tenant fails to deliver written notice of the acceptance of Landlord's offer (an "**Acceptance Notice**") to Landlord within the required thirty (30) day period, Tenant shall be deemed to have rejected Landlord's offer. If Tenant delivers an Acceptance Notice to Landlord within the required thirty (30) day period, Landlord and Tenant shall, in good faith, attempt to reach agreement on the terms and conditions of a mutually acceptable purchase agreement consistent with the Sale Notice within thirty (30) days after delivery of the Acceptance Notice to Landlord, each determined in its sole and absolute discretion. If (x) Landlord and Tenant are unable to reach agreement on a mutually acceptable purchase agreement within such thirty (30) day period (each determined in its sole and absolute discretion), or (y) Tenant fails to deliver an Acceptance Notice to Landlord within the required thirty (30) day period described in this Section 11 above, then Landlord shall have the right to sell or convey the Offered Property to anyone, free and clear of Tenant's rights under this Section 11 at not less than ninety five percent (95%) of the economic terms offered to Tenant, free and clear of the rights of Tenant under this Section 11, provided that the agreement for such sale or conveyance of the Offered Property is entered into by Landlord with a prospective transferee not later than two hundred seventy (270) days after the Sale Notice with respect to such sale or conveyance was delivered to Tenant, and upon sale or conveyance of the Offered Property to such prospective transferee (or its assignee) pursuant to such agreement (as the same may thereafter be amended provided that the sale is at not less than ninety five percent (95%) of the economic terms offered to Tenant), this Section 11 shall terminate as to the Offered Property and shall not be subject to revival. If Landlord desires to enter into an agreement for the sale or conveyance of the Offered Property on economic terms that are less than ninety five percent (95%) of the economic terms offered to Tenant, then Landlord must offer Tenant the opportunity to purchase the Offered Property at the more favorable economic terms in accordance with the terms and conditions of this Section 11 before entering into an agreement on such more favorable economic terms with a Third Party. In addition, if Landlord does not enter into a purchase agreement for the sale or conveyance of the Offered Property to a prospective transferee within the two hundred seventy (270) day period described in this paragraph above, or if all purchase agreements entered into by Landlord with a prospective transferee during the two hundred seventy (270) day period described in this paragraph above terminate without transfer of the Offered Property having occurred, then Landlord must offer Tenant the opportunity to purchase the Offered Property in accordance with the terms and conditions of this Section 11 before entering into an agreement after such two hundred seventy (270) day period with a Third Party for the sale or conveyance of the Offered Property to such Third Party, provided that

the portion of the Offered Property which Landlord desires to sell includes the Building Site. In addition, if Landlord and Tenant enter into a purchase agreement for the Building Site, but that agreement terminates for any reason other than Landlord's default thereunder, then this Section 11 shall terminate and shall not be subject to revival.

Notwithstanding the foregoing, this Section 11 and Tenant's rights under this Section 11 shall automatically terminate (i) upon the expiration or sooner termination of the Lease (not taking into consideration any holdover period), or (ii) in the event of a foreclosure, deed in lieu of foreclosure transaction or other involuntary transfer of Landlord's interest in all or any portion of the Project, including without limitation as the result of any condemnation proceeding, and shall not be binding upon any Holder or anyone taking title by foreclosure or deed in lieu of foreclosure. Tenant agrees that any subordination, nondisturbance or attornment agreement or any priority agreement pursuant to Section 20.T of the Original Lease (titled "Subordination") shall confirm that Tenant's rights under this Section 11 shall not be binding upon the Holder or anyone taking title to the Premises by foreclosure or deed in lieu of foreclosure, and that such rights terminate and are not subject to revival upon and foreclosure or deed in lieu of foreclosure. Further, this Section 11 and Tenant's rights under this Section 11 shall not apply to sales or other transfers of all or any portion of the Project or interest therein to (i) John A. Sobrato, John Michael Sobrato or any other Sobrato family member or their respective spouses (John A. Sobrato, John Michael Sobrato and other Sobrato family members, and their respective spouses, being the "**Sobrato Family Members**"), or (ii) any entity or entities directly or indirectly owned or controlled by, or under the common control with any of the Sobrato Family Members, or (iii) any trust established, in whole or in part, for the benefit of any of the Sobrato Family Members, or (iv) The Sobrato Family Foundation, The Sobrato Foundation, The Real Estate Trust at Silicon Valley Community Foundation, or any charitable organization of which a Sobrato Family Member or other person or entity described in (ii) or (iii) of this sentence above has a right to direct or vote to direct the disposition of funds or assets, including without limitation a donor advised fund or a support organization at a community foundation (each of the persons and entities described in (i), (ii), (iii) and (iv) of this sentence being individually a "**Sobrato Affiliate**"), or (v) any Landlord Affiliate. As used in this Lease "**Landlord Affiliate**" means any person or entity directly or indirectly owning or owned by, controlling or controlled by, or under common control with Landlord; except that if Landlord or such other person described in this sentence above is a publicly traded company, a Landlord Affiliate shall not include any person or entity solely by reason of such person or entity having an ownership interest in such publicly traded company. In addition, this Section 11 shall not apply to any sale or other transfer of any portion of the Project which does not include the Building Site as part of such sale or transfer. From and after the Phase 2 Construction Start Date, Landlord shall be free to sell or transfer any portion of the Project, provided the sale or transfer does not include the Building Site, free and clear of Tenant's rights under this Section 11. Prior to the Phase 2 Construction Start Date Landlord shall be free to sell or transfer any portion of the Project free and clear of Tenant's rights under this Section 11.

Subject to this paragraph below, all purchase rights described in this Section 11, are personal and granted solely to (i) ServiceNow, a Delaware corporation ("**ServiceNow**") so long as ServiceNow is the tenant under this Lease, and a (ii) Permitted Assignee so long as the Permitted Assignee is the tenant under this Lease, are not exercisable by any other person or entity whether or not a Transfer has occurred except to the extent Landlord consents to permit exercise of any such right by any assignee or subtenant in Landlord's sole and absolute discretion. Notwithstanding the foregoing, to the extent any other lease for space in the Project grants the right to purchase the Building Site (whether alone or in combination with any other portion of the Project) (the right to purchase the Building Site under this Lease or any such other lease being "**Competing Purchase Rights**"), then the following shall apply: (i) So long as ServiceNow is the tenant under this Lease or any other lease granting Competing Purchase

Rights at the time that such Competing Purchase Rights are exercisable, only ServiceNow shall have the right to exercise the Competing Purchase Rights under its applicable leases and the Competing Purchase Rights granted to Permitted Assignees shall be of no force or effect; and (ii) If ServiceNow is no longer the tenant under this Lease and the other leases granting Competing Purchase Rights at the time that such Competing Purchase Rights are exercisable, only the Permitted Assignee under the lease containing Competing Purchase Rights which has the earliest lease term commencement date shall have the right to exercise the Competing Purchase Rights under such lease having the earliest commencement date, and the Competing Purchase Rights under all other leases shall be of no force or effect. In no event shall more than one (1) tenant have rights with respect to any lease offer or sale notice triggering a Competing Leasing Right or Competing Purchase Right.

Tenant's purchase rights in this Lease shall terminate upon the expiration or sooner termination of this Lease and shall not apply during any holdover period.

12. Construction Related Accessibility Standards. In accordance with California Civil Code Section 1938, Landlord hereby notifies Tenant that, except to the extent known by or previously disclosed to Tenant, as of the Third Amendment Effective Date Landlord has no actual knowledge of the Premises having been inspected by a Certified Access Specialist (CASp). The following notice is also hereby inserted pursuant to California Civil Code Section 1938(e): "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." The notice set forth in the prior sentence is not intended to modify Landlord's or Tenant's respective obligations expressly set forth in the Existing Lease as modified by this Third Amendment. As used in the Existing Lease and this Third Amendment, a "**Certified Access Specialist**" or "**CASp**" means any person who has been certified by the State of California as such pursuant to applicable California law (including without limitation Section 4459.5 of the California Government Code).

The terms and conditions set forth in this Section 12 below shall become effective commencing on the Phase 2 Construction Start Date and shall be of no force or effect before the Phase 2 Construction Start Date. Notwithstanding this Section 12 above or anything to the contrary contained in the Existing Lease, Landlord and Tenant hereby agree and acknowledge that, if Tenant desires to obtain a CASp inspection, it shall be limited to an inspection of the Premises, and in addition:

(a) Tenant shall provide Landlord with not less than ten (10) business days prior written notice of its desire to conduct such CASp inspection ("**Tenant's CASp Inspection**"), identifying the date that such inspection will occur, and identifying the CASp that will conduct the inspection and providing evidence reasonably satisfactory to Landlord that the CASp is licensed and certified as a Certified Access Specialist in accordance with applicable Laws. Landlord shall have the right to, among other things, have one (1) or more Landlord representatives present during such inspection. Subject to the foregoing, Tenant shall coordinate Tenant's CASp Inspection with Landlord before the inspection is conducted.

(b) Tenant shall (x) provide Landlord with a copy of any and all findings, reports and/or other materials provided by the CASp performing Tenant's CASp Inspection (collectively, "**Tenant's CASp Report**") not later than two (2) business days following Tenant's receipt thereof, (y) at all times maintain (and cause to be maintained) Tenant's CASp Report and its findings (and any and all other materials related thereto) confidential and (z) pay for Tenant's CASp Inspection and Tenant's CASp Report prior to delinquency at Tenant's sole cost and expense. If Tenant receives a disability access inspection certificate, as described in subdivision (e) of California Civil Code Section 55.53, in connection with or following Tenant's CASp Inspection, then Tenant shall cause such certificate to be provided to Landlord not later than two (2) business days after received by Tenant.

(c) If Tenant's CASp Report identifies any violation(s) of applicable construction-related accessibility standards ("**CASp Violation(s)**"), then not later than two (2) business days after Tenant's receipt of Tenant's CASp Report, Tenant shall provide written notice to Landlord of any and all such CASp Violation(s). In such event, but only to the extent such violations are not the direct result of the Building Shell or Premises Site Improvements not having been originally constructed in accordance with Laws in effect and applicable to the Building Shell or Premises Site Improvements, as applicable, as of such original construction, Tenant shall, at Tenant's sole cost and expense, perform, or cause to be performed, all repairs, modifications and/or other work necessary to correct such CASp Violation(s) (such repairs, modifications and/or other work being collectively referred to herein as "**Tenant's CASp Work**", and Tenant's CASp Work also constituting Alterations (defined in Section 8.A of the Original Lease) under the Existing Lease as modified by this Third Amendment); provided however, that to the extent such CASp Violation(s) are the direct result of the Building Shell or Premises Site Improvements not having been constructed in accordance with Laws in effect and applicable to the Building Shell or Premises Site Improvements when the Building Shell or Premises Site Improvements were originally constructed, Landlord shall, at Landlord's sole cost and expense perform, or cause to be performed, all repairs, modifications and/or other work necessary to correct such CASp Violation(s). Tenant shall work diligently to prepare all plans and specifications required for Tenant's CASp Work, to obtain Landlord's approval of Tenant's CASp Work and to obtain all permits required for Tenant's CASp Work, and to thereafter commence (or cause the commencement of) Tenant's CASp Work in accordance with the terms and conditions set forth in the Existing Lease, as modified by this Third Amendment, relating to Tenant's Alterations. Tenant shall diligently prosecute (or cause to be diligently prosecuted) to completion all of Tenant's CASp Work in a lien free, good and workmanlike manner, and, promptly following completion, obtain and deliver to Landlord an updated CASp Report ("**Tenant's Updated CASp Report**") showing that the Premises then comply with all applicable construction-related accessibility standards. Any and all costs and expenses associated with Tenant's CASp Work and/or Tenant's Updated CASp Report shall be at Tenant's sole cost and expense. The preceding to the contrary notwithstanding, if Tenant's CASp Report identifies any CASp Violation(s), Landlord may, at Landlord's option, perform, or cause to be performed by any of Landlord's agents, employees, contractors or consultants, the Tenant's CASp Work necessary to correct such CASp Violation(s) at Tenant's expense, the entire cost of which shall be paid by Tenant to Landlord not later than thirty
(30) days following Tenant's receipt of a written invoice from Landlord.

Without limiting the generality of the foregoing, Tenant hereby agrees and acknowledges that Tenant assumes all risk of, and agrees that Landlord shall not be liable for, any and all loss, cost, damage, expense and liability (including, without limitation, court costs and reasonable attorneys' fees) sustained as a result of the Premises not having been inspected by a CASp. To the fullest extent permitted by law, Tenant hereby (A) waives and disclaims any objection to, cause of action based upon, or claim that its obligations hereunder should be reduced or limited as a result of, the lack of any CASp inspection of the Premises, and (B) agrees and acknowledges that the lack of such inspection shall in no event diminish or reduce Tenant's obligations under the Existing Lease as modified by this Third Amendment.

13. Reimbursable Operating Costs. Commencing on the Phase 2 Construction Start Date, the following shall be added at the end of Section 9.D of the Original Lease (titled "Reimbursable Operating Costs"): If a bill for real property taxes and assessments is received by Landlord not later than five (5) years after the expiration or termination of the Lease Term (including without limitation a supplemental tax bill), but is applicable to any tax year within the Lease Term, Tenant shall pay Tenant's Allocable Share of such taxes and assessments not later than thirty (30) days after Tenant's receipt of notice of the amount due from Landlord, which obligation shall survive expiration or sooner termination of the Lease Term.

14. Parking. Commencing on the Phase 2 Construction Start Date, the third and fourth sentences in the second paragraph of Section 2 of the Original Lease (titled "PREMISES"), which reads "Tenant shall not have the right to use any parking spaces located within Phase 2 (defined below) except during any period when Tenant leases rentable space in the buildings located within Phase 2 from time to time (in which event Tenant shall be entitled to its allocable share of such parking based on relative building square footage within Phase 2) or otherwise as set forth in this Lease. During any period when Tenant does not lease all of the rentable space in the buildings located within Phase 2 from time to time, no tenant in Phase 2 shall have the right to use any parking spaces located within Phase 1." Shall be deleted in their entirety.

15. Default. Commencing on the Phase 2 Construction Start Date, at the end of the first paragraph in Section 14.A of the Original Lease (titled "Events of Default"), the language which reads ", or (viii) a material default by the tenant under any Additional Lease (defined in Section 19.A below), beyond any applicable cure period expressly set forth in such Additional Lease, without the necessity for additional notice or cure under this Lease, provided that if a notice and cure period is granted under such Additional Lease the notice of breach or default delivered to the tenant under such Additional Lease states or is accompanied by a separate notice which states that failure to cure within the applicable cure period under the Additional Lease will be a default under this Lease" shall be deleted in its entirety. In addition, commencing on the Phase 2 Construction Start Date, the word "or" shall be hereby inserted immediately before the first item (viii) in the first paragraph in Section 14.A of the Original Lease (which reads "(viii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days").

16. Brokers. Landlord and Tenant each represents to the other it has not dealt with any real estate broker, agent or finder with respect to this Third Amendment that would be entitled to a commission or other payment in connection with this Third Amendment, other than Colliers International ("**Tenant's Broker**"), representing Tenant. Landlord agrees to pay a commission to Tenant's Broker in connection with this Third Amendment, pursuant to a separate written agreement between Landlord and Tenant's Broker. This Section 16 shall survive the termination of this Third Amendment.

17. Authority. Tenant hereby represents and warrants that (a) Tenant is a Delaware corporation in good standing under the laws of the State of Delaware and authorized to do business in California, (b) Tenant has full power and authority to enter into this Third Amendment and to perform all Tenant's obligations under the Existing Lease, as amended by this Third Amendment, and (c) the person signing this Third Amendment on behalf of Tenant is duly and validly authorized to do so and that such person's signature alone is sufficient to bind Tenant to this Third Amendment. Landlord hereby covenants and warrants that (x) Landlord is a California limited liability company in good standing under the laws of the State of California, (y) Landlord has full power and authority to enter into this Third Amendment and to perform Landlord's obligations under the Existing Lease, as amended by this Third Amendment and (z) the person signing this Third Amendment on behalf of Landlord is duly and validly authorized to do so and that such person's signature alone is sufficient to bind Landlord to this Third Amendment.

18. Effect of Third Amendment. Except as otherwise revised by this Third Amendment, all terms and conditions of the Existing Lease shall remain unchanged and in full force and effect. To the extent of any conflict between the terms of this Third Amendment and the terms of the Existing Lease, the terms of this Third Amendment shall control. This Third Amendment may be executed in counterparts, each of which shall be deemed an original, and together shall constitute one and the same document. Signatures to this Third Amendment created by the signer by electronic means and/or transmitted by email, telecopy or other electronic means shall be treated as original signatures and shall be valid and effective to bind the Party so signing. The caption and section headings of this Third Amendment are inserted for convenience of reference only and shall in no way define, describe or limit the scope or intent of this Third Amendment or any of its provisions. This Third Amendment shall be binding upon and inure to the benefit of the Parties hereto and, their successors and assigns (subject to the terms and conditions of the Existing Lease relating to assignment, subletting or other transfers); shall be governed by and construed in accordance with the laws of the State of California applicable to agreements made and to be wholly performed within said State; and may not be modified or amended in any manner other than by a written agreement signed by both Parties. If any term or provision of this Third Amendment or the application thereof to any persons or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Third Amendment or the application of such term or provision to persons or circumstances other than those as to which it is invalid or enforceable shall not be affected thereby, and, except to the extent invalid or unenforceable as described in this sentence above, this Third Amendment shall remain valid and enforceable to the fullest extent permitted by law. This Third Amendment constitutes the final and complete expression of the Parties' agreements with respect to the subject matter of this Third Amendment, and any prior negotiations or transmittals with respect to the subject matter of this Third Amendment shall be of no force or effect. Landlord and Tenant agree and acknowledge that this Third Amendment has been freely negotiated by both Parties; and that in any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Third Amendment or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either Party by virtue of that Party having drafted this Third Amendment or any portion thereof.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Third Amendment to be duly executed and delivered in their name and on their behalf as of the dates set forth below.

LANDLORD:

SI 55, LLC,
a California limited liability company
By: Sobrato Interests 3,
a California limited partnership
Its: Sole Member
By: Sobrato Development Companies, LLC,
a California limited liability company
Its: General Partner
By: /s/ Johh Michael Sobrato
John Michael Sobrato
Its:: Manager
Dated: May 3, 2018

TENANT:

ServiceNow, Inc., a Delaware corporation

By: /s/ Robert Teed
Robert Teed
Its: Vice President, Real Estate
Dated: May 1, 2018

By: /s/ Michael Scarpelli
Michael Scarpelli
Its: CFO
Dated: May 1, 2018

EXHIBIT 10.2

LEASE

By and Between

SI 55, LLC,
a California Limited Liability Company

("Landlord")

and

ServiceNow, Inc.,
a Delaware Corporation

("Tenant")

Lawson Lane-First Expansion Building
Santa Clara, California

Dated For Reference Purposes Only: April 16, 2018

TABLE OF CONTENTS

Page

1. PARTIES: 1
2. EFFECTIVE DATE; PREMISES: 1
3. USE: 5
   - A. Permitted Uses: 5
   - B. Uses Prohibited: 5
   - C. Advertisements and Signs: 5
   - D. Covenants, Conditions and Restrictions: 7
   - E. Sustainability Requirements: 7
4. TERM AND RENTAL: 8
   - A. Term: 8
   - B. Base Monthly Rent: 8
   - C. Base Monthly Rent Adjustment: 10
   - D. Late Charge: 10
   - E. Additional Base Monthly Rent Abatement: 10
5. [Intentionally Deleted] 11
6. CONSTRUCTION: 11
   - A. Landlord's Work: 11
   - B. Delivery of Building Shell and Premises Site Improvements; Delivery Date: 15
   - C. Walk-through Inspection and Acceptance Agreement: 17
   - D. Tenant Improvement Construction: 18
   - E. Tenant Improvement Costs: 19
   - F. Space Plan Allowance: 21
   - G. Construction Related Accessibility Standards Notice: 21
7. COVENANTS TO SURRENDER: 23
   - A. Surrender: 23
   - B. Failure to Surrender: 24
8. ALTERATIONS & ADDITIONS: 25
   - A. General Provisions: 25
   - B. Free From Liens: 27
   - C. Compliance With Governmental Regulations: 27
   - D. Insurance Requirements: 28
   - E. Rooftop Rights. 28
9. MAINTENANCE OF PREMISES: 28
   - A. Landlord's Obligations: 28
   - B. Tenant's Obligations: 28
   - C. Obligations Regarding Reimbursable Operating Costs: 29
   - D. Reimbursable Operating Costs: 30
   - E. Tenant's Allocable Share: 32
   - F. Waiver of Liability: 32
10. INSURANCE: 32
    - A. Tenant's Use: 32
    - B. Landlord's Insurance: 33

C. Tenant's Insurance: 33
D. Waiver: 34
11. TAXES: 34
12. UTILITIES: 35
13. TOXIC WASTE AND ENVIRONMENTAL DAMAGE: 35
A. Use of Hazardous Materials: 35
B. Tenant's Indemnity Regarding Hazardous Materials: 36
C. Notice of Release or Violation: 37
D. Remediation Obligations: 37
E. Environmental Monitoring: 38
F. Landlord Indemnification: 38
14. TENANT'S DEFAULT 39
A. Events of Default 39
B. Remedies: 39
C. Right to Re-enter: 40
D. Continuation of Lease: 40
E. No Termination: 40
F. Non-Waiver: 40
G. Performance by Landlord: 41
H. [Intentionally deleted] 41
15. LANDLORD'S LIABILITY: 41
A. Limitation on Landlord's Liability: 41
B. Limitation on Tenant's Recourse: 42
C. Indemnification of Landlord: 42
16. DESTRUCTION OF PREMISES: 42
A. Landlord's Obligation to Restore: 42
B. Limitations on Landlord's Restoration Obligation: 43
17. CONDEMNATION: 43
18. ASSIGNMENT OR SUBLEASE: 44
A. Consent by Landlord: 44
B. Assignment or Subletting Consideration: 46
C. No Release: 47
D. Reorganization of Tenant: 47
E. Permitted Transfers 48
F. Effect of Default: 48
G. Conveyance by Landlord: 48
H. Successors and Assigns: 49
I. Sublease Requirements: 49
19. OPTION TO EXTEND THE LEASE TERM: 49
A. Grant and Exercise of Option: 49
B. Determination of Fair Market Rental: 50
C. Resolution of a Disagreement over the Fair Market Rental: 51
D. Personal to Tenant: 51
E. First Opportunity to Purchase: 52
20. GENERAL PROVISIONS: 53
A. Attorney's Fees: 53
B. Authority of Parties: 54

C. Brokers: 54
D. Choice of Law: 54
E. ARBITRATION OF DISPUTES: 54
F. Entire Agreement: 55
G. Entry by Landlord: 55
H. Estoppel Certificates: 56
I. Exhibits: 56
J. Interest: 56
K. [Intentionally deleted] 56
L. No Presumption Against Drafter: 56
M. Notices: 56
N. Property Management: 57
O. Rent: 57
P. Representations: 57
Q. Rights and Remedies: 57
R. Severability: 57
S. Submission of Lease: 57
T. Subordination: 57
U. Survival of Indemnities: 58
V. Time: 58
W. Transportation Demand Management Programs: 58
X. Waiver of Right to Jury Trial: 58
Y. General: 58

Exhibit A Preliminary Site Plan i

Exhibit B [Intentionally Deleted] i

Exhibit C Warm Shell Definition i

Exhibit D Shell Plans Reference Sheets i

Exhibit E Premises Site Improvements Plans Reference Sheets i

Exhibit F ACKNOWLEDGMENT OF SUBSTANTIAL COMPLETION AND COMMENCEMENT DATE i

Exhibit G Tenant Improvements Plans Sheet References i

Exhibit H Environmental Reports i

Exhibit I Competitor List i

Exhibit J BridgewaysRendering i

Basic Lease Information Sheet

1.	Date of Lease (for reference purposes only):	April 16, 2018
2.	Tenant:	ServiceNow, Inc., a Delaware corporation
3.	Tenant's Address For Notices Before and After Occupancy:	2225 Lawson Lane Santa Clara, California 95054 Attn: Chief Financial Officer Email address: mike.scarpelli@servicenow.com With a copy to: 2225 Lawson Lane Santa Clara, California 95054 Attn: Robert Teed, Vice President, Real Estate & Facilities Email address: robert.teed@servicenow.com And Colliers International 3825 Hopyard Rd., Suite 195 Pleasanton, CA 94588 Attn: Jim Abarta Executive Vice President Email address: jim.abarta@colliers.com
4.	Tenant Billing Contact as of the Date of Lease:	Paulette Towne, Accounts Payable 4810 Eastgate Mall San Diego, California 92121 Phone: (858) 480-8891 Email address: apinvoices@servicenow.com
5.	Tenant Facility Contact as of the Date of Lease:	Robert Teed, Vice President, Real Estate & Facilities 2225 Lawson Lane Santa Clara, California 95054 Attn: Robert Teed, Vice President, Real Estate & Facilities Phone: (669) 262-3013 Email address: robert.teed@servicenow.com
6.	Landlord:	SI 55, LLC, a California limited liability company
7.	Landlord's Address:	c/o The Sobrato Organization, LLC 10600 North De Anza Boulevard, Suite 200 Cupertino, CA 95014 Attn: Property Manager Email address: As set forth in Paragraph 8 of this Basic Lease Information Sheet
8.	Landlord's Property Manager Contact as of the Date of Lease:	Lisa Kellogg Darrow (408) 796-6487

		lkellogg@sobrato.com
9.	Premises:	First building to be constructed on Phase 2 Land (defined in Section 2), address to be confirmed when entitlements and building permits obtained (Section 2)
10.	Rentable Square Footage/Tenant's Allocable Share:	Rentable Square Footage: To be determined by measurement following Substantial Completion (defined in Section 6.A) of Building Shell (defined in Section 6.A) (Section 2 and Section 4.B) Tenant's Allocable Share of Reimbursable Operating Costs: Allocable Share of Reimbursable Operating Costs allocable to the Building - One hundred percent (100%) Allocable Share of Reimbursable Operating Costs allocable to the Project - To be determined when rentable square footage of Building is determined, subject to adjustment if the rentable square footage of the Premises or Project changes following the Building Shell Delivery Date (Sections 2, 4.B and 9.E)
11.	Commencement Date:	The later of (1) the Site Improvements Delivery Date (defined in Section 6.B) or (2) eight (8) months after the Building Shell Delivery Date (defined in Section 6.B), subject to the provisions of Section 4.A and Section 6.B (Section 4.A)
12.	Reimbursable Operating Costs and Management Fees:	Payable commencing on the Commencement Date (Section 4.A and Section 9.C)
13.	Expiration Date:	One hundred sixty eight (168) full calendar months after the Commencement Date (it being intended in this event that if the Commencement Date occurs on a day other than the first (1st) calendar day of a calendar month, then the Expiration Date shall be extended so that the Expiration Date occurs on the last day of the one hundred sixty eighth (168th) full calendar month following the Commencement Date, subject to Section 6.B relating to Tenant Delays affecting the Commencement Date, and subject to extension or sooner termination as described in this Lease (Section 4.A)
14.	Term:	Initial Term: Commencing on the Commencement Date and ending one hundred sixty eight (168) full calendar months thereafter (it being intended in this event that if the Commencement Date occurs on a day other than the first (1st) calendar day of a calendar month, then the Expiration Date shall be extended so that the Expiration Date occurs on the last day of the one hundred sixty eighth (168th) full calendar month

following the Commencement Date), subject to extension pursuant to Section 4.A below and other provisions of this Lease
(Section 4.A)

Option Terms: Three (3) consecutive terms of sixty (60) months each

Option Term Notice Period: No earlier than twelve (12) months nor later than nine (9) months prior to the date the Lease Term would otherwise expire
(Section 19)

15. Base Monthly Rent:

Starting at Three Dollars and Sixty Five Cents ($3.65) per rentable square foot of Premises, subject to reduction pursuant to Section 6.A to Three Dollars and Fifty Five Cents ($3.55) per rentable square foot of Premises if the Bridgeways (defined in Section 6.A) are not constructed

Base Monthly Rent is increased on each anniversary of the Commencement Date to (i) on each of the first five (5) Adjustment Dates (defined in Section 4.C), an amount equal to one hundred three percent (103%) of the Base Monthly Rent in effect immediately before such adjustment (without regard to temporary abatements then in effect), (ii) on the sixth (6^{th}) through tenth (10^{th}) Adjustment Dates, an amount equal to one hundred two and one-half percent (102.5%) of the Base Monthly Rent in effect immediately before such adjustment (without regard to temporary abatements then in effect), and (iii) on the eleventh (11^{th}) Adjustment Date and each Adjustment Date thereafter until the start of the first Option Term, an amount equal to one hundred two percent (102%) of the Base Monthly Rent in effect immediately before such adjustment (without regard to any temporary abatements then in effect).

Notwithstanding the foregoing, Base Monthly Rent for the first (1^{st}) fifteen (15) full calendar months of the Lease Term is abated. Base Monthly Rent is also subject to abatement as described in Section 4.E below.

Base Monthly Rent is also subject to reduction during any period that Tenant does not have the right to exclusive use of the Roof Deck pursuant to this Lease and such use is on a shared basis with the other tenants of the Phase 2 buildings, as described in Section 2 below.

(Sections 2, 4.B, 4.C, 4.E, and 6.A)

Option Term Rent: Fair Market Rental (defined in Section 19.A)

		(Section 19) Holdover After Lease Expiration: Without Landlord's Consent - tenancy at sufferance, at reasonable rental value of the Premises but not less than one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding expiration or earlier termination (without regard to temporary abatements), except as provided in the last paragraph of Section 7.B With Landlord's Consent - month to month tenancy, at one hundred twenty five percent (125%) of the Base Monthly Rent for the month preceding expiration or sooner termination of this Lease (without regard to temporary abatements) for the first (1st) ninety (90) days of holdover, and one hundred fifty percent (150%) starting on the ninety first (91st) day of holdover (Section 7.B)
16.	Reimbursable Operating Costs	See Section 9.D for list of Reimbursable Operating Costs. (payable starting on the Commencement Date) (Section 9.D)
17.	Property Management Fee:	Monthly fee for management services - one and one-half percent (1.5%) of the Base Monthly Rent, without regard to temporary abatements then in effect, starting on the Commencement Date (Section 20.N)
18.	Late Charge:	Four (4%) percent of the overdue amount not received within five (5) days after the due date. Tenant is entitled to one (1) written notice and five (5) day cure period each calendar year before the first late charge for such calendar year shall accrue. No notice or additional cure period shall be required or apply for the second or any subsequent late charge during the calendar year (Section 4.D)
19.	Security Deposit:	None (Section 5)
20.	Parking:	Non-exclusive right to use approximately two and ninety seven – one hundredths (2.97) parking spaces per one thousand (1,000) Entitled Square Feet (defined in Section 2) not including the Roof Deck (defined in Section 2), rounded down to the nearest whole parking space (Section 2)
21.	Work Allowance:	Sixty Three Dollars ($63) per rentable square foot of Premises (measured in accordance with the BOMA standard described in Section 4.B), subject to increase by an amount not to exceed

		Thirty Dollars ($30) per rentable square foot of Premises as described in Section 6.E below. If the Work Allowance is increased by an amount not to exceed Thirty Dollars ($30) per rentable square foot of Premises as described in Section 6. E below, Tenant shall be obligated to pay monthly Amortization Rent as described in Section 6. E. (Section 6.E)
22.	Broker(s):	Landlord's Broker: None Tenant's Broker: Colliers International (Section 20.C)

This Basic Lease Information Sheet and the parenthetical references to sections of this Lease are for convenience of reference only, and designate some of the Lease sections where applicable provisions are set forth. In the event of any conflict between any information in this Basic Lease Information Sheet and the other provisions of the Lease, the other provisions of the Lease shall control.

Lease between
SI 55, LLC and ServiceNow, Inc.
(Lawson Lane (First Expansion Building))

1. PARTIES:

THIS LEASE (the "**Lease**"), is dated for reference purposes only as of April 16, 2018, to be effective as of the Effective Date (defined in Section 2 below), between SI 55, LLC, a California limited liability company, whose address is set forth in Paragraph 7 of the Basic Lease Information Sheet, and ServiceNow, Inc., a Delaware corporation, whose address is set forth in Paragraph 3 of the Basic Lease Information Sheet, hereinafter called respectively "**Landlord**" and "**Tenant**". Landlord and Tenant are collectively referred to in this Lease as the "**Parties**" and sometimes individually as a "**Party**".

2. EFFECTIVE DATE; PREMISES:

Landlord and Tenant are the landlord and tenant, respectively, under that certain lease dated as of December 12, 2014 (the "**Original Phase 1 Lease**") for certain premises located at 2215 and 2225 Lawson Lane, Santa Clara, California, and more particularly described in the Original Phase 1 Lease (the "**Existing Phase 1 Premises**"). The Original Phase 1 Lease was amended by an Amendment to Lease between Landlord and Tenant dated for reference purposes as of June 19, 2015 (the "**Phase 1 Lease First Amendment**") and a Second Amendment to Lease between Landlord and Tenant dated for reference purposes as of November 5, 2015 (the "**Phase 1 Lease Second Amendment**"). The Original Phase 1 Lease, as amended by the Phase 1 Lease First Amendment and Phase 1 Lease Second Amendment, is referred to in this Lease as the "**Existing Phase 1 Lease**". Concurrently with this Lease, Landlord and Tenant are further amending the Existing Phase 1 Lease pursuant to a Third Amendment to Lease (the "**Phase 1 Lease Third Amendment**"). Concurrently with this Lease, Landlord and Tenant are also entering into a lease for space in the second building to be constructed on the Phase 2 Land (defined below) (the "**Second Expansion Building Lease**"). The building to be constructed pursuant to the Second Expansion Building Lease is referred to in this Lease as the "**Second Expansion Building**". This Lease shall become effective when this Lease, the Phase 1 Lease Third Amendment, and the Second Expansion Building Lease have all been signed by Landlord and Tenant (the date of full execution of all of such documents being the "**Effective Date**").

Subject to this Lease becoming effective on the Effective Date, Landlord hereby leases to Tenant, and Tenant hires from Landlord, those certain premises (the "**Premises**") situated in the City of Santa Clara ("**City**"), County of Santa Clara ("**County**"), State of California, being all of the rentable square footage to be contained within what is anticipated to be the first building to be constructed on the Phase 2 Land (the "**Building**"), the address for which will be confirmed when City approvals and building permits are obtained for the Building Shell (defined in Section 6.A). Unless expressly provided otherwise in this Lease, the term "**Premises**" as used in this Lease shall include the Tenant Improvements (defined in Section 6.D below). Notwithstanding Tenant's obligations relating to the Roof Deck and the Bridgeways described in this Lease, and inclusion of a portion of the rentable square footage of the Roof Deck in the rentable square footage of the Premises, the Roof Deck and the Bridgeways shall not constitute part of the Premises. The Building is currently anticipated by Landlord to be a building comprised of a five (5) story office portion containing approximately two hundred forty thousand six hundred fifty (240,650) rentable square feet exclusive of roof deck, with a two (2) story amenity space extension containing approximately twenty two thousand three hundred twenty five (22,325) rentable square feet exclusive of roof deck (the "**Amenities Extension**"), for a total of approximately two hundred sixty two thousand nine hundred seventy five (262,975) rentable square feet exclusive of roof deck, with a roof deck atop the amenities extension portion of the Building to contain an additional approximately eleven thousand one hundred sixty two (11,162) square feet of space (the "**Roof Deck**") (only one-half of such Roof

Deck square footage to initially be included in the BOMA measurement of the Premises as described in Section 4.B below) for a total of approximately two hundred sixty eight thousand five hundred fifty six (268,556) rentable square feet of space for the Premises. If the Roof Deck is constructed as part of the Building, and a second building constructed on the Phase 2 Land is designed in such a way as to allow access from that second building to the Roof Deck, then the following shall apply: (1) until such time as the second building is constructed, Tenant shall have the exclusive use of the Roof Deck, (2) once the second building is constructed, at any time during the Lease Term that Tenant leases all of the rentable square footage in one (1) Phase 2 building plus any square footage in the other Phase 2 building, Tenant shall have the exclusive use of the Roof Deck, and (3) once the second building is constructed, at any time during the Lease Term that Tenant does not lease all of the rentable square footage in one Phase 2 building plus any square footage in the other Phase 2 building (for example, if Tenant no longer leases space in a Phase 2 building due to termination of that lease or due to assignment of that lease to a person or entity that is not the tenant under this Lease), Tenant shall not have the exclusive use of the Roof Deck and instead the Roof Deck shall constitute non-exclusive shared use space for all of the tenants in the Building and the second building. During any period that Tenant has the exclusive right to use the Roof Deck, Tenant shall be responsible for cleaning, maintaining in good condition, order and repair, and repairing when necessary, the Roof Deck. During any period that Tenant does not have the right to exclusive use of the Roof Deck pursuant to this Lease and such use is on a shared basis with the other tenants of the Phase 2 buildings, Landlord shall be responsible for cleaning, maintaining in good condition, order and repair, and repairing when necessary the Roof Deck the cost of which shall be a Reimbursable Operating Cost for which Tenant shall pay Tenant's Allocable Share, except that if any costs are incurred by Landlord to remedy Tenant's failure to clean, maintain or repair the Roof Deck while Tenant had exclusive use of it, one hundred percent (100%) of such costs shall be paid by Tenant. In addition, during any period that Tenant does not have the right to exclusive use of the Roof Deck pursuant to this Lease and such use is on a shared basis with the other tenants of the Phase 2 buildings, only twenty five percent (25%) of the Roof Deck square footage shall be included in computing the rentable square footage of the Premises (as described in Section 4.C below). Notwithstanding the inclusion of any portion of the Roof Deck in the Building square footage, in no event shall Tenant interfere with or prevent the use of the Roof Deck by other tenants or occupants of the Building or second Phase 2 building during any period that Tenant does not have the right to exclusive use the Roof Deck pursuant to this Lease.

Tenant acknowledges that all of the land use entitlements and permits necessary for the construction of the Building Shell (defined in Section 6.A) and the Premises Site Improvements (defined in Section 6.A) have not been obtained as of the Effective Date, provided that Landlord shall use commercially reasonable efforts to obtain them as described in Section 6.A. Tenant also acknowledges that the method of measurement that the City will use in processing Landlord's applications for the Building Shell will not be the BOMA standard described in Section 4.B, and that therefore the City approved square footage for the Building which will be referenced in the City approvals for the Building Shell (the "**Entitled Square Feet**") will likely be different than the rentable square footage as measured in accordance with BOMA standard described in Section 4.B. As used in Lease, as it relates to the Building, "**rentable square foot**", "**rentable square feet**" or "**rentable square footage**" shall mean the rentable square footage as measured by the BOMA Standard described in Section 4.B, unless this Lease expressly states otherwise. The general location of the Building and the Second Expansion Building which Landlord will be pursuing entitlements and permits for is shown on Exhibit A attached hereto (the "**Preliminary Site Plan**"). As shown on the Preliminary Site Plan, Landlord currently anticipates that the Second Expansion Building will be located immediately adjacent to the Building, separated from the Building by a common party wall, subject to Landlord being able to obtain development entitlements and permits for the Second Expansion Building as more particularly described in the Second

Expansion Building Lease and for this Building. Tenant acknowledges that the Preliminary Site Plan is preliminary in nature and that the final configuration of the Building, the Second Expansion Building, the Phase 2 Parking Structure (defined below) and other improvements to be located on the Phase 2 Land is subject to City approval and such changes as are acceptable to Landlord. It is currently anticipated by Landlord that a parking structure, which together with all surface parking to be constructed on the Phase 2 Land would initially contain approximately nine hundred ninety four (994) parking spaces (the "**Phase 2 Parking Structure**"), would be constructed on the Phase 2 Land in a location acceptable to Landlord as part of the Premises Site Improvements, and which number of spaces would be more parking than would be required for the Building. If entitlements and building permits are obtained for the Second Expansion Building, Landlord anticipates that the Phase 2 Parking Structure and surface parking would be expanded to provide approximately five hundred four (504) additional parking spaces (for a total upon such expansion of approximately one thousand four hundred ninety eight (1498) parking spaces within Phase 2), which when added to the excess spaces initially constructed, would provide the parking required for the Second Expansion Building pursuant to the City approvals obtained for the Second Expansion Building.

As used in this Lease, "**Phase 1 Land**" means the approximately eight and eighty one-one hundredths (8.81) acre parcel of land upon which the Existing Phase 1 Premises are located. As used in this Lease, "**Phase 1**" means the Phase 1 Land and all improvements thereon from time to time. As used in this Lease, "**Phase 2 Land**" means the real property across Lawson Lane from the Phase 1 Land comprised of approximately seven and fifty five one-hundredths (7.55) acres, upon which the Building will be constructed. As used in this Lease, "**Phase 2**" means the Phase 2 Land and all improvements thereon from time to time. As used in this Lease "**Project**" means all of Phase 1 and Phase 2.

Tenant shall also have the nonexclusive right to use, on a non-reserved basis (subject to this Section below), during the Lease Term and any extension thereof, the parking spaces within Phase 2 (without imposition of a parking fee for the use of the parking spaces) at a ratio equal to approximately two and ninety seven-one hundredths (2.97) parking spaces per one thousand (1,000) Entitled Square Feet not including the Roof Deck (rounded down to the nearest whole parking space) (and while Tenant leases all of the rentable square footage in all of the buildings located within Phase 2, all other parking spaces within Phase 2), together with the other areas within the Project (defined below) designated by Landlord as common area for the use of the Building from time to time ("**Common Area**") including but not limited to landscaping, sidewalks, service areas and other common facilities designated by Landlord for the use of the Building. During any period that Tenant leases all of the rentable square footage in the buildings located on Phase 2 from Landlord, the outdoor courtyard area with collaborative space located on the Phase 2 Land ("**Collaborative Space**"), the general location of which is shown on the Preliminary Site Plan, shall be available for use solely by Tenant, its subtenants and their respective employees, subject to Landlord's rights under this Lease. Tenant shall have the right to mark fifteen (15) non-handicapped parking spaces near the Building, in a location reasonably acceptable to Landlord, for Tenant's visitors (which spaces shall be a portion of Tenant's parking allocation set forth above). Use of the parking area by Landlord and its contractors and other designated users shall be on a non-reserved as needed basis.

Landlord shall have the right, in its reasonable discretion, from time to time, to do the following, provided that the same do not unreasonably interfere with Tenant's use of the Premises or materially increase the obligations or materially decrease the rights of Tenant under this Lease (except however that costs with respect to same shall be governed by other applicable provisions of this Lease): (a) [Intentionally deleted]; (b) close temporarily any of the Common Area for maintenance and repair purposes or to prevent a public dedication thereof; (c) [Intentionally deleted]; (d) use the Common Area while engaged in making additional improvements, repairs or alterations to the Building or the Project allowed or required by this Lease, including a second building,

expanding the Phase 2 Parking Structure for the second building and other exterior improvements related to the second building; (e) erect, use, and maintain pipes, wires and conduits in and through the Premises; and (f) do and perform any other acts, alter or expand or make any other changes in, to or with respect to the Common Area and the Project (other than the Building, except as required for Landlord to perform its obligations under this Lease, or to build a second building and related exterior improvements in Phase 2, or to comply with Laws) as Landlord may, in its reasonable discretion, deem to be appropriate.

Except as expressly provided in this paragraph below, Landlord reserves the absolute right to effect such other tenancies in the other Project buildings (if any) as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of Landlord. Except as expressly provided in this paragraph below, Tenant has not relied on the fact, nor has Landlord represented, that any specific tenant or type or number of tenants shall occupy any space in the other Project buildings, or that any specific tenant or type of tenant shall be excluded from occupying any space in the other Project buildings. Notwithstanding this paragraph above, Landlord agrees that so long as ServiceNow, Inc., a Delaware corporation ("**ServiceNow**") or any wholly owned subsidiary of ServiceNow is the Tenant under this Lease, and Tenant is not in default under this Lease beyond and applicable notice and cure period, Landlord shall not, without the prior written consent of Tenant, which may be withheld by Tenant in Tenant's sole and absolute discretion, enter into a lease for any space within the Phase 2 buildings with any competitor of Tenant listed on Exhibit I attached hereto (such list being the "**Competitor List**" and each competitor listed on the Competitor List (as such list may be updated from time to time as allowed below) being individually, a "**Listed Competitor**," and collectively, the "**Listed Competitors**"). Tenant shall have the right to update the Competitor List not more than once in any calendar year; provided, however: (i) the Competitor List shall never list more than five (5) Listed Competitors, (ii) if a Listed Competitor is a publicly traded company, the Competitor List shall identify the stock exchange and stock ticker symbol for such Listed Competitor, so that there is no confusion as to which company is being listed, and (iii) in naming a new Listed Competitor (i.e., those not listed on Exhibit I attached hereto), Tenant must act in good faith and shall not list any entity having a core business that is not competitive with Tenant's core business. If a Listed Competitor changes its name or ticker symbol, and Tenant fails to notify Landlord of such change, Landlord shall not be deemed to be in breach or default under this Lease if it leases any space to such Listed Competitor under its changed name. Landlord's obligation to Tenant under this paragraph is limited solely to the specific companies named as Listed Competitors on the Competitor List in effect from time to time, without duty to investigate or inquire into the history of a potential tenant, and shall not extend to any other company (including any affiliate of a Listed Competitor).

During any construction on the Phase 1 Land or Phase 2 Land, Tenant shall abide by, and cause its agents, employees, contractors, invitees, licensees, guests and customers to abide by, all safety and construction rules and regulations of Landlord or its general contractor. Tenant acknowledges that during the course of construction upon the Phase 1 Land or Phase 2 Land, loud noises and/or dust may be emitted from the site of such construction. Notwithstanding that Tenant's normal business operations may be disturbed or interfered with during the period of construction due to loud noises, dust or other construction-related activities, Tenant's Base Monthly Rent and other amounts due under this Lease shall not be abated as a result of such construction and, during the period of construction on the Phase 1 Land or Phase 2 Land, Tenant shall continue to timely perform all of its obligations under the Lease then accruing. The preceding notwithstanding, Landlord shall exercise commercially reasonable efforts to minimize, to the extent practicable under the circumstances, any material interference that the construction on the Phase 1 Land or Phase 2 Land may have on Tenant's business operations in the Premises and the emission of dust while construction work is being performed and in no event shall such construction prevent 24/7 access to the Premises. Such commercially reasonable efforts, as such term is

used in the immediately preceding sentence, shall not require Landlord to undertake construction on weekends or evenings or require Landlord to install any soundproofing in the Building or institute dust control measures beyond those required by the City. Tenant hereby waives any right to terminate this Lease due to any such construction activities undertaken in accordance with the terms of this Lease with respect to construction on the Phase 1 Land or Phase 2 Land.

3. USE:

A. Permitted Uses:

Tenant shall use the Premises pursuant to applicable Laws (defined in Section 8.C below) for the following purposes only and shall not change the use of the Premises without the prior written consent of Landlord, which Landlord may withhold in its sole and absolute discretion: General office, software development and storage incidental thereto. Tenant shall use only the number of parking spaces allocated to Tenant under this Lease. All commercial trucks and delivery vehicles shall be (i) parked in the designated shipping and receiving areas shown on the Preliminary Site Plan, (ii) loaded and unloaded in a manner which does not interfere with the businesses of other occupants of the Project, and (iii) permitted to remain within the Project only so long as is reasonably necessary to complete the loading and unloading. Landlord makes no representation or warranty that any specific use of the Premises desired by Tenant is permitted pursuant to any Laws (as defined in Section 8.C below).

B. Uses Prohibited:

Tenant and Tenant's Agents shall not commit on any portion of the Project, any waste, nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant or user of the Project, nor allow any use of the Premises for an unlawful purpose or for any sale by auction. Tenant shall not (i) damage or overload the electrical, mechanical or plumbing systems of the Premises, (ii) attach, hang or suspend anything from the ceiling, walls or columns of the Building in excess of the load limits for which such ceiling, walls or columns are designed, or set any load on the floor in excess of the load limits for which such floors are designed, or (iii) generate dust, fumes or waste products which create a fire or health hazard or damage the Premises or any portion of the Project, including without limitation the soils or ground water in or around the Project. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature, or any waste materials, refuse, scrap or debris, shall be stored upon or permitted to remain on any portion of the Project outside of the Premises by Tenant or Tenant's Agents without Landlord's prior approval, which approval may be withheld in its sole and absolute discretion. Neither Tenant nor Tenant's Agents shall dispose of any waste materials, refuse, scrap, debris or garbage anywhere within the Project except in enclosed trash containers designated for that purpose by Landlord. Neither Tenant nor Tenant's Agents shall conduct any auction in, on or about the Project.

C. Advertisements and Signs:

Tenant shall not place or permit to be placed, in, upon or about the Premises or Project any signs not approved by the City and other governing authorities having jurisdiction. All signs placed within the Project by Tenant shall comply with all recorded documents affecting the Premises, and applicable Laws. Tenant shall not place or permit to be placed upon the Premises any signs, advertisements or notices visible from outside the Premises without the written consent of Landlord as to type, size, design, lettering, coloring and location, which consent will not be unreasonably withheld. Subject to the terms and conditions of this Section 3.C, so long as Tenant leases either (i) all of the rentable square footage of the Building, or (ii) all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, then Tenant may install, at its sole cost and expense, not more than two (2) of its signs on the top of the Building. If at any time during the Lease Term Tenant does not lease all of the rentable square footage of the Building, and also does not lease all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, then Tenant shall remove all of

its signage from the top of the Building and repair all damage caused by such removal not later than thirty (30) days after Landlord requests such removal except as provided in the next sentence. Notwithstanding the foregoing, during any period that Tenant leases at least fifty percent (50%) of the rentable square footage of the Building, Tenant shall be entitled to install and/or maintain one (1) sign on the top of the Building, subject to the other terms and conditions of this Section above relating to Tenant's signage.

Landlord agrees to exert commercially reasonable efforts to obtain City approval for one (1) sign monument for the Common Area within Phase 2 (the "**Phase 2 Monument**") prior to the Commencement Date. If Landlord is able to obtain City approval of the Phase 2 Monument, then promptly after obtaining such approval, Landlord shall cause, at its sole cost, the City approved Phase 2 Monument to be installed in the Common Area within Phase 2. If pursuant to this Lease and/or the Second Expansion Building Lease Landlord is able to obtain City approval for two (2) sign monuments for Phase 2, then there will be one monument dedicated to the Building and the other dedicated to the Second Expansion Building; however, at any time during the Lease Term that Tenant leases either (i) all of the rentable square footage of the Building, or (ii) all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, Tenant shall have the right to all of the tenant signage space on both of the sign monuments. If, however, there are two (2) sign monuments for Phase 2, but Tenant does not lease all of the rentable square footage of the Building, and also does not lease all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, then Tenant shall be entitled to use only Tenant's Allocable Share (i.e. in the proportion that the rentable square footage of the space leased by Tenant in the Building bears to the total rentable square footage of the Building) of the tenant signage space on the sign monument dedicated to the Building, and Tenant shall remove its excess signage from the sign monuments and repair all damage caused by such removal not later than thirty (30) days after Landlord requests such removal. If only one (1) sign monument is approved by the City for Phase 2, then at any time during the Lease Term that Tenant leases either (i) all of the rentable square footage of the Building, or (ii) all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, Tenant shall have the right to all of the tenant signage space on such sign monument; but if at any time Tenant does not lease all of the rentable square footage of the Building, and also does not lease all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, then Tenant shall only have the right to its Allocable Share of the tenant signage space on such sign monument (i.e. in the proportion that the rentable square footage of the space leased by Tenant in the Building bears to the total rentable square footage of the Phase 2 buildings), and Tenant shall remove its excess signage and repair any damage to the sign monument caused by such removal not later than thirty (30) days after Landlord requests such removal. Before installation of the Phase 2 Monument, Landlord shall provide drawings of them for Tenant's approval, such approval not to be unreasonably withheld, conditioned or delayed.

In addition, Tenant shall have the right subject to Landlord and the City's approval and the other terms and conditions of this Section 3.C to install an LED sign for Phase 2, similar to the one that Tenant installed for Phase 1 under the Existing Phase 1 Lease (the "**Phase 2 LED Sign**"), facing San Tomas Expressway. During any period that Tenant does not lease all of the rentable square footage of the Building, and also does not lease all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, Landlord shall have the right take over the maintenance, repair and operation of the Phase 2 LED sign, the cost of which shall constitute a Reimbursable Operating Cost, and to grant a reasonable allotment of usage of such sign to Landlord and the other Phase 2 tenants. Except as provided in the immediately prior sentence, all costs associated with the Phase 2 LED Sign shall be paid for by Tenant.

Notwithstanding this Section 3.C above, but subject to the next sentence below, the Phase 2 LED Sign, and any sign placed in, upon or about the Premises (including without limitation

Tenant's rooftop signage and exterior Building address signage), and any sign of Tenant placed upon any Phase 2 sign monument dedicated to the Building, shall be removed by Tenant, at its sole cost, and any damage caused by such removal shall be repaired by Tenant, prior to the Expiration Date or sooner termination of the Lease (whichever is earlier). Notwithstanding the immediately prior sentence, Tenant shall not remove the Phase 2 LED Sign without Landlord's prior written approval, which Landlord may withhold in its sole and absolute discretion; provided, however, that Tenant may remove its name and logo on such sign. Following execution of this Lease by Landlord and Tenant and delivery to Landlord of evidence of insurance required of Tenant pursuant to Section 10 below, Tenant may install a temporary sign within the Common Area on Phase 2 announcing this site as the Tenant's new location, provided such signage does not interfere with any construction work on the Phase 2 Land, Tenant obtains the approval of the City and all other governmental authorities having jurisdiction, and the approval of Landlord and Landlord's General Contractor, and the signage is in a location acceptable to Landlord and Landlord's General Contractor (defined in Section 6.A). Such temporary sign shall be removed not later than the earlier to occur of (i) the date that rooftop signage has been installed by Tenant on the Building, or (ii) the Commencement Date. If any Tenant sign is not removed and damage thereby not repaired within the time required by this Section 3.C above, Landlord may do so at Tenant's expense, the cost of which shall be paid to Landlord not later than thirty (30) days after demand (which obligation shall survive expiration or sooner termination of this Lease).

D. **Covenants, Conditions and Restrictions:**

This Lease is subject to the effect of (i) any covenants, conditions, restrictions, easements, mortgages or deeds of trust, ground leases, rights of way of record and any other matters or documents of record, and (ii) any zoning laws of the city, county and state where the Building is situated (the matters described in this sentence being collectively referred to herein as "**Restrictions**"), and Tenant shall conform to and shall not violate the terms of any such Restrictions. Landlord shall have the right from time to time to encumber the Project with any and all public utility easements, private easements and covenants, conditions and restrictions required by the City or any other governmental authority in connection with the development or redevelopment of the Project or Phase 2 needed or desired by Landlord for the ownership, use and operation of the Project or Phase 2, provided that they do not materially and adversely affect Tenant's access to or use of the Premises, all of which shall constitute part of the Restrictions; and Tenant agrees that its rights under this Lease shall be subject and subordinate to all such Restrictions. Landlord shall have the right to change the size of any parcel comprising the Phase 2 Land, parcelize, subdivide and/or merge any parcels comprising the Phase 2 Land, without Tenant's approval, provided that such actions do not adversely affect Tenant's rights hereunder. Not later than ten (10) business days after request by Landlord, Tenant shall execute any documents reasonably required to evidence or effectuate Tenant's subordination and/or consent to the matters described in this Section above.

E. **Sustainability Requirements:**

As used in this Lease, "**Sustainability Requirements**" means any and all Laws relating to any "green building" or other environmental sustainability practices and requirements now or hereafter in effect or imposed by any governmental authority or applicable Laws from time to time. Without limiting the scope of any Sustainability Requirements that may be in effect from time to time, Tenant acknowledges that Sustainability Requirements may address whole-building or premises operations, construction issues, maintenance issues and other issues, including without limitation requirements relating to: chemical use; indoor air quality; energy and water efficiency; recycling programs; interior and exterior maintenance programs; systems upgrades to meet green or sustainable building energy, water, air quality, and lighting performance standards; construction methods and procedures; material purchases; disposal of garbage, trash, rubbish and other refuse and waste; and the use of proven energy and carbon reduction measures. Neither Tenant nor Tenant's Agents shall use or

operate the Premises in a manner that will cause any part of the Project to be in non-compliance with any Sustainability Requirements in effect from time to time.

4. TERM AND RENTAL:

A. Term:

The Lease term ("Lease Term") shall be for one hundred sixty eight (168) full calendar months (it being intended that if the Commencement Date occurs on a day other than the first (1st) day of a calendar month, then the Expiration Date shall be extended so that the Expiration Date occurs on the last day of the one hundred sixty eighth (168th) full calendar month following the Commencement Date), commencing on the later of (1) the Site Improvements Delivery Date (defined in Section 6.B below) or (2) eight (8) months after the Building Shell Delivery Date (defined in Section 6.B below) (the "**Commencement Date**"), and ending one hundred sixty eight (168) full calendar months thereafter (the date that the Lease Term, as extended pursuant to the terms and conditions of this Lease, expires being the "**Expiration Date**"), subject to Section 6.B below relating to Tenant Delays (as defined below) affecting the Commencement Date, and subject to extension or sooner termination as described in this Lease. Notwithstanding the Parties' agreement that the Lease Term begins on the Commencement Date, this Lease and all of the obligations of Landlord and Tenant shall be binding and in full force and effect from and after the Effective Date, excluding any obligation of Tenant to pay Base Monthly Rent or Tenant's Allocable Share of Reimbursable Operating Costs prior to the Commencement Date.

Once the expiration date under the Second Expansion Building Lease has been determined, if such expiration date extends beyond the then existing Expiration Date under this Lease, then the Expiration Date under this Lease shall be further extended to be coterminous with the original expiration date under the Second Expansion Building Lease (not taking into account any options to extend). Once a new Expiration Date as described in the immediately prior sentence has been determined, the Parties shall promptly thereafter confirm in writing the new Expiration Date and the Base Monthly Rent amount for each month of such extension period. If the Second Expansion Building Lease terminates before the original expiration date of the Second Expansion Building Lease has been determined, the Expiration Date under this Lease shall not be extended pursuant to this paragraph.

B. Base Monthly Rent:

In addition to all other sums payable by Tenant under this Lease, Tenant shall pay as base monthly rent ("**Base Monthly Rent**") for the Premises an amount equal to Three Dollars and Sixty Five Cents ($3.65) per rentable square foot (the "**Beginning Base Monthly Rent Rate**") of the Premises (measured in accordance with the BOMA standard described below), subject to adjustment as described in Section 2, Section 4.C, Section 6.A and in other provisions of this Lease, and subject to the abatement described in the next sentence and in Section 4.E below. Notwithstanding this paragraph above, Base Monthly Rent shall be abated for the first (1st) fifteen (15) full calendar months of the Lease Term. Notwithstanding that Base Monthly Rent for the first (1st) fifteen (15) full calendar months of the Lease Term is Zero Dollars ($0.00), due to the abatement described in the immediately prior sentence, or that there may be other periods of Base Monthly Rent abatement pursuant to other provisions of this Lease, Reimbursable Operating Costs and all other sums due under this Lease, other than abated Base Monthly Rent (but otherwise including without limitation management fees pursuant to Section 20.N, based on an assumed Base Monthly Rent in the amount that would be in effect but for such abatement) shall be due and payable monthly commencing on the Commencement Date. Base Monthly Rent shall be due in advance on the Commencement Date and thereafter on or before the first day of each calendar month during the Lease Term, subject to this paragraph below. All sums payable by Tenant under this Lease shall be paid to Landlord in lawful money of the United States of America, without offset or deduction and except as otherwise expressly provided in this Lease without prior notice or demand, at the address specified in Paragraph 7 of the Basic Lease Information Sheet or at such place or

places as may be designated in writing by Landlord after the Effective Date. Base Monthly Rent for any period less than a calendar month shall be a pro rata portion of the monthly installment based on the number of days in the partial calendar month; provided that if this Lease terminates due to Tenant's default, Tenant shall not be relieved of the obligation to pay future accruing rent, and the provisions of Section 14 shall control. Not later than ten (10) business days following the Building Shell Delivery Date, Tenant shall pay to Landlord the sum of Nine Hundred Eighty Thousand Two Hundred Twenty Nine Dollars and Forty Cents ($980,229.40) as a deposit to be applied on the Commencement Date against the Base Monthly Rent due for the first (1st) partial calendar month of the Lease Term (if the first month is a partial month) and Base Monthly Rent becoming due under this Lease thereafter, until applied in full.

Not later than thirty (30) days after the Building Shell Delivery Date, Landlord shall, at its cost, measure the rentable square footage of the Premises in accordance with ANSI/BOMA publication Z65.3-2009 Exterior Gross Area standards for a single tenant building, modified to include balconies, roof decks and 2-story lobbies, but specifically excluding mechanical or other non-occupiable penthouses on the roof, and driplines; provided however that (i) the planned Bridgeways (defined in Section 6.A below) shall not be included in the square footage of the Premises, and (ii) given the excessive size of the Roof Deck planned for the top of the Amenities Extension portion of the Building, (1) during any period that Tenant has the exclusive right to use the Roof Deck, only one-half (½) of the square footage of the Roof Deck shall be included as part of the rentable square footage of the Premises, and (2) during any period that Tenant does not have the right to exclusive use of the Roof Deck pursuant to this Lease and such use is on a shared basis with the other tenants of the Phase 2 buildings, only one-quarter (1/4) of the square footage of the Roof Deck shall be included as part of the rentable square footage of the Premises. Such measurement by Landlord shall identify the rentable square footage in each of the five (5) story office portion of the Building, the Amenities Extension, and the Roof Deck. Not later than sixty (60) days after Landlord notifies Tenant of the rentable square footage of the Premises determined pursuant to the prior sentence, Tenant shall have the right to re-measure the square footages of the Premises in accordance with the ANSI/BOMA publication described in the prior sentence, at Tenant's sole cost. The results of such re-measurement shall be provided to Landlord. If Tenant does not independently measure the Premises square footages and notify Landlord of any discrepancies between Landlord's and Tenant's measurements within sixty (60) days after Landlord notifies Tenant of the rentable square footages of the Premises determined by Landlord pursuant to this Section above, Landlord's determination of rentable square footages shall thereafter be conclusive upon the Parties and be the basis upon which Base Monthly Rent (and any other provisions of this Lease as to which the rentable square footage of all or any portion of the Premises is required to be calculated, except as expressly provided elsewhere in this Lease (for example, in the event of a partial taking of the Project as described in Section 17 below which results in the recalculation of Base Monthly Rent)). Notwithstanding Tenant's timely objection to Landlord's calculation of the Premises square footages, Tenant shall pay Base Monthly Rent in accordance with Landlord's computation, pending resolution of such dispute either by mutual agreement of the Parties or by arbitration pursuant to Section 20.E below; provided that upon resolution of the dispute, any overpayment of Base Monthly Rent made by Tenant shall be credited against the first Base Monthly Rent payments due thereafter until such overpayment has been credited in full, and any underpayment shall be paid by Tenant to Landlord not later than thirty (30) days after resolution of such dispute. No representation or warranty of any kind, express or implied, is given to Tenant with respect to the square footages or acreage of the Premises, Building or any other portion of the Project. Landlord shall have no liability to Tenant if the approximate square footages or acreage described in this Lease or determined by Landlord differs from the actual square footages and acreage.

C. **Base Monthly Rent Adjustment:**

Beginning on the first anniversary after the Commencement Date, and on every anniversary thereafter during the Lease Term (each, an "**Adjustment Date**"), the then-payable Base Monthly Rent for the Premises shall be increased to (i) on each of the first five (5) Adjustment Dates, an amount equal to one hundred three percent (103%) of the Base Monthly Rent in effect immediately before such adjustment (without regard to temporary abatements then in effect), (ii) on the sixth (6^{th}) through tenth (10^{th}) Adjustment Dates, an amount equal to one hundred two and one-half percent (102.5%) of the Base Monthly Rent in effect immediately before such adjustment (without regard to temporary abatements then in effect), and (iii) on the eleventh (11^{th}) Adjustment Date and each Adjustment Date thereafter until the start of the first Option Term, an amount equal to one hundred two percent (102%) of the Base Monthly Rent in effect immediately before such adjustment (without regard to any temporary abatements then in effect).

D. **Late Charge:**

Tenant hereby acknowledges that late payment by Tenant to Landlord of Base Monthly Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include but are not limited to: administrative, processing, accounting, and late charges which may be imposed on Landlord by the terms of any contract, revolving credit, mortgage, or trust deed covering the Premises. Accordingly, if any installment of Base Monthly Rent or other sum due from Tenant is not received by Landlord or Landlord's designee within five (5) days after it is due, Tenant shall pay to Landlord a late charge equal to four percent (4%) of such overdue amount, which late charge shall be due and payable on the same date that the overdue amount was due. The Parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant, excluding interest and attorneys fees and costs. If any Base Monthly Rent or other sum due from Tenant remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the Agreed Interest Rate (defined in Section 14.B) from the date such amount became due until paid. Acceptance by Landlord of such late charge or interest shall not constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Monthly Rent, then the Base Monthly Rent, property management fees and Reimbursable Operating Costs shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any provision of this Lease to the contrary, until Tenant has thereafter timely paid, on before the due date, Base Monthly Rent, Reimbursable Operating Costs and property management fees for a twelve (12) consecutive full calendar month period, at which time Base Monthly Rent, Reimbursable Operating Costs and property management fees shall revert back to being payable monthly (subject however to reverting to quarterly payment if thereafter a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Monthly Rent). In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any amount due under this Lease. Notwithstanding the foregoing, Tenant shall be entitled to one (1) written notice and five (5) day cure period each calendar year before the first late charge for such calendar year shall accrue. No notice or additional cure period shall be required or apply for the second or any subsequent late charge during the calendar year.

E. **Additional Base Monthly Rent Abatement:**

In addition to any other rent abatement hereunder, Tenant shall receive an additional abatement of Base Monthly Rent (the "**Additional Base Monthly Rent Abatement**") equal to the sum of (a) One Hundred Twenty Seven Thousand Five Hundred Dollars ($127,500.00) plus (b) the product of thirty five percent (35%) multiplied by (A) the product of

(1) the number of years of the Lease Term (prorated for partial years, and determined without regard to any Option extensions), multiplied by (2) the rentable square feet of the Premises (determined upon Substantial Completion of the Building Shell pursuant to Section 4.B above), multiplied by (3) One Dollar and Twenty Five Cents ($1.25), minus (B) Five Hundred Thousand Dollars ($500,000). For example, if the Lease Term is fourteen (14) years and the rentable square footage of the Premises is two hundred sixty eight thousand five hundred fifty six (268,556), then the Additional Base Monthly Rent Abatement shall initially be One Million Five Hundred Ninety Seven Thousand Four Hundred Six Dollars ($1,597,406.00) (i.e., $127,500 + (35% x ($4,699,730.00 - $500,000))). The initial Additional Base Monthly Rent Abatement shall be based on an assumed Lease Term equal to fourteen (14) years and a rentable square footage of two hundred sixty eight thousand five hundred fifty six (268,556), and shall be applied to the Base Monthly Rent due commencing on the beginning of the sixteenth (16th) full calendar month of the Lease Term and thereafter during each consecutive month during the Lease Term until fully applied. When the Lease Term (prorated for partial years, and determined without regard to any Option extensions) and rentable square footage of the Premises are determined upon Substantial Completion of the Building Shell pursuant to Section 4.B above, the Additional Base Monthly Rent Abatement shall be recalculated at that time, and the Parties shall promptly confirm in writing the recalculated Additional Base Monthly Rent Abatement due hereunder. If the Additional Base Monthly Rent Abatement already received by Tenant as of such recalculation is more than the actual amount determined pursuant to the sentence immediately above, then such excess amount shall be paid by Tenant to Landlord not later than ten (10) business days after the recalculated amount has been determined. If the Additional Base Monthly Rent Abatement already received by Tenant is less than the recalculated amount determined pursuant this paragraph above, then any Additional Base Monthly Rent Abatement due to Tenant shall be applied to Base Monthly Rent next coming due under the Lease until exhausted. In addition, if the Lease term is further extended to be co-terminus with the lease term for the Second Expansion Building Lease, then the Additional Base Monthly Rent Abatement shall again be recalculated at that time, the Parties shall promptly confirm in writing the recalculated Additional Base Monthly Rent Abatement due hereunder, and any Additional Base Monthly Rent Abatement due to Tenant shall be applied to Base Monthly Rent next coming due under the Lease until exhausted.

5. [Intentionally Deleted]

6. CONSTRUCTION:

A. Landlord's Work:

Landlord shall cause the Building to be constructed to the warm shell condition described on Exhibit C attached hereto, to LEED Gold equivalent, and fully compliant with all Laws and building codes then applicable to the Building Shell (the Building in such condition being the "**Building Shell**") by Deveon Construction. Landlord does not currently intend to obtain LEED Gold certification of the Building Shell. However, if, not later than ninety (90) days after the Effective Date, Tenant requests that Landlord obtain LEED Gold certification of the Building Shell, Landlord agrees to obtain such certification at Tenant's sole cost following Substantial Completion of the Building Shell, which cost shall be reimbursed to Landlord not later than thirty (30) days after Landlord requests payment from Tenant, which request shall include invoices reasonably evidencing such costs. If Tenant fails to deliver notice that it desires that Landlord obtain LEED Gold certification of the Building Shall within the ninety (90) day period required in the immediately prior sentence, Landlord shall not be obligated to obtain LEED Gold certification of the Building Shell.

The Building Shell shall be constructed in accordance with plans and guideline specifications which are acceptable to Landlord, and approved by Tenant to the extent subject to Tenant approval as described in this Section 6.A below (such approval not to be unreasonably withheld, conditioned or delayed), to be prepared by Arc Tec ("**Landlord's Architect**") the

reference sheets of which shall be attached to this Lease when prepared as Exhibit D ("**Shell Plans**"), which shall incorporate all of the warm shell components described on Exhibit C attached hereto and contain sufficient detail to make application with the City or County for design review. Not later than seven (7) business days after the Building Shell plans and guideline specifications are made available to Tenant for Tenant's review, Tenant shall deliver written notice to Landlord advising whether Tenant approves them, or if not approved setting forth the reasons for Tenant's disapproval in sufficient detail to enable Landlord to evaluate and respond to Tenant's concerns, and any failure to so notify Landlord within this seven (7) business day period shall be deemed disapproval by Tenant; provided, however that if after such seven (7) business day period Landlord delivers written notice to Tenant requesting consent to the proposed Building Shell plans and guideline specifications, and such notice states that if Tenant does not notify Landlord in writing whether Tenant approves or disapproves such proposed Building Shell plans and guideline specification (and if disapproved stating the reasons for disapproval in sufficient detail to enable Landlord to evaluate and respond to Tenant's concerns), then if Tenant fails to so respond to Landlord within two (2) business days after delivery of Landlord's notice to Tenant, Tenant shall be deemed to have consented to Landlord's proposed Building Shell plans and guideline specifications.

Landlord shall also cause the Phase 2 Parking Structure and other exterior Common Area on the Phase 2 Land necessary for reasonable access to and from the Premises and for parking (the "**Premises Site Improvements**") to be constructed by Landlord's General Contractor, in accordance with Premises Site Improvements plans and guideline specifications which are acceptable to Landlord, and approved by Tenant to the extent subject to Tenant approval as described in this Section 6.A below (such approval not to be unreasonably withheld, conditioned or delayed), to be prepared by Landlord's Architect, the reference sheets of which shall be attached to this Lease when prepared as Exhibit E ("**Premises Site Improvements Plans**"), which shall contain sufficient detail to make application with the City or County for design review. Not later than seven (7) business days after the Premises Site Improvements plans and guideline specifications are made available to Tenant for Tenant's review, Tenant shall deliver written notice to Landlord advising whether Tenant approves them, or if not approved setting forth the reasons for Tenant's disapproval in sufficient detail to enable Landlord to evaluate and respond to Tenant's concerns, and any failure to so notify Landlord within this seven (7) business day period shall be deemed disapproval by Tenant; provided, however that if after such seven (7) business day period Landlord delivers written notice to Tenant requesting consent to the proposed Premises Site Improvements plans and guideline specifications, and such notice states that if Tenant does not notify Landlord in writing whether Tenant approves or disapproves such proposed Premises Site Improvements plans and guideline specification (and if disapproved stating the reasons for disapproval in sufficient detail to enable Landlord to evaluate and respond to Tenant's concerns), then if Tenant fails to so respond to Landlord within two (2) business days after delivery of Landlord's notice to Tenant, Tenant shall be deemed to have consented to the proposed Premises Site Improvements plans and guideline specifications.

For any Tenant requested changes to the plans and guideline specifications for the Building Shell or Premises Site Improvements pursuant to the two (2) paragraphs of this Section 6.A immediately above that would affect any structural components of such improvements, Landlord may withhold its approval of such changes in Landlord's sole and absolute discretion; but if such requested changes do not affect the structural components of such improvement then Landlord's approval shall not be unreasonably withheld, except however as it relates to the Bridgeways (Tenant's approval rights as it relates to the Bridgeways being more particularly described below). Once the Shell Plans and the Premises Site Improvements Plans have been approved by Landlord and Tenant pursuant to this Section 6.A above, Tenant shall not have the right to request any changes to the Building Shell or Premises Site Improvements

except for TRCs in accordance with this Section 6.A below.

Landlord shall use commercially reasonable efforts to obtain all approvals and permits necessary for the construction of the Building Shell and Premises Site Improvements from the City, County and other governmental authorities having jurisdiction, to the extent such approvals and permits have not been obtained as of the Effective Date, as soon as possible following the Effective Date, and upon receiving such approvals and permits to thereafter cause Landlord's General Contractor to Substantially Complete the Building Shell and Premises Site Improvements in good and workmanlike manner and in full compliance with all Laws then in effect. As part of Landlord's efforts to obtain all of the entitlements and permits required for the construction of the Building Shell and Premises Site Improvements, Landlord will use commercially reasonable efforts to obtain approval from the City, County and other governmental authorities having jurisdiction of above-grade bridgeways between the two (2) buildings located on the Phase 1 Land as of the Effective Date (the "**Existing Phase 1 Buildings**") with an extension over Lawson Lane to the planned Roof Deck to be located on the Amenities Extension, as generally as shown and described on Exhibit J attached hereto (the "**Bridgeways**"). Attached hereto as Exhibit J is an architectural rendering of the contemplated Bridgeways setting forth certain design aspects relating to the Bridgeways as depicted on Exhibit J, which has been approved by Landlord and Tenant. As depicted on Exhibit J, the Bridgeways would be uncovered and would be designed and constructed with the materials as noted on Exhibit J. Prior to the date that any plans relating to the Bridgeways are submitted to the City or County for review, Tenant shall have the right to provide input on the Bridgeways as part of its Building Shell plans review pursuant to this Section 6.A above, but design details for the Bridgeways shall be determined in Landlord's sole and absolute discretion provided such design is generally consistent with the Bridgeways as depicted and described on Exhibit J or is a logical evolution of what is depicted and described on Exhibit J. Once the Bridgeways have been approved by the City and County, Tenant shall have the right to request changes to the Bridgeways as TRCs in accordance with this Section 6.A below.

If a second Phase 2 building is constructed in a manner that provides access from the second building to the Roof Deck on the Building (which Landlord shall have the right to do), then the second building will also have indirect access to the Bridgeways from the Roof Deck, and, to the extent Landlord does not block access to any portion of the Bridgeways as described below, Tenant shall not block any access from the second building to the Bridgeways. Tenant acknowledges that there is no assurance that all governmental approvals necessary for the construction of the Bridgeways can or will be obtained. In no event shall Landlord have any liability to Tenant under this Lease if all governmental approvals necessary for the construction of the Bridgeways are not obtained, with the sole exception that if construction of the Bridgeways does not occur for any reason, then the Beginning Base Monthly Rent Rate shall be reduced from Three Dollars and Sixty Five Cents ($3.65) per rentable square foot to Three Dollars and Fifty Five Cents (3.55) per rentable square foot of the Premises, including the Amenities Extension. If the Bridgeways are constructed by Landlord, it shall be constructed by Landlord's General Contractor as part of the Building Shell at Landlord's sole cost and expense and in a good and workmanlike manner and in full compliance with all Laws then in effect. Once constructed by Landlord, Tenant shall be solely responsible for cleaning, maintaining in good condition, order and repair, and repairing when necessary the Bridgeways, at Tenant's sole cost and expense, except for punch list items and deficiencies covered by the general contractor's one (1) year warranty described in Section 6.C below (as to which warranty Landlord agrees to use commercially reasonably efforts to enforce following receipt of notice from Tenant of punchlist items or other defects, as described in Section 6.C), and except as provided in Sections 9.A and 16 and this Section 6.A below. Tenant acknowledges and agrees that if at any time Tenant is not a tenant of any of the buildings served by any portion of the Bridgeways, Landlord shall have the right (but not the obligation) to block access over the Bridgeways to the buildings or space not leased by Tenant, in any manner reasonably desired by

Landlord so long as Landlord does not block Tenant's access between the buildings served by the Bridgeways which are still leased by Tenant, and in such event, in addition to Landlord's obligations set forth in Section 9.A and 16 below, Landlord shall be responsible for cleaning, maintaining in good condition, order and repair, and repairing when necessary, that portion of the Bridgeways as to which Landlord has blocked Tenant's access, at no cost to Tenant (other than Tenant's Allocable Share of the cost of cleaning of exterior glass (if any), insurance costs and deductibles as described in Section 9.B, utility costs as described in Section 12 below or as provided in Section 16 below). If the Bridgeways are constructed, Tenant shall not have the right to make alterations to the Bridgeways, except as TRCs (defined below) pursuant to this Section 6.A below. During any period when Tenant leases all of the rentable square footage of the Phase 1 buildings, all of the rentable square footage of one (1) Phase 2 building, plus any square footage in the other Phase 2 building, Tenant shall have the right to install Tenant signage on the Bridgeways, subject to all applicable Laws, Landlord's prior written approval (Landlord's approval not to be unreasonably withheld, conditioned or delayed), and the other provisions of this Lease relating to signage.

Following Landlord's and Tenant's approval of the Shell Plans pursuant to this Section 6.A above (which Shell Plans will include the Bridgeways, but with respect to the Bridgeways Tenant's input and approval rights shall be limited as described in this Section 6.A), Tenant shall have the right at any time within the time allowed by the next three (3) sentences (but not thereafter) to request changes to the Shell Plans (provided that such changes are consistent with and are logical evolutions of the Shell Plans previously approved by Landlord, and approved by Tenant to the extent Tenant has approval rights) (each such Tenant-requested change to the Shell Plans, which is requested within the applicable time allowed by the next three (3) sentences, being referred to herein as a "**Tenant Requested Change**" or "**TRC**"), by delivering to Landlord written request for such TRC accompanied by specifications and other details needed for Landlord to evaluate Tenant's request, and for such TRC to be incorporated into the Shell Plans if Landlord consents to such TRC. Any TRC request relating to the Bridgeways must be submitted by Tenant to Landlord not earlier than the date the Bridgeways have been approved by the City and County and not later than ninety (90) days after the City and County have approved the Bridgeways. Any TRC request relating to any exterior aspects of the Building Shell (not including the Bridgeways) must be submitted by Tenant to Landlord prior to the date that the Shell Plans are initially submitted to the City or County for design review. Any TRC relating to the interior of the Building Shell (not including Bridgeways) must be submitted by Tenant to Landlord prior to the date that Landlord submits its initial application for a building permit for the Building Shell to the City or County. Any TRC (which may include, without limitation, a request to expand the roof screen area) shall be subject to Landlord's approval, not to be unreasonably withheld, conditioned or delayed, except if the TRC affects the structural components of any of the improvements, in which case Landlord may withhold approval in its sole and absolute discretion. If a TRC is approved by Landlord, Landlord shall notify Tenant in writing of its approval, and if Landlord estimates that such TRC will cause an increase in cost or time to complete Landlord's work such notice shall also include Landlord's good faith estimate (each a "**TRC Estimate**") of the following, to the extent applicable of: (i) the increase in cost to design, obtain required governmental approvals for, and construct the Building Shell and Premises Site Improvements relating to the TRC, and (ii) the increase in days to design, obtain required governmental approvals for, and construct the Building Shell and Premises Site Improvements relating to the TRC. Not later than five (5) business days after receipt of a TRC Estimate, Tenant shall either approve ("**TRC Approval**") or disapprove ("**TRC Disapproval**") the TRC Estimate in writing to Landlord. If Tenant timely delivers a TRC Disapproval, Tenant shall be deemed to have elected not to proceed with the TRC for which the TRC Disapproval was delivered. With respect to TRC Approvals (A) the actual increase in costs for the TRCs (net of all actual decreases in costs) shall be paid by Tenant to Landlord by (I) deducting the increased cost from the Work Allowance and/or (II) paying such

increased cost to Landlord (the manner of payment described in (I) and (II) of this sentence to be selected by Tenant and designated in its TRC Approvals, provided that the entire increased cost must be paid by Tenant), and (B) the actual increase in days (net of all other TRC Approval actual decreases in days) shall constitute Tenant Delay (as defined below). If Tenant fails to notify Landlord of the manner of payment selected by Tenant for the increased costs for the TRCs within five (5) business days after the TRC Estimate is delivered to Tenant, Tenant shall be deemed to have elected to pay for such increased costs by deducting the increased costs from the Work Allowance in accordance with item (I) of the immediately preceding sentence. If Tenant elects to pay for all or any portion of the TRC Approval net cost increases directly to Landlord, such payment shall be made not later than thirty (30) days after the net increase in cost based on the TRC Estimates has been determined (and Tenant has been provided an invoice); and if the actual costs incurred are more or less than the estimate any overpayment shall be returned to Tenant, and any underpayment shall be paid by Tenant to Landlord, not later than thirty (30) days after such actual costs have been determined (and Tenant has been provided an invoice). Tenant's failure to respond to Landlord with a written approval or disapproval of a TRC Estimate within five (5) business days after the TRC Estimate was received by Tenant shall be deemed to be a TRC Approval of such TRC Estimate by Tenant.

The Building Shell shall be deemed substantially complete ("**Substantially Complete**", "**Substantially Completed**" or "**Substantial Completion**") when: (i) the Building Shell has been completed substantially in accordance with the Shell Plans, as evidenced by a final inspection, temporary certificate of occupancy or equivalent approval by the appropriate governmental authority to the extent a final inspection, temporary certificate of occupancy or equivalent is required by Laws and the City will perform a final inspection, grant a temporary certificate of occupancy or grant equivalent approval without the Tenant Improvements or Premises Site Improvements having been Substantially Completed, and (ii) the Landlord's Architect has certified that the Building Shell has been completed substantially in accordance with the Shell Plans; except in both cases for punch list type items that would not prevent Tenant from occupying the Premises for the conduct of its business in the Premises once the Tenant Improvements and Premises Site Improvements are Substantially Completed. The Premises Site Improvements shall be deemed substantially complete ("**Substantially Complete**", "**Substantially Completed**" or "**Substantial Completion**") when: (i) the Premises Site Improvements have been completed substantially in accordance with the Premises Site Improvements Plans, as evidenced by a final inspection, temporary certificate of occupancy or its equivalent by the appropriate governmental authority, to the extent such final inspection, temporary certificate of occupancy or its equivalent would be legally required for occupancy of the Premises once the Tenant Improvements described below have been completed, or if such final inspection, temporary certificate of occupancy or its equivalent is not required for such occupancy, then (ii) when the Landlord's Architect has certified that the Premises Site Improvements have been completed substantially in accordance with the Premises Site Improvements Plans; except in either case for punch list type items that would not prevent Tenant from occupying the Premises for the conduct of its business therein once the Tenant Improvements have been Substantially Completed.

B. Delivery of Building Shell and Premises Site Improvements; Delivery Date:

Landlord shall deliver possession of the Building Shell to Tenant when it is Substantially Completed and the Premises Site Improvements have been completed to the stage at which Tenant and its contractors will have sufficient access and parking on Phase 2 to construct the Tenant Improvements. Landlord shall deliver the Premises Site Improvements to Tenant upon Substantial Completion thereof. Landlord shall exert commercially reasonable efforts to deliver possession of the Building Shell (and the Bridgeways if fully approved by all governmental authorities having jurisdiction) to Tenant Substantially Complete, with the Premises Site

Improvements completed to the stage at which Tenant and its contractors will have sufficient access and parking on Phase 2 to construct the Tenant Improvements (such date of delivery being the "**Building Shell Delivery Date**"), not later than five hundred seventy (570) days after the date that building permits for the Building Shell (and Bridgeways, if Bridgeways are approved by all governmental authorities having jurisdiction) and Premises Site Improvements have been issued by all governmental authorities having jurisdiction (the "**Building Shell Target Delivery Date**") for the purpose of allowing Tenant to commence construction of the Tenant Improvements. The Premises Site Improvements shall be delivered to Tenant Substantially Complete not later than the date (such date being the "**Premises Site Improvements Target Delivery Date**") that the Tenant Improvements have been completed and a certificate of occupancy or other governmental authorization for the occupancy of the Premises either is issued by the City with respect thereto or otherwise would be obtainable from the City but for Landlord's failure to Substantially Complete those Premises Site Improvements required by the City to be completed for the issuance of such occupancy approval. The date that Landlord delivers the Premises Site Improvements to Tenant Substantially Complete pursuant to this Section 6.A is referred to in this Lease as the "**Site Improvements Delivery Date**". As used in this Lease, "**Phase 2A Delivery Date**" shall mean the date that is the later to occur of the Building Shell Delivery Date or the Site Improvements Delivery Date.

From and after the Building Shell Delivery Date, Tenant shall pay for all utilities and other services provided to the Premises, except for any utilities and services consumed by Landlord or Landlord's agents in connection with construction of the Premises Site Improvements. From and after the Commencement Date, Tenant shall pay Tenant's Allocable Share of all Reimbursable Operating Costs and the property management fee described in Section 20.N below. Prior to the Building Shell Delivery Date, Landlord shall pay for all utilities and other services provided to the Premises, which costs shall not be included in Reimbursable Operating Costs or otherwise subject to reimbursement from Tenant.

Except as otherwise expressly provided in this Lease, Landlord shall not be liable for any damage or loss incurred by Tenant for Landlord's failure for whatever cause to deliver possession of the Building Shell or Premises Site Improvement by the Building Shell Target Delivery Date, the Premises Site Improvements Target Delivery Date, the Outside Delivery Date (defined below) or any other date, nor shall this Lease be void or voidable on account of such failure to deliver or delay in delivery of possession of the Building Shell or Premises Site Improvements; provided that if the Phase 2A Delivery Date does not occur by the date that is ninety (90) days after the Building Shell Target Delivery Date (the "**Outside Delivery Date**"), then in addition to any other Base Monthly Rent abatement granted in other Sections of this Lease, the date that Tenant is otherwise obligated to commence payment of Base Monthly Rent shall be delayed one day for each day that the Phase 2A Delivery Date is delayed beyond the Outside Delivery Date, but in no event for more than ninety (90) days (such period of delay, not to exceed ninety (90) days, being the "**Free Base Monthly Rent Period**"). In addition, if the Phase 2A Delivery Date does not occur by the date that is three hundred thirty (330) days after the Building Shell Target Delivery Date (the "**Outside Delivery Termination Date**") then Tenant shall have the right to terminate this Lease without penalty or further obligation (other than with respect to obligations already accrued or which this Lease expressly states survives termination), by delivering written notice of termination to Landlord on or after the Outside Delivery Termination Date but prior to the Phase 2A Delivery Date, and upon such termination Landlord shall return to Tenant any prepaid Rent. Notwithstanding anything contained herein to the contrary, if the building permits for the Building Shell and Premises Site Improvements (not including the Bridgeways, however) have not been issued by all governmental authorities having jurisdiction by end of day on March 1, 2019 "**Outside Permit Date**"), then as Tenant's sole remedy, Tenant shall have the right to terminate this Lease, without penalty or further obligation (other than with respect to obligations already accrued or which this Lease expressly states survives termination), by delivering written notice of termination to Landlord within three (3)

business days after the Outside Permit Date, and upon such termination Landlord shall return to Tenant any prepaid Rent. If Tenant fails to deliver a termination notice to Landlord within the three (3) business day period described in the immediately prior sentence, Tenant shall have no further right to terminate this Lease pursuant to the immediately prior sentence. In no event shall Tenant have the right to terminate this Lease if permits are not obtained for the Bridgeways. Except for Tenant's termination right set forth in this paragraph above, notwithstanding any other provision of this Lease to the contrary, in no event shall Landlord shall have any liability to Tenant if Landlord does not obtain all permits necessary for the Building Shall and Premises Site Improvements. Landlord shall (i) notify Tenant when the building permits for the Building Shell and Premises Site Improvements have been issued by all governmental authorities, and (ii) upon request from Tenant, provide Tenant with information relating to the status of the permits for the Building Shell and Premises Site Improvements.

Any prevention, delay or stoppage due to strikes, lockouts, inclement weather, labor disputes, inability to obtain labor, materials, fuel or reasonable substitutes therefor, governmental restrictions, regulations, controls, civil commotion, fire or other act of God, Tenant Delays (defined below) and other causes beyond the reasonable control of Landlord (except Landlord's financial inability) (collectively, "**Force Majeure Events**") shall extend the Building Shell Target Delivery Date and Outside Delivery Date, by a period equal to the period of any said prevention, delay or stoppage; except however that in no event shall the Outside Delivery Termination Date be extended for a period of more than one hundred eighty (180) days due to Force Majeure Events that are not Tenant Delays. As used in this Lease, a "Tenant Delay" shall mean any delay in Substantial Completion of the Building Shell or the Premises Site Improvements or the Phase 2A Delivery Date as a result of any of the following: (i) any TRCs which constitute a Tenant Delay as described in Section 6.A, (ii) any other changes to any plans, materials, components or finishes requested by Tenant (other than TRCs described in (i) immediately above) which delay the progress of Landlord's work (but with no obligation on the part of Landlord to agree to any request for changes not timely made by Tenant as TRCs pursuant to Section 6.A), and (iii) any other delay in Substantial Completion of the Building Shell or Premises Site Improvements or the Phase 2A Delivery Date caused by Tenant or Tenant's Agents. Notwithstanding anything to the contrary set forth in this Lease, and regardless of the actual date the Building Shell and Premises Site Improvements are Substantially Completed or the Phase 2A Delivery Date occurs, the Commencement Date shall be deemed to be the date the Commencement Date would have occurred if no Tenant Delay had occurred as reasonably determined by Landlord. In addition, if a Tenant Delay results in an increase in the cost of labor or materials, Tenant shall pay the cost of such increases not later than thirty (30) days after demand for payment and invoices reasonably evidencing such increased costs are delivered to Tenant. Notwithstanding the foregoing, no delay (except for a TRC, any other change order requested by Tenant in writing, or Tenant's unreasonable disapproval, delay or conditioning of any consent to the extent Tenant's approval is expressly required by this Lease) shall be a Tenant Delay unless Landlord advises Tenant in writing of such delay and Tenant fails to cure such delay within two (2) business days after receipt of such written notice.

C. Walk-through Inspection and Acceptance Agreement:

Not later than thirty (30) days after Landlord delivers possession of the Building Shell to Tenant, and not later than thirty (30) days after Landlord delivers the Premises Site Improvements to Tenant, Landlord and Tenant shall conduct a walk-through inspection of such improvements, and provided that such improvements have been Substantially Completed (subject only to completion of Punch List Items (defined below) in accordance with the Shell Plans and the Premises Site Improvements Plans, as applicable, Landlord and Tenant shall together execute an acceptance agreement of such improvements in substantially the form attached hereto as Exhibit F, subject to prompt completion by Landlord's General Contractor of such Punch List Items specified in such statement as do not

materially impair Tenant's use of the Premises for the commencement of the Tenant Improvements (the "**Punch List Items**"). Tenant's obligation to pay Base Monthly Rent and additional rent shall not be excused or delayed because of Tenant's failure to execute or delay in executing any such acceptance agreement if the Building Shell and Premises Site Improvements have been Substantially Completed. In addition, Landlord shall use commercially reasonable efforts to cause Landlord's General Contractor to promptly correct any construction defect or other punch list item which Tenant brings to Landlord's or Landlord's General Contractor's attention within the one (1) year warranty period described below to the extent such defect or punch list item is covered by such warranty. All such work shall be performed so as to reasonably minimize the interruption to Tenant and its activities on the Premises. Landlord's General Contractor shall provide a standard contractor's warranty with respect to the Building Shell and the Premises Site Improvements for one (1) year from Substantial Completion of all such improvements. Such warranty shall exclude routine maintenance, damage caused by negligence or misuse by Tenant or Tenant's Agents, and acts of God. Landlord makes no express or implied warranty with respect to the construction of the Building Shell, Premises Site Improvements or other Project improvements.

Except as otherwise expressly provided in this Lease, the Premises shall be delivered to Tenant, and Tenant shall accept such delivery, in its then "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, express or implied, other than any which may be expressly contained in this Lease, and with no obligation on the part of Landlord to perform any other work (other than such work as this Lease expressly states must be performed by Landlord during the Lease Term).

D. Tenant Improvement Construction:

Landlord shall have no obligation to perform tenant improvement work with respect to the Premises. All initial tenant improvements which Tenant desires to install in the Building (the "**Tenant Improvements**") shall be constructed by Tenant in accordance with plans and specification reasonably approved by Landlord and the requirements of this Section 6.D and Article 8 below, at Tenant's sole cost, subject to Landlord's obligation to provide a Work Allowance pursuant to Section 6.E below. When Tenant's final plans and specifications for the Tenant Improvements have been approved by Landlord and the City, such plans and specifications (the "**Tenant Improvements Plans**") shall be identified in an exhibit which shall be attached to this Lease as Exhibit G. The Tenant Improvements Plans shall incorporate all details and work necessary for the issuance of building permits for the Tenant Improvements, and for the issuance of a certificate of occupancy or other governmental authorization for the occupancy of the Premises once the Tenant Improvements have been completed, including without limitation all floor coverings, adequate lighting, and adequate electrical and mechanical distributions. Tenant shall have the right, at Tenant's sole discretion, to bid the construction of the Tenant Improvements to three (3) general contractors inclusive of the Landlord's General Contractor. The architect and general contractor involved in the design and construction of the Tenant Improvements shall be subject to Landlord's prior written approval, not to be unreasonably withheld, conditioned or delayed. All Tenant Improvements shall be constructed by Tenant in accordance with the plans and specification approved by Landlord (not to be unreasonably withheld, conditioned or delayed), and shall be consistent with Class A construction and quality, provided however, that the foregoing shall not require Tenant to comply with any particular LEED or similar voluntary green building certification except to the extent required by the City or any other governmental authority having jurisdiction, but in no event shall any Tenant Improvements or other Alterations performed by Tenant adversely affect the Building Shell's LEED Gold equivalence or any LEED certification that Landlord may obtain for the Building Shell. All Tenant Improvements are subject to Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. The process for approval and disapproval of Tenant's plans and specifications for the Tenant Improvements is additionally described in Section 8.A below. Prior to commencement of the Tenant

Improvements, Tenant shall deliver to Landlord evidence reasonably satisfactory to Landlord of the insurance required of Tenant and its contractors. All Tenant Improvements shall be completed not later than eighteen (18) months after the Commencement Date, subject to extension for any prevention, delay or stoppage due to strikes, lockouts, inclement weather, labor disputes, inability to obtain labor, materials, fuel or reasonable substitutes therefor, governmental restrictions, regulations, controls, civil commotion, fire or other act of God, and other causes beyond the reasonable control of Tenant (except Tenant's financial inability) ("**Tenant's Force Majeure Events**").

The Tenant Improvements shall not be removed or altered by Tenant except as provided in Section 7.A and Article 8 below. Tenant shall have the right to depreciate and claim and collect any investment tax credits for the Tenant Improvements during the Lease Term to the extent paid for by sources other than the Work Allowance. Landlord shall retain all rights to depreciate or claim tax credits to the extent of the Work Allowance paid by Landlord. Upon expiration of the Lease Term or any earlier termination of the Lease, the Tenant Improvements shall become the property of Landlord and shall remain upon and be surrendered with the Premises, and title thereto shall automatically vest in Landlord without any payment therefore, except to the extent Tenant is required to remove them pursuant to other provisions of this Lease.

E. Tenant Improvement Costs:

Landlord agrees to provide Tenant a work allowance to be utilized by Tenant in accordance with this Lease for the hard and soft costs of the design (but not Tenant's initial space planning), permitting, management, planning (but not Tenant's initial space planning) and construction of the Tenant Improvements, in an amount equal to Sixty Three Dollars ($63) per total rentable square foot of Premises (measured as described in Section 4.B above) (the "**Work Allowance**"), subject to this Section 6.E below. When the rentable square footage of the Premises has been determined pursuant to Section 4.A above, the Parties shall confirm in writing the amount of the Work Allowance.

Tenant shall also have the right to increase the Work Allowance by an amount not to exceed Thirty Dollars ($30) per rentable square foot of Premises, by delivering written notice of such election stating the amount of increase it wants (the "**Allowance Increase Notice**"), not later than one hundred twenty (120) days after the Building Shell Delivery Date (the "**Additional Allowance Election Period**"). If Tenant fails to deliver the Allowance Increase Notice to Landlord within the Additional Allowance Election Period, the Work Allowance shall not be increased. If, however, Tenant does deliver the Allowance Increase Notice to Landlord within the Additional Allowance Election Period, then the Work Allowance shall be increased by the amount specified by Tenant, but in no event by more than Thirty Dollars ($30) per rentable square foot of the Premises. The amount by which the Work Allowance is increased pursuant to this paragraph above is referred to in this Lease as the "**Work Allowance Increase**". If the Work Allowance is increased by Tenant pursuant to this Section 6.E above, then as consideration for Landlord providing such Work Allowance Increase to Tenant, the amount of the Work Allowance Increase provided by Landlord shall be amortized on a monthly basis over all full calendar months of the Initial Lease Term with an interest rate thereon of seven percent (7%) per annum, and each such monthly payment of amortization and interest (collectively, the "**Amortization Rent**") shall be paid by Tenant to Landlord as additional rent, commencing on the first day of the first (1st) full calendar month of the Lease Term, notwithstanding the fifteen (15) months of abatement described in Section 4.B above or any other abatement period under this Lease, and continuing on the first (1st) day of each calendar month thereafter throughout the remaining Initial Lease Term. For illustration purposes, if Tenant timely elects to increase the Work Allowance by Twenty Dollars ($20), and the Initial Lease Term is one hundred sixty eight (168) full calendar months, then the Amortization Rent shall be Nineteen Cents ($0.19) per rentable square foot of Premises per month. If this Lease terminates for any reason before the expiration of the Initial Lease Term, the unpaid Amortization Rent which

has not been paid by Tenant to Landlord as of the termination date pursuant to the foregoing provisions of this Section 6.E shall become immediately due and payable as unpaid rent which has been earned as of such termination date and Landlord shall be entitled to the immediate payment of such Amortization Rent. Amortization Rent shall not be subject to proration, abatement or reduction for any reason, notwithstanding any proration, abatement or reduction for Base Monthly Rent or any other amount due under this Lease for any reason.

Tenant shall pay all costs associated with the Tenant Improvements, subject to Landlord's obligation to provide the Work Allowance pursuant to this Section 6.E. The cost of the Tenant Improvements for which the Work Allowance may be utilized by Tenant ("**Work Allowance Costs**") shall consist of only the following to the extent actually incurred or paid by Tenant in connection with the design (but not Tenant's initial space planning), permitting, management, planning (but not Tenant's initial space planning) and construction of the Tenant Improvements to its unaffiliated third party general contractor ("**Tenant's General Contractor**"), architects, designers and suppliers for the Tenant Improvements; the fees of Tenant's General Contractor, architects, designers, project managers and suppliers; materials, labor and other construction costs; governmental permit fees, construction taxes or other costs imposed by governmental authorities related to the Tenant Improvements. In no event shall the Work Allowance be used for Tenant's furniture, trade fixtures, telephone and other office equipment, personal property, or cabling/wiring/telecommunication costs. The Work Allowance shall be paid by Landlord to the third parties entitled to payment in accordance with this Section 6.E below. Until final determination of the rentable square footage of the Premises pursuant to Section 4.A above, the Work Allowance shall be computed and disbursed based on an assumed rentable square footage of two hundred sixty eight thousand five hundred fifty six (268,556). Upon final determination of the rentable square footage of the Premises pursuant to Section 4.A above, the total Work Allowance and amount of prior disbursements shall be recomputed based on such final rentable square footage, and in such event (i) any overpayments of Landlord's share of the Work Allowance as of the date of such determination shall be paid by Tenant to Landlord not later than thirty (30) days after the amount of such overpayment is determined and Tenant is notified of such amount, and (ii) any underpayments of Landlord's share of the Work Allowance as of the date of such determination shall be paid by Landlord to Tenant not later than thirty (30) days after the amount of such underpayment is determined. Subject to the foregoing, during the course of design and construction of the Tenant Improvements, but not more than once in any calendar month, if Tenant desires a disbursement of the Work Allowance, Tenant and Tenant's General Contractor shall deliver to Landlord the following (the "**Disbursement Documentation**"): (i) a written request for disbursement, setting forth the amount requested for disbursement ("**Disbursement Request**"); (ii) a schedule of values allocating costs to the various portions of the Tenant Improvements for which disbursement is sought, in form and content reasonably satisfactory to Landlord, and which shall substantiate that the full amount requested for disbursement has been incurred or expended by Tenant for those Tenant Improvements for which the Work Allowance may be utilized; (iii) evidence of costs incurred of all amounts owed to the applicable third party, in form reasonably acceptable to Landlord, (iv) conditional lien releases, in form and content reasonably satisfactory to Landlord, from Tenant's General Contractor and all subcontractors, material suppliers and other persons or entities providing work or materials for which the current Disbursement Request relates, (v) unconditional lien releases, in form and content reasonably satisfactory to Landlord, from Tenant's General Contractor and all subcontractors, material suppliers and other persons or entities providing work or materials for which prior disbursements were made from the Work Allowance, to the extent not already delivered to Landlord; and (vi) invoices, vouchers, statements, affidavits and/or other documents in a form reasonably acceptable to Landlord which substantiate and justify the disbursement requested. Within thirty (30) days after Landlord's receipt of the Disbursement Request and Disbursement Documentation,

Landlord shall pay directly to the third (3rd) party entitled to payment (but subject to the next sentence) an amount equal to the lesser of the undisbursed portion of the Work Allowance or the following: an amount equal to the product of (i) the amount requested for disbursement, and (ii) the lesser of (x) one (1) or (y) a fraction, the numerator of which is the total amount of the Work Allowance and the denominator of which is the total cost of the Tenant Improvements as evidenced by the contracts entered into between Tenant and Tenant's General Contractor, architects, designers and suppliers (all of which contracts shall be delivered to Landlord as a condition precedent to Landlord's obligation to make the first disbursement of the Work Allowance) for the Tenant Improvement work, until such time as Landlord has expended the full amount of the Work Allowance. Notwithstanding the foregoing, to the extent the amount requested for reimbursement has already been paid by Tenant to the third party entitled to payment, and evidence reasonably satisfactory to Landlord of such payment has been delivered to Landlord, Landlord agrees to reimburse Tenant directly for the amount paid by Tenant to the third party.

If following completion of the Tenant Improvements and payment of Landlord's share of Work Allowance Costs in accordance with this Section 6.E above there are any un-disbursed Work Allowance funds, Tenant shall not be entitled to any further disbursements of such funds and shall not be entitled to any credit with respect to such funds. If any portion of the Work Allowance is not properly requested as of the date that is eighteen (18) months after the Commencement Date (which date shall be extended by the amount of time of delay caused by Tenant's Force Majeure Events), then as to those remaining funds for which the required Disbursement Documentation has not been submitted to Landlord, Tenant shall not be entitled to any further disbursements of such funds and shall not be entitled to any credit with respect to such funds. All Work Allowance Costs shall be fully documented to and subject to reasonable verification by Landlord. Notwithstanding the foregoing Landlord shall not be required make any disbursements of the Work Allowance during any period when Tenant is in material default under this Lease beyond any applicable cure period expressly granted in this Lease.

F. Space Plan Allowance:

In addition to the Work Allowance, Landlord shall reimburse Tenant for the space planning expenses paid by Tenant for the development of a preliminary space plan for the Premises, not to exceed Forty Thousand Three Hundred Twelve Dollars and Fifty Cents ($40,312.50) (the "**Space Plan Allowance**"), not later than thirty (30) days following Landlord's receipt of a complete copy of such space plans (which Landlord shall have the right to retain), request for payment and documentation reasonably acceptable to Landlord evidencing the amount paid by Tenant for such preliminary space plan, provided that Landlord and Landlord's architect are allowed to review and provide comments to such preliminary space plans (the fees of Landlord's architect for such services to be paid for by Landlord). If any portion of the Space Plan Allowance is not properly requested as of the date that is eighteen (18) months after the Commencement Date (which date shall be extended by the amount of time of delay caused by Tenant's Force Majeure Events), then as to those remaining funds for which request for payment and supporting documentation has not been submitted to Landlord, Tenant shall not be entitled to any further disbursements of such funds and shall not be entitled to any credit with respect to such funds. Notwithstanding the foregoing Landlord shall not be required to make any disbursements of the Space Plan Allowance during any period when Tenant is in material default under this Lease beyond any applicable cure period expressly granted in this Lease.

G. Construction Related Accessibility Standards Notice:

In accordance with California Civil Code Section 1938, Landlord hereby notifies Tenant that, except to the extent known by or previously disclosed to Tenant, as of the Effective Date Landlord has no actual knowledge of the Premises having been inspected by a Certified Access Specialist (CASp). The following notice is also hereby inserted pursuant to California Civil Code Section 1938(e): "A Certified Access

Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." The notice set forth in the prior sentence is not intended to modify Landlord's or Tenant's respective obligations expressly set forth in this Lease. As used in this Lease, a "**Certified Access Specialist**" or "**CASp**" means any person who has been certified by the State of California as such pursuant to applicable California law (including without limitation Section 4459.5 of the California Government Code). Notwithstanding this Section 6.G above or anything to the contrary contained in this Lease, Landlord and Tenant hereby agree and acknowledge that, if Tenant desires to obtain a CASp inspection, it shall be limited to an inspection of the Premises, and in addition:

(a) Tenant shall provide Landlord with not less than ten (10) business days prior written notice of its desire to conduct such CASp inspection ("**Tenant's CASp Inspection**"), identifying the date that such inspection will occur, and identifying the CASp that will conduct the inspection and providing evidence reasonably satisfactory to Landlord that the CASp is licensed and certified as a Certified Access Specialist in accordance with applicable Laws. Landlord shall have the right to, among other things, have one (1) or more Landlord representatives present during such inspection. Subject to the foregoing, Tenant shall coordinate Tenant's CASp Inspection with Landlord before the inspection is conducted.

(b) Tenant shall (x) provide Landlord with a copy of any and all findings, reports and/or other materials provided by the CASp performing Tenant's CASp Inspection (collectively, "**Tenant's CASp Report**") not later than two (2) business days following Tenant's receipt thereof, (y) at all times maintain (and cause to be maintained) Tenant's CASp Report and its findings (and any and all other materials related thereto) confidential and (z) pay for Tenant's CASp Inspection and Tenant's CASp Report prior to delinquency at Tenant's sole cost and expense. If Tenant receives a disability access inspection certificate, as described in subdivision (e) of California Civil Code Section 55.53, in connection with or following Tenant's CASp Inspection, then Tenant shall cause such certificate to be provided to Landlord not later than two (2) business days after received by Tenant.

(c) If Tenant's CASp Report identifies any violation(s) of applicable construction-related accessibility standards ("**CASp Violation(s)**"), then not later than two (2) business days after Tenant's receipt of Tenant's CASp Report, Tenant shall provide written notice to Landlord of any and all such CASp Violation(s). In such event, but only to the extent such violations are not the direct result of the Building Shell or Premises Site Improvements not having been originally constructed in accordance with Laws in effect and applicable to the Building Shell or Premises Site Improvements, as applicable, as of such original construction, Tenant shall, at Tenant's sole cost and expense, perform, or cause to be performed, all repairs, modifications and/or other work necessary to correct such CASp Violation(s) (such repairs, modifications and/or other work being collectively referred to herein as "**Tenant's CASp Work**", and Tenant's CASp Work also constituting Alterations (defined in Section 8.A) under this Lease; provided however, that to the extent such CASp Violation(s) are the direct result of the Building Shell or Premises Site Improvements not having been constructed in accordance with Laws in effect and applicable to the Building Shell or Premises Site Improvements when the Building Shell or Premises Site Improvements, as applicable, were originally constructed, Landlord shall, at Landlord's sole cost and expense perform, or cause to be performed, all repairs, modifications and/or other

work necessary to correct such CASp Violation(s). Tenant shall work diligently to prepare all plans and specifications required for Tenant's CASp Work, to obtain Landlord's approval of Tenant's CASp Work and to obtain all permits required for Tenant's CASp Work, and to thereafter commence (or cause the commencement of) Tenant's CASp Work in accordance with the terms and conditions set forth in this Lease relating to Tenant's Alterations. Tenant shall diligently prosecute (or cause to be diligently prosecuted) to completion all of Tenant's CASp Work in a lien free, good and workmanlike manner, and, promptly following completion, obtain and deliver to Landlord an updated CASp Report ("**Tenant's Updated CASp Report**") showing that the Premises then comply with all applicable construction-related accessibility standards. Any and all costs and expenses associated with Tenant's CASp Work and/or Tenant's Updated CASp Report shall be at Tenant's sole cost and expense. The preceding to the contrary notwithstanding, if Tenant's CASp Report identifies any CASp Violation(s), Landlord may, at Landlord's option, perform, or cause to be performed by any of Landlord's agents, employees, contractors or consultants, the Tenant's CASp Work necessary to correct such CASp Violation(s) at Tenant's expense, the entire cost of which shall be paid by Tenant to Landlord not later than thirty (30) days following Tenant's receipt of a written invoice from Landlord.

Without limiting the generality of the foregoing, Tenant hereby agrees and acknowledges that Tenant assumes all risk of, and agrees that Landlord shall not be liable for, any and all loss, cost, damage, expense and liability (including, without limitation, court costs and reasonable attorneys' fees) sustained as a result of the Premises not having been inspected by a CASp. To the fullest extent permitted by law, Tenant hereby (A) waives and disclaims any objection to, cause of action based upon, or claim that its obligations hereunder should be reduced or limited as a result of, the lack of any CASp inspection of the Premises, and (B) agrees and acknowledges that the lack of such inspection shall in no event diminish or reduce Tenant's obligations under this Lease.

7. COVENANTS TO SURRENDER:

A. Surrender:

Tenant agrees on the Expiration Date or sooner termination of this Lease (whichever is earlier), to surrender the Premises to Landlord in broom clean and good condition, order and repair, normal wear and tear and casualty (subject to Section 16 below) excepted. In this regard, "normal wear and tear" shall be construed to mean wear and tear caused to the Premises by the natural aging process which occurs in spite of prudent application of commercially reasonable standards (from a landlord's perspective) for maintenance, repair, replacement, and janitorial practices, and does not include items of neglected or deferred maintenance. In any event, Tenant shall cause the following to be done prior to the Expiration Date or sooner termination of this Lease (whichever is earlier) to the extent Tenant is not required to remove any of the following pursuant to other provisions of this Lease: (i) all interior walls shall be cleaned, (ii) all tiled floors shall be cleaned, (iii) all carpets shall be cleaned, (iv) all broken, marred, stained or nonconforming acoustical ceiling tiles shall be replaced, (v) all cabling placed above the ceiling by Tenant or Tenant's contractors shall be removed, (vi) [intentionally deleted], (vii) the HVAC system shall be serviced by a reputable and licensed service firm and left in good operating condition and repair, which condition shall also be so certified by such firm, and (viii) the plumbing and electrical systems and lighting shall be placed in good order and repair (including replacement of any burned out, discolored or broken light bulbs, ballasts, or lenses). On or before the Expiration Date or sooner termination of this Lease (whichever is earlier), Tenant shall remove all its personal property and trade fixtures from the Premises. All property and trade fixtures not so removed shall be deemed to have been abandoned by Tenant. As to Alterations for which Landlord's consent was not obtained, Tenant shall ascertain from Landlord not more than one (1) year and not less than ninety (90) days before the Expiration Date or sooner termination of this Lease (whichever is earlier) whether Landlord desires to have any Alterations made by Tenant (as defined in Section 8 below) removed and the Premises or any parts thereof restored to the condition

existing prior to the making of such Alteration, with any upgrades or revisions required to comply with all applicable building codes and other Laws in effect at the time of such removal and restoration to the extent such compliance is necessitated by the removal, repair and restoration work, or to cause Tenant to surrender all Alterations in place to Landlord. In addition, if at the time Tenant obtains Landlord's consent to any Alterations Landlord advises Tenant that any Alterations must be removed, then Tenant shall be required to surrender the Premises on the Expiration Date or sooner termination of the Lease (whichever is earlier) with such Alterations removed and the Premises restored to the condition existing prior to the making of such Alteration, with any upgrades or revisions required to comply with all applicable building codes and other Laws in effect at the time of such removal and restoration to the extent such compliance is necessitated by the removal, repair and restoration work; but if at the time Tenant obtains Landlord's consent to an Alteration Landlord fails to advise Tenant that such Alteration must be removed then Tenant shall not be required to remove such Alteration. Tenant's repair and restoration obligation shall include causing the Premises to be brought into compliance with all applicable building codes and other Laws in effect at the time of the removal, repair and restoration to the extent such compliance is necessitated by the removal, repair and restoration work. The foregoing provisions relating to Alterations for which Landlord's consent was not obtained shall in no event be construed as giving Tenant the right to do any Alterations without Landlord's consent (except as otherwise expressly provided in Section 8 below). Notwithstanding this Section 7.A above, in no event shall Tenant be required to remove any elements of the Tenant Improvements, or any other Alterations that were consented to by Landlord, that are typical of an open interior office plan. For purposes of this Lease, an open interior office plan means (i) offices and conference rooms (not including the EBC (defined below)), with not more than fifty percent (50%) in the aggregate of the rentable square footage of the five (5) story office portion of the Building on each floor of such office portion of the Building (not including Roof Deck) being offices that are partitioned, enclosed or built out (other than open workspace cubicles which are not hard wall construction) or conference rooms that are partitioned, (ii) not more than five percent (5%) in the aggregate of the rentable square footage of the five (5) story office portion of the Building on each floor of such office portion of the Building (not including Roof Deck) being offices on the exterior window line (which window line offices shall be included in the calculation of the fifty percent (50%) aggregate threshold described in item (i) immediately above), and (iii) one (1) executive briefing center ("EBC") in the Building, which EBC is not more than twenty percent (20%) of the rentable square footage of the five-story office space portion of the Building.

B. **Failure to Surrender:**

If Tenant remains in possession of the Premises after the Expiration Date or sooner termination of this Lease (whichever occurs earlier) without Landlord's consent, or fails to surrender the Premises on the Expiration Date or sooner termination of this Lease (whichever occurs earlier) in the condition required by this Lease, such hold over or failure shall not constitute a renewal or extension of the Lease Term. Tenant's continued possession shall be on the basis of a tenancy at sufferance, and Tenant shall be liable to Landlord for the reasonable rental value of the Premises (which shall be deemed to be one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding the Expiration Date or termination of this Lease (whichever occurs earlier), as applicable (without regard to temporary abatements then in effect)) plus all other amounts payable by Tenant under this Lease, subject to the last paragraph of this Section 7.B below. In addition, if Tenant holds over without Landlord's consent or fails to surrender the Premises at expiration or sooner termination of this Lease in the condition required by this Lease, Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord, and hold Landlord and Landlord's trustees, beneficiaries, shareholders, directors, officers, members, employees, partners, affiliates, agents, successors and assigns (collectively "**Landlord Related Parties**") harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses,

damages, costs or expenses (including without limitation reasonable attorneys fees) resulting from delay by Tenant in timely surrendering the Premises in the required condition, including without limitation all lost rents, lost profits and lost or delayed business opportunities (including without limitation those relating to any delay or prevention in Landlord's ability to redevelop all or any portion of the project of which the Premises is a part), and Landlord shall be entitled to all other rights and remedies available to a landlord against a tenant wrongfully holding over after the expiration or termination of the term of a lease without the landlord's consent. If Tenant holds over after the expiration or sooner termination of this Lease with Landlord's consent, such holding over shall be construed as a month to month tenancy, at one hundred twenty five percent (125%) of the Base Monthly Rent for the month preceding the Expiration Date or termination of this Lease (whichever occurs earlier) (without regard to temporary abatements then in effect) for the first ninety (90) days of hold over, and one hundred fifty percent (150%) of the Base Monthly Rent for the month preceding the Expiration Date or termination of this Lease (whichever occurs earlier) (without regard to temporary abatements then in effect) starting on the ninety first (91st) day of holdover, in addition to all other rent due under this Lease, and shall otherwise be on the terms and conditions of this Lease, except for the following: those provisions relating to the Lease Term to the extent inconsistent with a month to month tenancy, any provisions requiring Landlord to perform any Landlord's Work or install any Tenant Improvements or otherwise relating to the delivery of the Premises to Tenant, or pay any work allowances, space planning allowance or grant any free rent or other concessions and any options or rights to extend or renew this Lease or to purchase any portion of the Project, which provisions shall be of no further force and effect. Notwithstanding this Section 7.B above, if Tenant surrenders the Premises to Landlord but it is not in the condition required by this Lease, Tenant shall be deemed in holdover without Landlord's consent only so long as it would reasonably take for Landlord to perform such work as is necessary to render the Premises in the required condition. All hard and soft costs incurred by Landlord in connection with such work shall be paid for by Tenant to Landlord not later than thirty (30) days after demand for payment is delivered to Tenant, which obligation shall survive the expiration or sooner termination of this Lease. This Section 7.B shall survive the termination or expiration of the Lease.

Notwithstanding this Section 7.B above, if Tenant surrenders the Premises at expiration or sooner termination of this Lease, but the Premises is not in the condition required by this Lease, Tenant shall not be required to pay one hundred and fifty percent (150%) of Base Monthly Rent as described above for a period not to exceed thirty (30) days immediately after the expiration or sooner termination of this Lease, and instead of such increased Base Monthly Rent shall pay Base Monthly Rent in the amount applicable immediately before such holdover (without regard to temporary abatements then in effect), if and only if (i) the cost to perform the work to render the Premises in the required condition is less than Two Hundred Fifty Thousand ($250,000), (ii) Tenant shall not be relieved of its obligation to perform the work necessary to render the Premises in the required condition, and (iii) such work is unrelated to any Hazardous Materials condition. Notwithstanding that Tenant may be relieved of the obligation to pay increased Base Monthly Rent during the thirty (30) day period described in the immediately prior sentence, following the surrender of the Premises to Landlord pursuant to the immediately prior sentence, Tenant shall not be relieved of any other liability to Landlord resulting from such default, and no notice or cure period shall apply with respect thereto.

8. ALTERATIONS & ADDITIONS:

A. General Provisions:

Except as otherwise expressly provided in this Section 8.A, Tenant shall not make, or suffer to be made, any alteration or addition to the Premises ("**Alterations**"), or any part thereof, without obtaining Landlord's prior written consent (not to be unreasonably withheld, conditioned or delayed) and delivering to Landlord the proposed architectural and structural plans for all such Alterations at least fifteen (15) days prior to the start of construction. If

Landlord's consent is required for such Alterations, Landlord shall have a period of ten (10) business days after delivery of Tenant's request for approval and the plans for Alterations. Landlord's failure to grant or withhold its consent to any Alterations within ten (10) business days after receipt of Tenant's request for approval and all required plans therefor shall be deemed to constitute Landlord's disapproval of same; provided, however that if after such ten (10) business day period Tenant delivers another written notice to Landlord requesting consent to the proposed Alterations, such notice states that it is a second notice as to which if Landlord does not respond within five (5) business days Landlord will be deemed to have granted its consent, then if Landlord fails to respond to Tenant within five (5) business days after delivery of the second notice Landlord shall be deemed to have consented to the proposed Alterations. All Tenant Improvements shall also constitute Alterations under this Lease. If such Alterations affect the structure of the Building, Tenant additionally agrees to reimburse Landlord its reasonable out-of-pocket costs incurred in reviewing Tenant's plans. After obtaining Landlord's consent, Tenant shall not proceed to make such Alterations until Tenant has obtained all required governmental approvals and permits, and if the costs of the Alterations will exceed Five Million Dollars ($5,000,000) in the aggregate and at the time of the proposed Alterations Tenant does not have cash and cash equivalents, short term investments and long term investments, in the aggregate, of Seven Hundred Fifty Million Dollars ($750,000,000) or more, then Landlord may require Tenant to provide Landlord reasonable security, in form reasonably approved by Landlord, to protect Landlord against mechanics' lien claims, before commencing such work; provided, however, that Tenant shall not be required to provide any security in connection with the Tenant Improvements. Tenant agrees to provide Landlord (i) not less than fifteen (15) days prior written notice of the anticipated and actual start-date of the work, (ii) a complete set of half-size (15" X 21") vellum as-built drawings, and (iii) a certificate of occupancy, or other final government approval if the City does not issue certificates of occupancy, for the work upon completion of the Alterations. All Alterations shall be constructed by a licensed general contractor reasonably acceptable to Landlord in compliance with all applicable Laws including, without limitation, all building codes, Sustainability Requirements and the Americans with Disabilities Act of 1990 as amended from time to time. All Alterations shall be designed and constructed in such a manner as to not negatively affect any LEED equivalency or LEED certification for the Building Shell. Upon the Expiration Date or termination of this Lease (whichever occurs earlier), all Alterations, except movable furniture and trade fixtures, shall become a part of the realty and belong to Landlord, except to the extent Tenant is required to remove Alterations pursuant to this Section or Section 7.A above. Alterations which are not to be deemed trade fixtures include heating, lighting, electrical systems, air conditioning, walls, carpeting, or any installation which has become an integral part of the Premises. All Alterations shall be maintained, replaced or repaired by Tenant at its sole cost and expense. In no event shall Landlord's approval of, or consent to, any architect, contractor, engineer or other consultant or professional, any Alterations, or any plans, specifications and drawings for any Alterations constitute a representation or warranty by Landlord of (i) the accuracy or completeness of the plans, specifications, drawings and Alterations or the absence of design defects or construction flaws therein, or the qualification of any person or entity, or (ii) compliance with applicable Laws, and Tenant agrees that Landlord shall incur no liability by reason of such approval or consent. Once any Alterations begin, Tenant shall diligently and continuously pursue their completion. Notwithstanding the foregoing, Tenant may, without Landlord's prior written consent, make non-structural Alterations to the Premises which do not affect the structure, roof or Building systems and are not visible from outside the Building, provided that (i) such Alterations do not exceed Five Hundred Thousand Dollars ($500,000) aggregate per contract, and do not exceed Three Million Dollars ($3,000,000) aggregate in a calendar year, and (ii) Tenant otherwise complies with the provisions of this Lease relating to Alterations. Tenant's trade fixtures, furniture, office equipment (including servers and related equipment) and other personal property installed in the Premises shall at all

times be and remain the property of Tenant (unless deemed abandoned as provided elsewhere in this Lease), and may be removed by Tenant at any time during the Lease Term provided that Tenant repairs all damage caused by such removal.

B. Free From Liens:

Tenant shall keep the Premises free from all liens arising out of work performed, materials furnished, or obligations incurred by Tenant or claimed to have been performed for or furnished to Tenant. In the event Tenant fails to discharge any such lien within fifteen (15) days after receiving notice of the filing, Landlord shall immediately be entitled to discharge the lien at Tenant's expense and all resulting costs incurred by Landlord, including reasonable attorney's fees shall be due immediately from Tenant as additional rent.

C. Compliance With Governmental Regulations:

The term "**Laws**" or "**Governmental Regulations**" shall mean all federal, state, county, city or governmental agency laws, statutes, ordinances, codes, standards, rules, requirements, regulations, Sustainability Requirements or orders now in force or hereafter enacted, promulgated, or issued. The term also includes government measures regulating or enforcing public access, traffic mitigation, occupational, health, or safety standards for employers, employees, landlords, or tenants. Except as expressly provided in Section 6.G above, Tenant, at Tenant's sole expense shall comply with all such Governmental Regulations applicable to the Premises or the Tenant's use of the Premises and shall make all repairs, replacements, alterations, or improvements necessary to comply with said Governmental Regulations. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant (whether Landlord be a party thereto or not) that Tenant has violated any such law, regulation or other requirement in its use of the Premises shall be conclusive of that fact as between Landlord and Tenant. Tenant's obligations pursuant to this Section 8.C shall include, without limitation, maintaining and restoring the Premises and making structural and nonstructural alterations and additions to the Premises, Building and Common Area in compliance and conformity with all Laws and recorded documents to the extent required because of Tenant's particular use of the Premises or any work or Alteration made by or on behalf of Tenant during the Lease Term or any breach of Tenant's obligations under this Lease. The foregoing shall include, without limitation, compliance with and improvements required by the Americans With Disabilities Act or any similar Laws, as they may be amended from time to time. Landlord's approval of any Alteration or other act by Tenant shall not be deemed to be a representation by Landlord that said Alteration or act complies with applicable Laws, and Tenant shall remain solely responsible for said compliance.

Notwithstanding anything contained herein to the contrary, if during the last three (3) years of the Lease Term (without regard to Options not yet exercised) any improvement or alteration to the Premises is required as a result of any newly enacted future Laws or any changes in Laws in effect as of the Effective Date affecting the Premises and is not triggered by Tenant's particular use of the Premises and is not required because of Alterations made by Tenant or by breach of Tenant's obligations under this Agreement or by Tenant having caused any Casp Inspection to be performed, and the cost of such work is reasonably estimated by Tenant and Landlord to be Two Hundred Sixty Two Thousand Dollars ($262,000) or more, then Landlord shall perform such work and the cost of such improvements shall be allocated between Landlord and Tenant, and Tenant shall only be obligated to pay, each month during the remainder of the Lease Term (including any extensions or hold over period) after such improvements are made or such costs are incurred, on the date on which Monthly Base Rent is due, an amount equal to the product obtained by multiplying the cost of such work by a fraction, the numerator of which is one, and the denominator of which is the anticipated useful life (in months) of the improvement, together with interest thereon at the Agreed Interest Rate.

D. Insurance Requirements:

Tenant or its contractors shall maintain during the course of construction of Alterations, at Tenant's sole cost and expense, builders' risk insurance for the amount of the completed value of the Alterations on an all-risk non-reporting form covering all improvements under construction, including building materials, and other insurance in amounts and against such risks as Landlord shall reasonably require in connection with the Alterations. In addition to and without limitation on the generality of the foregoing, Tenant shall ensure that its contractors procure and maintain in full force and effect during the course of construction a "broad form" commercial general liability and property damage policy of insurance naming Landlord, any property manager designated by Landlord and Landlord's lenders and any affiliates of Landlord that are designated by Landlord from time to time as additional insureds. The minimum limit of coverage of the aforesaid policy shall be in the amount of not less than Five Million Dollars ($5,000,000.00) per occurrence and Five Million Dollars ($5,000,000.00) annual aggregate, and shall contain a severability of interest clause or a cross liability endorsement. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit. In no event shall the amount or type of insurance maintained or required to be maintained by Tenant or any of its contractors under this Lease in any way limit Tenant's liability under this Lease, including without limitation any indemnification, defense or hold harmless provision in favor of Landlord under this Lease.

E. Rooftop Rights.

Tenant shall have the non-exclusive right, in common with Landlord and other tenants of the Building (except other tenants shall not be permitted to install any antennae, equipment or dish on the Roof Deck), upon prior written approval by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed), and at Tenant's sole cost and expense (and not as a Work Allowance Cost), to install and operate a satellite antennae or dish on the top of the five (5) story office portion of the Building, provided that (i) Tenant has obtained all governmental approvals required with respect to the installation and use of such equipment, (ii) such installation shall be performed by a licensed contractor in a good and workmanlike manner, and in a manner that does not invalidate any roof or other warranties, (iii) such equipment shall be installed in locations reasonably acceptable to Landlord, (iv) such equipment shall be screened in a manner reasonably acceptable to Landlord, (v) all such equipment shall be removed from the Building, and all damage cause by such removal shall be repaired, by Tenant not later than the expiration or sooner termination of this Lease and (vi) Tenant otherwise complies with all of the requirements in this Lease as it relates to Alterations. Tenant, at its sole cost and expense shall promptly repair any and all damage to the roof or equipment located thereon or any other portion of the Building, including any needed replacements resulting from the activities of Tenant or Tenant's Agents, including without limitation, all roof leaks and damage to flashing, roof membrane, parapet walls, roof top equipment and materials.

9. MAINTENANCE OF PREMISES:

A. Landlord's Obligations:

Landlord at its sole cost and expense, shall maintain in good condition, order, and repair, and replace as and when necessary, subject to Section 16 below, the structural components of the Building, which consists of the foundation, exterior load bearing walls and roof structure, the structural components of the Bridgeways if the Bridgeways are constructed, and the structural components of the Phase 2 Parking Structure, except that the cost to repair any damage caused by Tenant or Tenant's Agents shall be paid for by Tenant to the extent the cost of repair is not fully paid to Landlord from available insurance proceeds.

B. Tenant's Obligations:

Except for those items described in Section 9.A above which are required to be maintained and repaired by Landlord or as described in this

Section 9.B below, Tenant shall clean, maintain in good condition, order, and repair, and repair and replace when necessary the Building, the Roof Deck, and every part thereof through regular inspections and servicing, including but not limited to the following to the extent Landlord does not elect to maintain the same as Reimbursable Operating Costs (as defined in Section 9.C below): (i) all plumbing and sewage facilities, (ii) all heating ventilating and air conditioning facilities and equipment, (iii) all fixtures, interior walls, floors, carpets and ceilings, (iv) all windows, door entrances, plate glass and glazing systems including caulking, and skylights other than washing of exterior surfaces of Building exterior window, (v) all electrical facilities and equipment, (vi) all automatic fire extinguisher equipment, (vii) all elevator equipment, (viii) the roof membrane system, and (ix) as described in Section 6.A above, the Bridgeways. All wall surfaces and floor tile are to be maintained in good condition and repair, normal wear and tear and casualty excepted (subject to Section 16 below). With respect to items (ii), (vii) and (viii) above, Tenant shall provide Landlord a copy of a service contract between Tenant and a licensed service contractor providing for periodic maintenance of all such systems or equipment in conformance with the manufacturer's recommendations. Tenant shall provide Landlord a copy of such preventive maintenance contracts and paid invoices for the recommended work if requested by Landlord. To the extent that any item in (i) through (viii) above is determined by Landlord to be for the benefit of more than one (1) tenant or occupant of the Building or Project, Landlord may assume the obligation to clean, maintain, repair and replace the same as Reimbursable Operating Costs (as defined in Section 9.D below) and Tenant shall during the period of such assumption have no obligation to clean, maintain, repair or replace such item.

Notwithstanding this Section 9.B above, if Tenant determines that any Building components located in or servicing the Premises which Tenant is required to repair (other than Tenant Improvements or Alterations or work required of Tenant to comply with applicable Laws pursuant to Section 8.C) are in need of material repair or replacement, and (i) the cost of such repair replacement is in excess of Twenty Five Thousand Dollars ($25,000), and (ii) the material repair or replacement constitutes a capital cost under generally accepted accounting principles, then Tenant shall notify Landlord of same in writing. If Tenant notifies Landlord of the foregoing pursuant to the prior sentence, then Landlord shall cause such repair or replacement (whether an item is repaired or replaced shall be determined by Landlord in its reasonable discretion) to be made, subject to reimbursement by Tenant as follows: The entire cost incurred by Landlord with respect to such work, together with interest thereon at the Agreed Interest Rate, shall be amortized over the useful life of the capital repair or replacement, as reasonably determined by Landlord in accordance with generally accepted accounting principles, and the monthly amortized cost (and interest thereon) shall be a Reimbursable Operating Cost to be paid by Tenant under this Lease until the earlier of the Expiration Date or the date that the entire cost of such work and interest thereon has been reimbursed to Landlord.

C. Obligations Regarding Reimbursable Operating Costs:

In addition to the direct payment by Tenant of expenses as provided in Section 9.B, 10, 11 and 12 of this Lease, commencing on the Commencement Date and thereafter on the first (1st) day of each month during the Lease Term, Tenant agrees to reimburse Landlord for Tenant's Allocable Share (as defined in Section 9.E below) of Reimbursable Operating Costs (as defined in Section 9.D below) resulting from Landlord payment of expenses related to the Building or Project which are not otherwise paid by Tenant directly. Landlord shall have the right to periodically provide Tenant with a written estimate of Reimbursable Operating Costs for the next twelve (12) months and Tenant shall thereafter, until Landlord revises such estimate, pay to Landlord as additional rental, along with its Base Monthly Rent, one twelfth of Tenant's Allocable Share of the Reimbursable Operating Costs as estimated by Landlord. Within ninety (90) days after the end of each calendar year during the Lease Term Landlord shall deliver to Tenant a statement ("**Annual Statement**") in

which Landlord shall set forth the actual expenditures for Reimbursable Operating Costs for such calendar year and Tenant's Allocable Share thereof. The Annual Statement shall be certified by an authorized officer of Landlord to be correct. If the Annual Statement shows that Tenant's payments of estimated Reimbursable Operating Costs exceeded Tenant's actual obligation in respect of such calendar year, Landlord shall accompany said Annual Statement with a payment to Tenant of the amount of such excess. If the Annual Statement shows that Tenant's payments of estimated Reimbursable Operating Costs were less than its actual obligation in respect of such calendar year, Tenant shall pay said difference to Landlord within thirty (30) days after Tenant's receipt of the Annual Statement.

If Tenant disputes the amount or characterization of any item contained in the Annual Statement then Tenant shall give written notice thereof to Landlord not later than ninety (90) days after the Annual Statement is delivered to Tenant. Tenant shall then have the right to cause Landlord's records upon which the Annual Statement is based to be audited by an independent nationally recognized certified public accounting firm. Such auditor shall require the consent of Landlord to enter upon Landlord's offices to inspect Landlord's books which consent shall be granted in subject to Landlord's reasonable scheduling, confidentiality and security requirements. Except as provided below, the fee for any audit conducted on Tenant's behalf shall be borne solely by Tenant. In no event shall the fee for any audit be computed on a contingency fee basis or be otherwise dependent upon the findings of such audit, and Tenant shall demonstrate to Landlord's reasonable satisfaction the non-contingent nature of the contract between Tenant and such auditor. Tenant shall not have any right to withhold any payment pending resolution of such dispute or audit, and payment by Tenant of any sum or sums in dispute shall not be deemed to be a waiver of Tenant's right to audit or contest the Annual Statement in accordance with the terms and conditions of this Lease. Landlord shall cooperate with such audit and shall provide Landlord's books and records reasonably requested and relative to the audit which shall be conducted during regular business hours at the office where Landlord maintains its books and records, at no cost to Landlord except as expressly provided below. If after such audit the parties do not agree on the audit findings then the dispute shall be settled by arbitration pursuant to Section 20.E below. If, as a result of Tenant's inspection of Landlord's books or the findings of the third party independent audit of Landlord's records and review, an error is discovered in the Annual Statement, Landlord shall revise the Annual Statement accordingly and any overpayment by Tenant shall be refunded by Landlord to Tenant not later than thirty (30) days after receipt by Landlord of written demand for payment, and any underpayment shall be paid by Tenant not later than thirty (30) days after receipt by Tenant of written demand for payment. If Tenant does not notify Landlord of a dispute within ninety (90) days after receipt of any Annual Statement, Tenant shall be deemed to have accepted such Annual Statement and waived its right to dispute the Annual Statement or conduct an audit with respect to the Annual Statement. Landlord's records and any information provided by Landlord to auditors pursuant to this Section, and the results of any such audit, shall be kept confidential by Tenant and its auditors, and shall not be made available by the auditors or Tenant to any other person or entity except to Tenant's parent or affiliates and outside legal and financial representatives and except in any dispute resolution proceeding between the parties relating to such audit. If requested by Landlord, Tenant and its auditor shall, prior to any such audit, execute and deliver to Landlord a confidentiality agreement prepared by Landlord, reasonably acceptable to Tenant. If the final audit discloses an error in Landlord's determination of the Reimbursable Operating Costs in excess of five percent (5%) in Landlord's favor (i.e. the Annual Statement overstated Reimbursable Operating Costs by more than five percent (5%)), then all reasonable out-of-pocket costs of the audits shall be borne by Landlord; otherwise the cost of the audits shall be borne by Tenant.

D. Reimbursable Operating Costs:

For purposes of calculating Tenant's Allocable Share of Building and Project costs, the

term "**Reimbursable Operating Costs**" is defined as all costs and expenses which are incurred by Landlord in connection with ownership and operation of the Building or the Project, together with such additional facilities as may be determined by Landlord to be reasonably desirable or necessary to the ownership or operation of the Building and/or Project. All costs and expenses shall be determined in accordance with generally accepted accounting principles which shall be consistently applied with accruals appropriate to Landlord's business ("GAAP"). Reimbursable Operating Costs shall include, but not be limited to, the following to the extent the obligation therefor is not that of Tenant under the provisions of Section 9.B above: (i) common area utilities, including water, power, telephone, heating, lighting, air conditioning, ventilating, Amenities Building utilities, and Building utilities to the extent not separately metered to the Building; (ii) common area maintenance and service agreements for the Building and/or Project and the fixtures and equipment therein, including without limitation, common area janitorial services, alarm and security services (if provided), exterior window cleaning for the Building, exterior glass cleaning for the Bridgeways (if constructed with glass), costs relating to the LED sign for Phase 2 to the extent such sign is installed and Landlord has assumed the obligation to maintain, repair and operate it, and maintenance of the sidewalks, landscaping, waterscape, parking areas, driveways, service areas, mechanical rooms, elevators, and the Building exteriors; (iii) insurance premiums and costs, including without limitation, the premiums and cost of All Risk property coverage (including Business Interruption), Liability coverage, Environmental Liability coverage and if elected by Landlord, earthquake insurance applicable to the Building or Project, and coverage relating to the Bridgeways, subject to the cost limitations set forth in Section 10 below.; (iv) repairs, replacements and general maintenance (excluding repairs and general maintenance paid by proceeds of insurance or by Tenant or other third parties other than as Reimbursable Operating Costs, and repairs or alterations attributable solely to tenants of other buildings other than Tenant); (v) all real estate taxes and assessment installments or other impositions or charges which may be levied on the Building or Project, upon the occupancy of the Building or Project and including any substitute or additional charges which may be imposed during, or applicable to the Lease Term including real estate tax increases due to a sale, transfer or other change of ownership of the Building or Project, as such taxes are levied or appear on the City and County tax bills and assessment rolls; (vi) costs of complying with Sustainability Requirements; (vii) deductibles under insurance policies (including without limitation with respect to the Bridgeways), except for earthquake deductibles to the extent in excess of Five Hundred Thousand Dollars ($500,000); (viii) the wages and benefits of all employees devoting time on operating or managing the Project, provided that as to any employee who does not devote substantially all of his or her employed time to the Project, that employee's wages and benefits shall be prorated to reflect the time spent on operating or managing the Project as opposed time spent on matters unrelated to operating and managing the Project, (ix) capital expenditures if required by Laws, or to repair or replace existing capital items, or to increase efficiencies and save costs in the Building to the extent not in excess of the cost of such savings, all of which shall be amortized over their useful lives as reasonably determined by Landlord in accordance with GAAP, together with interest on the unpaid portion of such expenditure at the Agreed Interest Rate, (x) Bridgeway costs for work required of Landlord pursuant to Section 6.A above, other than initial construction thereof, and (xi) costs incurred by Landlord in performing any work with respect to any of items (i) through (viii) in Section 9.B above to the extent Landlord has assumed with respect thereto the obligation for cleaning, maintenance, repair or replacement. Landlord shall have no obligation to provide guard services or other security measures for the benefit of the Project, provided, however, that nothing contained herein shall prevent Landlord, at its sole option, from providing security measures for the Project. Notwithstanding Landlord's election to provide security measures for the Project, Tenant assumes all responsibility for the protection of Tenant and Tenant's Agents from acts of third parties. This is a "Net" Lease, meaning that Base Monthly Rent is paid to Landlord absolutely net of all costs and expenses, except as otherwise expressly provided in this

Lease. The provision for payment of Reimbursable Operating Costs by means of monthly payment of Tenant's Allocable Share of the Building and/or Project costs is intended to pass on to Tenant and reimburse Landlord for all costs of operating and managing the Building and/or Project, except as otherwise expressly provided in this Lease. If less than one hundred percent (100%) of the Building and other Project buildings is leased at any time during the Lease Term, Landlord shall adjust Reimbursable Operating Costs to equal Landlord's reasonable estimate of what Reimbursable Operating Costs would be had one hundred percent (100%) of the Building and the other Project buildings been leased. If a bill for real property taxes and assessments is received by Landlord not later than five (5) years after the expiration or termination of the Lease Term (including without limitation a supplemental tax bill), but is applicable to any tax year within the Lease Term, Tenant shall pay Tenant's Allocable Share of such taxes and assessments not later than thirty (30) days after Tenant's receipt of notice of the amount due from Landlord, which obligation shall survive expiration or sooner termination of the Lease Term.

E. Tenant's Allocable Share:

For purposes of prorating Reimbursable Operating Costs which Tenant shall pay, Tenant's Allocable Share of Reimbursable Operating Costs shall be computed by multiplying the Reimbursable Operating Costs by a fraction, the numerator of which is the total rentable square footage of the Premises and the denominator of which is either (i) the total rentable square footage of the Premises if the service or cost is allocable only to the Premises, or (ii) the total rentable square footage of the buildings in the Project if the service or cost is allocable to the entire Project, or (iii) the total rentable square footage assigned to the premises of those tenants or occupants that Landlord reasonably determines to be benefiting from such service or facility. Tenant's obligation to share in Reimbursable Operating Costs shall be adjusted to reflect the Commencement Date and Expiration Date and is subject to recalculation in the event of expansion or contraction of the rentable square footage of the Building or Project.

F. Waiver of Liability:

Failure by Landlord to perform any defined services required of Landlord under this Lease, or any cessation thereof, when such failure is caused by accident, breakage, repairs, strikes, lockout or other labor disturbances or labor disputes of any character or by any other cause, similar or dissimilar, shall not render Landlord liable to Tenant in any respect, including damages to either person or property, nor be construed as an eviction of Tenant, nor cause an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any equipment or machinery utilized in supplying the services listed herein as being Landlord's obligation break down or for any cause cease to function properly, upon receipt of written notice from Tenant of any deficiency or failure of any services, Landlord shall use reasonable diligence to repair the same promptly, but Tenant shall have no right to terminate this Lease and shall have no claim for rebate of rent or damages on account of any interruptions in service occasioned thereby or resulting therefrom. Tenant waives the provisions of California Civil Code Sections 1941 and 1942 concerning the Landlord's obligation of tenantability and Tenant's right to make repairs and deduct the cost of such repairs from the rent, and any similar Law now or hereafter in effect. Landlord shall not be liable for a loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing, or its failure to furnish, any of the foregoing.

10. INSURANCE:

A. Tenant's Use:

Tenant shall not use or permit the Premises, or any part thereof, to be used for any purpose other than that for which the Premises are hereby leased; and no use of the Premises shall be made or permitted, nor acts done, which will cause an increase in premiums or a cancellation of any insurance policy covering the Premises or any part thereof, nor shall Tenant sell or permit to be sold, kept, or used in or about the Premises, any article prohibited by the standard form of insurance policies. Tenant shall, at its sole cost, comply with all requirements of any insurance company or organization necessary for the

maintenance of property and liability policies covering the Premises and appurtenances.

B. Landlord's Insurance:

Landlord agrees to purchase and keep in force All Risk insurance (or its equivalent or industry replacement) in an amount equal to the replacement cost of the Building, the Bridgeways if constructed, and Phase 2 Parking Structure (excluding any Tenant Improvements and Alterations that are not typical or customary for offices uses ("**Specialized Tenant Improvements**") and other than Alterations for which Landlord's consent is not obtained). In addition, Landlord may elect to purchase insurance coverage for perils including earthquake, flood and/or terrorist acts, in amounts and with deductibles reasonably determined by Landlord. Earthquake insurance premiums incurred by Landlord and included in Reimbursable Operating Costs shall not exceed Sixteen Thousand Two Hundred Fifty Dollars ($16,250) per month (the "**Earthquake Premium Cap**") until the first August 1st following the Commencement Date, at which time it will be increased as described below. The Earthquake Premium Cap shall be subject to increase annually commencing on the first August 1 following the Commencement Date and every August 1 thereafter in the event of an increase in the Consumer Price Index (each such anniversary date being an "**Earthquake Cap Adjustment Date**"). The basis for computing the adjustment shall be the U.S. Department of Labor, Bureau of Labor Statistic's Consumer Price Index for All Urban Consumers, All Items, 1982-84=100, for the San Francisco-Oakland-San Jose area ("**Index**"). The Index most recently published preceding the Commencement Date shall be considered the "**Base Index**" for the first adjustment. Thereafter, the index most recently published preceding the previous Earthquake Cap Adjustment Date shall be considered the "**Base Index.**" If the Index most recently published preceding the Earthquake Cap Adjustment Date ("**Comparison Index**") is greater than the Base Index, the then-payable Earthquake Premium Cap shall be increased by multiplying the then-applicable Earthquake Premium Cap by a fraction, the numerator of which is the Comparison Index and the denominator of which is the Base Index. Notwithstanding any subsequent actual increase or decrease in the Index, the increase in the Earthquake Premium Cap for any Earthquake Cap Adjustment Date shall never be more than four percent (4%) of the Earthquake Premium Cap in effect immediately before such adjustment. In no event shall the Earthquake Premium Cap decrease due to a decrease in the Index. Landlord may also maintain a policy of (i) commercial general liability insurance insuring Landlord (and such others designated by Landlord) against liability for personal injury, bodily injury, death and damage to property occurring or resulting from an occurrence in, on or about the Premises or Project in an amount as Landlord determines is reasonably necessary for its protection, (ii) rental loss insurance covering a minimum of twelve (12) months and (iii) Environmental Impairment/Pollution Liability coverage. Tenant agrees to pay Landlord as additional rent, within thirty (30) days after written invoice to Tenant, Tenant's Allocable Share of the amount of any deductible under such policy (subject to the cap on earthquake deductibles described in Section 9.D), provided that if damage is confined to the Premises, Tenant shall pay the entire deductible to Landlord (subject to the cap on earthquake deductibles described in Section 9.D). It is understood and agreed that Tenant's obligation to pay insurance premiums under this Section 10.B will be prorated to reflect the Commencement Date and Expiration Date.

C. Tenant's Insurance:

Tenant agrees, at its sole cost, to insure its personal property, trade fixtures, Specialized Tenant Improvements and other Alterations not required to be insured by Landlord against damage for their full replacement value (without depreciation). Said insurance shall provide All Risk coverage (or its equivalent or industry replacement) equal to the replacement cost of said property. The property insurance provided by Tenant as required by this paragraph shall be carried in favor of Landlord and Tenant as their respective interests may appear and shall provide that any loss to Alterations shall be adjusted with and be payable to both Landlord and Tenant. Tenant shall deliver a copy of the policy and renewal certificate to Landlord. Tenant agrees, at

its sole cost, to obtain and maintain throughout the Lease Term Commercial General Liability insurance for occurrences within the Project with a combined single limit of not less than Five Million Dollars ($5,000,000.00), worker's compensation insurance in compliance with statutory requirements, and Employer's Liability with a limit of not less than Five Million Dollars ($5,000,000.00). Tenant may meet the Commercial General Liability and Employer's Liability insurance requirements described in the prior sentence with an excess liability insurance policy, so long as the full amount of coverage required above is provided. Tenant's liability insurance shall be primary insurance containing a cross-liability endorsement, and shall provide coverage on an "occurrence" rather than on a "claims made" basis. All such insurance shall provide for severability of interests; shall provide that an act or omission of one of the named or additional insureds shall not reduce or avoid coverage to the other named or additional insureds. Tenant shall include Landlord, Landlord's affiliates and property manager and Landlord's lenders as additional insureds on Tenant's liability policies and shall name Landlord and Landlord's lenders as loss payees on its property insurance covering Alterations, and shall deliver a copy of the policies and renewal certificates to Landlord evidencing the required coverage before entry onto the Premises to commence any Tenant Improvement work or to operate its business in the Premises and before expiration of any such policies. Tenant shall provide a waiver of subrogation in favor of Landlord, Landlord's affiliates and property manager for worker's compensation and employer's liability. Tenant shall deliver to Landlord a copy of the certificates of such insurance evidencing the coverage required of Tenant prior to the earlier of the first Commencement Date or first entry to ready any portion of the Premises for Tenant's occupancy, and within five (5) days after renewal of such policies, but in no event later than five (5) days after the scheduled expiration of such policies. If any policy required of Tenant is cancelled, terminated or reduced in coverage, Tenant shall notify Landlord of such changes not later than five (5) business days after Tenant becomes aware of such change. Notwithstanding the above, Landlord retains the right to have Tenant provide other forms of insurance which may be reasonably required to cover future risks. In no event shall the types or limits of any insurance policies maintained or required to be maintained under this Lease by Tenant or its contractors limit Tenant's liability under this Lease, including without limitation Tenant's indemnification, defense and hold harmless obligations.

D. Waiver:

Except as expressly set forth elsewhere in this Lease, Landlord and Tenant hereby waive all tort, contract or other rights each may have against the other on account of any loss or damage sustained by Landlord or Tenant, as the case may be, to the Premises or its contents, or the other Project improvements, which may arise from any risk to the extent covered by their respective property insurance policies (or to the extent they would have been covered had such insurance policies been maintained in accordance with this Lease) as set forth above; provided that such waiver shall be effective only to the extent either permitted by the insurance covering such loss or, if insurance is required by this Lease but not obtained, permitted by the insurance that would cover such loss if such insurance were obtained as required by this Lease. The Parties shall each obtain from their respective insurance companies a waiver of any right of subrogation which said insurance company may have against Landlord or Tenant, as the case may be, with respect to the property insurance maintained with respect to this Lease.

11. TAXES:

Tenant shall be liable for and shall pay as additional rent, prior to delinquency, all taxes and assessments levied against Tenant's personal property and trade or business fixtures. All real estate taxes shall be prorated to reflect the Commencement Date and Expiration Date. If, at any time during the Lease Term a tax, excise on rents, business license tax or any other tax, however described, is levied or assessed against Landlord as a substitute or addition, in whole or in part, for taxes assessed or imposed on land or buildings, Tenant shall pay and discharge its Allocable Share of such tax or excise on rents or other tax before it becomes delinquent; except that this provision is not intended to cover net

income taxes, inheritance, gift or estate tax imposed upon Landlord. In the event that a tax is placed, levied, or assessed against Landlord and the taxing authority takes the position that Tenant cannot pay and discharge its Allocable Share of such tax on behalf of Landlord, then at Landlord's sole election, Landlord may increase the Base Monthly Rent by the exact amount of such tax and Tenant shall pay such increase. If by virtue of any application or proceeding brought by Landlord, there results a reduction in the assessed value of the Premises during the Lease Term, Tenant agrees to pay Landlord a fee consistent with the fees charged by a third party appeal firm for such services.

12. UTILITIES:

Tenant shall arrange for and pay directly to the providing utility all water, gas, electric, telephone, and other utilities supplied to the Premises. During any period when Tenant leases all of the space located in the Project buildings served by the Bridgeways, Tenant shall also arrange for and pay directly to the providing utility all utilities supplied to the Bridgeways. During any period that Tenant does not lease all of the space located in the Project buildings served by the Bridgeways, Landlord shall arrange for and pay to the providing utility all utilities supplied to the Bridgeways, the cost of which shall be included in Reimbursable Operating Costs and as to which Tenant shall pay Tenant's Allocable Share. Landlord shall not be liable for loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing or the utility company's failure to furnish utilities to the Premises or any other portion of the Project, and in such event Tenant shall not be entitled to abatement or reduction of any portion of Base Monthly Rent or any other amount payable under this Lease and the continued effectiveness of this Lease shall not be affected thereby. Tenant acknowledges that the Premises, the Building and/or the Project may become subject to the rationing of utility services or restrictions on utility use as required by a public utility company, governmental agency or other similar entity having jurisdiction thereof. Tenant acknowledges and agrees that its tenancy and occupancy hereunder shall be subject to such rationing or restrictions as may be imposed upon Landlord, Tenant, the Premises, the Building and/or the Project, and Tenant shall in no event be excused or relieved from any covenant or obligation to be kept or performed by Tenant by reason of any such rationing or restrictions.

13. TOXIC WASTE AND ENVIRONMENTAL DAMAGE:

A. Use of Hazardous Materials:

Without the prior written consent of Landlord, neither Tenant, nor any subtenant of the Premises (of any tier in the chain of title) or any of Tenant's or such subtenant's agents, employees, representatives, affiliates, architects, contractors (including without limitation subcontractors of all tiers), suppliers, vendors, subtenants, licensees or invitees (collectively "**Tenant's Agents**"), shall cause or permit any Hazardous Materials, as defined below, to be generated, brought onto, used, stored, created, released or disposed of in or about the Premises or Project, except that Tenant may use and store small quantities of common household cleaners, office supplies and computer equipment on the Premises provided such use and storage is in strict compliance with all Environmental Laws, as defined below. As used herein, the term "**Hazardous Materials**" shall mean any and all substances, materials or wastes (whether liquid, solid or gaseous), which are a pollutant or contaminant, or which are hazardous, toxic, ignitable, reactive, corrosive, dangerous, harmful or injurious, or which present a risk to public health or the environment, or which are or may become regulated by or under the authority of any Environmental Laws, including, without limitation, asbestos or asbestos containing materials, petroleum products, pesticides, polychlorinated biphenyls, flammable explosives, radioactive materials and urea formaldehyde. As used herein, the term "**Environmental Laws**" shall mean any present or future federal, state or local Laws, whether common law, statute, rule, regulation or ordinance, judgment, order, or other governmental restriction, guideline, listing or requirement, relating to the environment or any Hazardous Materials, including without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. §9601 et seq., the Resource

Conservation and Recovery Act of 1976, 42 U.S.C. §6901 et seq., and applicable provisions of the California Health and Safety Code and the California Water Code, all as heretofore or hereafter may be amended from time to time. In order to obtain consent, Tenant shall deliver to Landlord its written proposal describing the Hazardous Materials to be brought onto the Premises, measures to be taken for storage and disposal thereof, and safety measures to be employed to prevent pollution or contamination of the air, soil, surface and ground water. Landlord's approval may be withheld in its reasonable judgment. Without diminishing Tenant's obligation to obtain Landlord's consent to Tenant's use of Hazardous Materials on the Premises where this Lease requires such consent, Tenant represents and warrants that it shall comply with all Governmental Regulations applicable to Hazardous Materials including doing the following: (i) adhere to all reporting and inspection requirements imposed by Federal, State, County or Municipal Laws and provide Landlord a copy of any such reports or agency inspections; (ii) obtain and provide Landlord copies of all necessary permits and management plans required for the use, storage and handling of Hazardous Materials on the Premises; (iii) enforce Hazardous Materials handling and disposal practices consistent with industry standards; (iv) surrender the Premises and Project free from any and all Hazardous Materials generated, brought, used, stored, created, released, or disposed of by Tenant or Tenant's Agents or by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises; and (v) with respect to Hazardous Materials as to which Tenant is obligated or liable pursuant to the express provisions of this Lease, properly close the facility with regard to such Hazardous Materials including the removal or decontamination of any process piping, mechanical ducting, storage tanks, containers, or trenches which have come into contact with such Hazardous Materials and obtaining a closure certificate from the local administering agency prior to the expiration or sooner termination of this Lease.

B. Tenant's Indemnity Regarding Hazardous Materials:

Tenant shall, at its sole cost and expense and with counsel reasonably acceptable to Landlord, indemnify, defend and hold harmless Landlord and the Landlord Related Parties from and against any and all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) incurred or suffered arising from generating, bringing, using, storing, creating, releasing or disposing of Hazardous Materials in or about the Premises or Project by Tenant or Tenant's Agents, or by anyone else coming onto the Premises (other than Landlord or Landlord's agents, employees and contractors), or the violation of any Governmental Regulation or Environmental Laws by Tenant or Tenant's Agents or by anyone else coming onto the Premises (other than Landlord or Landlord's agents, employees or contractors). This indemnification, defense and hold harmless obligation applies whether or not the concentrations of any such Hazardous Materials exceed applicable maximum contaminant or action levels or any governmental agency has issued a cleanup order. Tenant's indemnification, defense, and hold harmless obligations include, without limitation, the following: (i) claims, liabilities, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under present or future Laws, including Environmental Laws; (ii) claims, liabilities, costs or expenses pertaining to the assessment and identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source; (iii) losses attributable to diminution in the value of the Premises, Building or Project (iv) loss or restriction of use of rentable square footage of the Building or Project; (v) adverse effect on the marketing of any space in the Building or Project; and (vi) all other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders or judgments), damages (including consequential and punitive damages), and costs (including

attorney, consultant, and expert fees and expenses) resulting from the release or violation. This Section 13.B shall survive the expiration or termination of this Lease.

C. Notice of Release or Violation:

If, during the Lease Term (including any extensions), Tenant becomes aware of (i) any actual or threatened release of any Hazardous Materials on, under or about the Premises or Project or (ii) any inquiry, investigation, proceeding, claim, notice or order by any private or public person or entity regarding the presence of Hazardous Materials on, under or about the Premises or Project, including without limitation alleged violations of Environmental Laws by Tenant or Tenant's Agents, Tenant shall give Landlord written notice of the release or investigation within five (5) days after learning of it and shall simultaneously and thereafter furnish Landlord with copies of any claims, notices of violation, reports, or other writings received by Tenant concerning the release or investigation. In the event of an actual release of Hazardous Materials, Tenant shall also give Landlord immediate verbal notice of such release. In the event of any release on or into the Premises or any portion of the Project or into the soil or ground water under the Premises, the Building or the Project of any Hazardous Materials used, treated, stored or disposed of by Tenant or Tenant's Agents or as to the Premises only by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises, Tenant agrees to comply, at its sole cost, with all laws, regulations, ordinances and orders of any federal, state or local agency relating to the monitoring or remediation of such Hazardous Materials. In the event of any such release of Hazardous Materials Tenant shall immediately give verbal and follow-up written notice of the release to Landlord, and Tenant agrees to meet and confer with Landlord and any lender designated by Landlord which has a loan secured by the Premises to attempt to eliminate and mitigate any financial exposure to such lender and resultant exposure to Landlord under California Code of Civil Procedure Section 736(b) as a result of such release, and promptly to take reasonable monitoring, cleanup and remedial steps given, inter alia, the historical uses to which the Project has and continues to be used, the risks to public health posed by the release, the then available technology and the costs of remediation, cleanup and monitoring, consistent with acceptable customary practices for the type and severity of such contamination and all applicable Laws. Nothing in the preceding sentence shall eliminate, modify or reduce the obligation of Tenant under Section 13.B of this Lease to indemnify, defend and hold Landlord and the Landlord Related Parties harmless. Tenant shall provide Landlord prompt written notice of Tenant's monitoring, cleanup and remedial steps. In the absence of an order of any federal, state or local governmental or quasi-governmental agency relating to the cleanup, remediation or other response action required by applicable law, any dispute arising between Landlord and Tenant concerning Tenant's obligation to Landlord under this Section 13.C concerning the level, method, and manner of cleanup, remediation or response action required in connection with such a release of Hazardous Materials shall be resolved by arbitration pursuant to this Lease.

D. Remediation Obligations:

In the event of any release on, under or about the Premises or the Project of any Hazardous Materials generated, brought onto, used, stored, created or disposed of by Tenant or Tenant's Agents or, as to the Premises only, by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises, Tenant shall, at its sole cost, promptly take all necessary and appropriate actions, in compliance with applicable Environmental Laws, to remove or remediate such Hazardous Materials, whether or not any governmental agency has issued a cleanup order, so as to return the Premises and Project to the condition that existed before the introduction of such Hazardous Materials. Tenant shall obtain Landlord's written consent prior to implementing any proposed removal or remedial action, provided, however, that Tenant shall be entitled to respond immediately to an emergency without first obtaining Landlord's written consent. Nothing in the preceding sentence shall in any way eliminate, modify or reduce the obligation of Tenant under 13.B of this Lease to indemnify, defend and hold Landlord and the Landlord Related Parties

harmless. Landlord agrees that Tenant shall not be liable to Landlord for, and Landlord shall not require Tenant to remove or remediate (or pay for the cost thereof), any Hazardous Material that are present at the Project as of the Effective Date or that have migrated to or under the Building or the Project from off-site sources, except to the extent caused by Tenant or Tenant's Agents or coming from any building in the Project leased to Tenant or its successors, affiliates, assigns or other transferees.

E. Environmental Monitoring:

Landlord and its agents and consultants shall have the right to inspect, investigate, sample and monitor the Premises, including any air, soil, water, ground water, or to conduct any other sampling or testing, digging, drilling or analysis, to determine whether Tenant is complying with the terms of this Section 13. If Landlord discovers that Tenant is not in compliance with the terms of this Section 13, all costs incurred by Landlord in determining Tenant's non-compliance, including attorneys', consultants' and experts' fees, shall be due and payable by Tenant to Landlord within thirty (30) days following Landlord's written demand therefor.

F. Landlord Indemnification:

Landlord shall indemnify and hold Tenant harmless from any claims, liabilities, costs or expenses (including, without limitation, all litigation costs, expert witness fees and reasonable attorneys' fees) incurred or suffered by Tenant for the removal, investigation, monitoring or remediation of Hazardous Materials which are present on the Premises or the Project as of the Effective Date (except to the extent caused by Tenant or Tenant's Agents or coming from any building in the Project leased to Tenant or its successors, affiliates, assigns or other transferees), or which come to be present on the Premises or the Project as a result of Landlord's actions after the Effective Date. Landlord's indemnification and hold harmless obligations include, without limitation, (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), the Resource Conservation and Recovery Act of 1980 ("RCRA") or any other Federal, State, County or Municipal law, ordinance or regulation, for the removal, investigation, monitoring or remediation of Hazardous Materials which are present on the Premises or the Project as of the Effective Date (except to the extent caused by Tenant or Tenant's Agents or coming from any building in the Project leased to Tenant or its successors, affiliates, assigns or other transferees), or which come to be present on the Premises or the Project as a result of Landlord's actions after the Effective Date, (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials which are present on the Premises or the Project as of the Effective Date (except to the extent caused by Tenant or Tenant's Agents or coming from any building in the Project leased to Tenant or its successors, affiliates, assigns or other transferees), or which come to be present on the Premises or the Project as a result of Landlord's actions after the Effective Date from soils, riverbeds or aquifers including the provision of an alternative public drinking water source, and (iii) all costs of defending such claims. In no event shall Landlord be liable for any consequential damages suffered or incurred by Tenant as a result of any such contamination. To the actual knowledge of Landlord, except as disclosed by in the documents described on Exhibit H attached hereto or in any documents delivered to Tenant before the Effective Date or recorded against the Project, no Hazardous Material is present in the Building or the Project in violation of applicable Laws. Phrases such as "**to the actual knowledge of Landlord**", or other phrases relating to Landlord's knowledge as used in this Lease, mean and are limited to the actual personal knowledge as of the Effective Date of John Michael Sobrato, without such individual having undertaken or being required to undertake any duty of inquiry, investigation or due diligence with respect to such matters, without the knowledge of any other person being imputed to such individual, without any constructive knowledge being imputed to such individual and

without such individual assuming any personal liability with respect to such matters.

14. TENANT'S DEFAULT

A. Events of Default

The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant: (i) Tenant's failure to pay the Base Monthly Rent or any other payment due under this Lease (including additional rent) by the date such amount is due, where such failure continues for three (3) business days after Tenant's receipt of Landlord's notice that such amount was not received; (ii) the abandonment of the Premises by Tenant; (iii) Tenant's failure to deliver to Landlord any document or agreement required to be delivered by Tenant pursuant to Sections 3.D, 20.H, 20.K, 20.T within the time required by those Sections, or failure to discharge any liens within the time required by Section 8.B, or failure to deliver any evidence of insurance within the time required by this Lease, where such failure continues for two (2) business days after written notice of the failure has been delivered to Tenant; (iv) Tenant's failure to observe and perform any other required provision of this Lease, or the occurrence of any other event described as a default in other Sections of this Lease or any amendment to this Lease, where such failure or default continues for thirty (30) days after written notice from Landlord, provided, however, that if the nature of the default is such that it cannot reasonably be cured within such thirty (30) day period, Tenant shall not be deemed in default if it commences within such thirty (30) day period to cure and thereafter diligently prosecutes the same to; except, however, that if this Lease expressly provides that no notice or cure is required for a breach or default to exist then such thirty (30) day or longer notice and cure period shall not apply; (v) Tenant's making of any general assignment for the benefit of creditors; (vi) the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within thirty (30) days after the filing); (vii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (viii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

B. Remedies:

In the event of any default by Tenant beyond applicable notice and cure periods, then in addition to other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event Landlord elects to so terminate this Lease, Landlord may recover from Tenant all the following: (i) the worth at time of award of any unpaid rent which had been earned at the time of such termination; (ii) the worth at time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss for the same period that Tenant proves could have been reasonably avoided; (iii) the worth at time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom; including the following: (x) expenses for repairing, altering or remodeling the Premises for purposes of reletting, (y) broker's fees, advertising costs or other expenses of reletting the Premises, and (z) costs of carrying the Premises such as taxes, insurance premiums, utilities and security precautions; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law. The term "**rent**", as used in this Lease, is defined as the minimum monthly installments of Base Monthly Rent and all other sums required to be paid by Tenant pursuant to this Lease, all such other sums

being deemed as additional rent due hereunder. As used in (i) and (ii) above, "**worth at the time of award**" shall be computed by allowing interest at a rate equal to the greater of the following (the "**Agreed Interest Rate**") (i) the discount rate of the Federal Reserve Bank of San Francisco plus five (5%) percent per annum, as of the twenty-fifty (25th) day of the month immediately preceding Tenant's default, on advances to member banks under Section 13 and 13(a) of the Federal Reserve Act, as now in effect or hereafter from time to time amended, or (ii) ten percent (10%) per annum. As used in (iii) above, "**worth at the time of award**" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent. Any obligation Landlord may have to mitigate damages upon a termination due to Tenant's default shall not include the obligation to relet the Premises if Landlord has other comparable available space within the Building or Project.

C. **Right to Re-enter:**

In the event of any such default by Tenant, Landlord shall have the right, after terminating this Lease, to re-enter the Premises and remove all persons and property in accordance with applicable law. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, and disposed of by Landlord, in any manner permitted by law.

D. **Continuation of Lease:**

If Landlord does not elect to terminate this Lease as provided in Section 14.B above, then the provisions of California Civil Code Section 1951.4, (Landlord may continue the Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due if Tenant has a right to sublet and assign, subject only to reasonable limitations) as amended from time to time, shall apply, this Lease shall continue in effect, and Landlord may enforce all of its rights and remedies under this Lease, including without limitation, the right to recover payment of rent as it becomes due.

E. **No Termination:**

Neither efforts by Landlord to mitigate damages caused by a breach or default of Tenant, nor acts of maintenance or preservation or efforts to relet the Premises shall constitute an election by Landlord to terminate the Lease or a termination of Tenant's right to possession of the Premises.

F. **Non-Waiver:**

Landlord may accept Tenant's payments without waiving any rights under this Lease, including rights under a previously served notice of default. No payment by Tenant or receipt by Landlord of a lesser amount than any installment of rent due shall be deemed as other than payment on account of the amount due. If Landlord accepts payments after serving a notice of default, Landlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of default without giving Tenant any further notice or demand. Furthermore, Landlord's acceptance of rent from the Tenant when the Tenant is holding over without express written consent does not convert Tenant's tenancy from a tenancy at sufferance to a month to month tenancy. No waiver of any provision of this Lease shall be implied by any failure of Landlord to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by Landlord of any provision of this Lease must be in writing. Such waiver shall affect only the provision specified and only for the time and in the manner stated in the writing. No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver thereof by Landlord. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute acceptance of the surrender of the Premises by Tenant before the Expiration Date. Only written notice from Landlord to Tenant of acceptance shall constitute such acceptance of surrender of the Premises. Landlord's consent to or approval of any act by Tenant which requires Landlord's consent or approvals shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant. The voluntary or other

surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subleases or subtenants, or may, at the option of Landlord, operate as an assignment to Landlord of any or all such subleases or subtenants

G. Performance by Landlord:

If Tenant fails to perform any obligation required under this Lease or by Laws beyond applicable notice and cure periods, Landlord in its sole and absolute discretion may, without notice, without waiving any rights or remedies and without releasing Tenant from its obligations hereunder, perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums paid by Landlord in connection with such substitute performance, including interest at the Agreed Interest Rate within ten (10) days of Landlord's written notice for such payment.

H. [Intentionally deleted]

15. LANDLORD'S LIABILITY:

A. Limitation on Landlord's Liability:

In the event of Landlord's failure to perform any of its covenants or agreements under this Lease, Tenant shall give Landlord written notice of such failure and shall give Landlord thirty (30) days to cure or commence to cure such failure prior to any claim for breach or resultant damages, provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Landlord shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion. In addition, upon any such failure by Landlord, Tenant shall give notice by registered or certified mail to any person or entity with a security interest in the Premises ("Mortgagee") that has provided Tenant with notice of its interest in the Premises, and shall provide Mortgagee a reasonable opportunity to cure such failure, including such time to obtain possession of the Premises by power of sale or judicial foreclosure or appointment of a receiver, if such should prove necessary to effectuate a cure. Tenant agrees that each of the Mortgagees to whom this Lease has been assigned is an express third-party beneficiary hereof. Tenant waives any right under California Civil Code Section 1950.7 or any other present or future law relating to the collection of any payment or deposit from Mortgagee or any purchaser at a foreclosure sale of Mortgagee's interest unless Mortgagee or such purchaser shall have actually received and not refunded the applicable payment or deposit. Tenant further waives all rights to terminate this Lease and to vacate the Premises on Landlord's default under this Lease, the Parties having agreed that Tenant's remedies in the event of a Landlord default shall be limited to those expressly set forth in this Lease. Tenant's sole remedy on Landlord's default is an action for damages or injunctive or declaratory relief; provided, however, Landlord and the Landlord Related Parties shall not be liable to Tenant for any consequential damages suffered or incurred by Tenant on account of Landlord's default including, without limitation, on account of lost profits or the interruption of Tenant's business. Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom or for damage to the goods, wares, merchandise, or other property of Tenant, Tenant's employees, invitees, customers, or any other person in or about the Premises or the Project, nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or any other person in or about the Premises or Project, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water, or rain, or from the breakage, leakage, obstruction, or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning, or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Project or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant, occupant, or user of the Project, nor from the failure of Landlord to enforce the provisions of any other lease of the Project.

B. Limitation on Tenant's Recourse:

If Landlord is a corporation, trust, partnership, joint venture, unincorporated association or other form of business entity, then the obligations of Landlord shall not constitute personal obligations of the Landlord Related Parties. Tenant shall have recourse only to the interest of Landlord in the Premises and current net rent proceeds therefrom (after deduction of all costs and expenses incurred in connection with the Project, including debt service) for the satisfaction of the obligations of Landlord and shall not have recourse to any other assets of Landlord for the satisfaction of such obligations.

C. Indemnification of Landlord:

As a material part of the consideration rendered to Landlord, Tenant hereby waives all claims against Landlord for damages to goods, wares and merchandise, and all other personal property in, upon or about said Premises and for injuries to persons in or about said Premises or Project, from any cause arising at any time to the fullest extent permitted by law. Except to the extent due to the negligence or willful misconduct of Landlord or a breach of Landlord's obligations under this Lease, Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) incurred or suffered arising from the use or occupancy of the Premises or any part of the Project by Tenant or Tenant's Agents, the acts or omissions of Tenant or Tenant's Agents, Tenant's breach of this Lease, or any damage or injury to person or property from any cause, including but not limited to the use or occupancy of the Premises or any part of the Project by Tenant or Tenant's Agents, the acts or omissions of Tenant or Tenant's Agents, Tenant's breach of this Lease or from the failure of Tenant to keep the Premises in good condition and repair as herein provided. Further, in the event Landlord is made party to any litigation due to the acts or omission of Tenant or Tenant's Agents, Tenant shall indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) incurred in connection with such litigation.

16. DESTRUCTION OF PREMISES:

A. Landlord's Obligation to Restore:

In the event of damage or destruction of the Premises, or the Bridgeways if they are constructed, during the Lease Term (other than Tenant's Specialized Tenant Improvements and other than those Alterations for which Landlord's consent was not obtained) Landlord, and Tenant (as to Alterations for which Landlord's consent was not obtained, and Specialized Tenant Improvements, provided that in no event shall Tenant perform any work in violation of the other Sections of this Lease), shall repair the same to a similar condition to that which existed prior to such damage or destruction, to the extent legally allowed, subject to this Section 16 below. Such damage or destruction shall not annul or void this Lease; however, Tenant shall be entitled to a proportionate reduction of Base Monthly Rent while Landlord's repairs or restoration of the Building are being made, and thereafter until the earlier to occur of (i) one hundred fifty (150) days after completion of Landlord's Premises repair or restoration work or (ii) the date that Tenant completes its Premises repair or restoration work, such abatement to be based upon the extent to which Tenant is not able to occupy the Premises and conduct business therein due to such casualty or repair or restoration work, as reasonably determined by Landlord. In no event shall Landlord have any liability to Tenant, and in no event shall Tenant be entitled to any rent reduction or abatement or have the right to terminate this Lease if repair or reconstruction of the Bridgeways following casualty is not allowed by any governmental authority having jurisdiction. In no event shall Landlord have the obligation to restore any portion of the Bridgeways serving a Project building if such Project building is no longer leased by Tenant. In no event shall Landlord be required to repair or restore Alterations for which Landlord's consent was not obtained. Specialized Tenant

Improvements or Tenant's trade fixtures or personal property.

B. Limitations on Landlord's Restoration Obligation:

Notwithstanding the provisions of Section 16.A above, Landlord shall have no obligation to repair or restore the Building (or any portion of the Bridgeways, if they are constructed) if any of the following occur: (i) if Landlord estimates the repairs cannot be made in three hundred sixty (360) days from the date of receipt of all governmental approvals necessary under applicable Laws, as reasonably determined by Landlord, (ii) if the holder of the first deed of trust or mortgage encumbering the Building elects not to permit the insurance proceeds payable upon damage or destruction to be used for such repair or restoration, (iii) the damage or destruction is not fully covered by the insurance maintained by Landlord, (iv) the damage or destruction occurs in the last twenty four (24) months of the Lease Term (taking into consideration all Options then exercised by Tenant), or (v) Tenant is in default pursuant to the provisions of Section 14 above; or (vi) Tenant has vacated the Premises for more than ninety (90) days before the casualty. In any such event Landlord may elect either to (i) complete the repair or restoration, or (ii) terminate this Lease by providing Tenant written notice of its election within sixty (60) days following the damage or destruction. If Landlord elects to terminate this Lease pursuant to the immediately prior sentence, then Tenant shall have the right to terminate the Second Expansion Building Lease by notifying Landlord of such election in writing not later than thirty (30) days after Landlord has elected to terminate this Lease pursuant to the immediately prior sentence. If Landlord elects to repair or restore, this Lease shall continue in full force and effect. Tenant shall also have the right to terminate this Lease in the event either (1) Landlord estimates the repairs cannot be made in the three hundred sixty (360) days from the date of receipt of all governmental approvals necessary under applicable Laws, as reasonably determined by Landlord, or (2) the damage or destruction occurs in the last twenty four (24) months of the Lease Term (taking into consideration all Options then exercised by Tenant), by providing Landlord written of its election of (1) of this sentence above within twenty (20) days after Landlord's notice of the time to repair and restore and of (2) of this sentence above within thirty (30) days after the date of the casualty; provided however that Tenant's termination right pursuant to this sentence shall not apply with respect to the Bridgeways or the Second Expansion Building Lease. Tenant hereby waives the benefits and rights provided to Tenant by the provisions of Civil Code Sections 1932 and 1933, or any similar Law now or hereafter in effect. If this Lease terminates as the result of any damage or destruction to Premises, all property insurance proceeds relating to Alterations maintained by Tenant shall be the sole property of Landlord, Tenant shall have no right to such proceeds, and Tenant shall fully cooperate with Landlord in collecting such proceeds, or if such proceeds have been paid to Tenant, Tenant shall pay such proceeds to Landlord not later than seven (7) business days after the Expiration Date or termination of this Lease (whichever is earlier), which obligations shall survive the expiration or sooner termination of this Lease. Tenant shall also pay to Landlord not later than seven (7) business days after the Expiration Date or termination of this Lease (whichever is earlier) an amount equal to the deductible under Tenant's property insurance, which obligation shall survive the expiration or sooner termination of this Lease. If Tenant fails to maintain the property insurance required by this Lease, then Tenant shall pay to Landlord, not later than seven (7) business days after the Expiration Date or termination of this Lease (whichever is earlier) an amount equal to what the proceeds would have been had Tenant maintained the insurance required by this Lease, plus the deductible that would have applied if such insurance had been in place.

17. CONDEMNATION:

If any part of the Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and only a part thereof remains which is susceptible of occupation hereunder, this Lease shall, as to the part so taken, terminate as of the day before title vests in the condemnor or purchaser ("**Vesting Date**") and Base Monthly

Rent payable hereunder shall be adjusted so that Tenant is required to pay for the remainder of the Lease Term only such portion of Base Monthly Rent as the value of the part remaining after such taking bears to the value of the entire Premises prior to such taking, as reasonably determined by Landlord. Further, in the event of such partial taking, Landlord shall have the option to terminate this Lease as of the Vesting Date. If Landlord elects to terminate this Lease pursuant to the immediately prior sentence, then Tenant shall have the right to terminate the Second Expansion Building Lease by delivering written notice of its election to Landlord not later than thirty (30) days after Landlord has elected to terminate this Lease pursuant to the immediately prior sentence. If all of the Premises or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder, this Lease shall terminate on the Vesting Date. If part or all of the Premises be taken, all compensation awarded upon such taking shall go to Landlord, and Tenant shall have no claim thereto; except Landlord shall cooperate with Tenant, without cost to Landlord, to recover compensation for the unamortized cost of any Specialized Tenant Improvements and Alterations paid for by Tenant and not reimbursed through the Work Allowance or for Tenant's moving costs. If there is a taking of any parking areas within Phase 2, substitute parking cannot be provided within Phase 2 by means of restriping the remaining existing parking areas within Phase 2, and Landlord does not provide replacement parking within Phase 1 or other property adjacent to Phase 1 or Phase 2, then the parking allocated to Tenant under this Lease shall be proportionately reduced. However, if the parking allocated to Tenant under this Lease is reduced by more than ten percent (10%) or there is a taking of more than fifteen percent (15%) of the rentable square footage in the five (5) story office portion of Building then leased by Tenant (not including the Roof Deck), Tenant shall have the right to terminate this Lease effective as of the Vesting Date or thirty (30) days after Tenant delivers its termination notice to Landlord, whichever is later. If any part of the Premises is taken but this Lease is not terminated, then Landlord shall, to the extent not prohibited by Laws and condemnation proceeds are sufficient to do so, repair any damage to the Premises caused by such taking to a condition reasonably suitable for Tenant's continued operations. Tenant hereby waives the provisions of California Code of Civil Procedures Section 1265.130 and any similar Law now or hereafter in effect, and the provisions of this Section 17 shall govern in the case of a taking.

18. ASSIGNMENT OR SUBLEASE:

A. Consent by Landlord:

Except as specifically provided in Section 18.E below, Tenant may not voluntarily, involuntarily or by operation of law, assign, sell or otherwise transfer all or any part of Tenant's interest in this Lease or in the Premises, cause or permit any part of the Premises to be sublet, occupied or used by anyone other than Tenant, or permit any person to succeed to any interest in this Lease or the Premises (all of the foregoing being a "**Transfer**") without the express written consent of Landlord. Notwithstanding any other provision of this Lease, in no event shall Tenant have the right to effect a Transfer of any portion of the Amenities Extension or the Roof Deck, without concurrently therewith assigning all of its rights under this Lease to the same transferee, except that in the case of a sublease or license of less than all of the interior space of the Premises, Tenant may allow its subtenant or licensee to have shared use of the Amenities Extension or the Roof Deck. In the event Tenant desires to effectuate a Transfer, Tenant shall deliver to Landlord (i) executed counterparts of any agreement and of all ancillary agreements with the proposed transferee, (ii) current financial statements of the transferee covering the preceding three (3) years, (iii) the nature of the proposed transferee's business to be carried on in the Premises, (iv) a statement outlining all consideration to be given on account of the Transfer, and (v) a current financial statement of Tenant. Landlord may condition its approval of any Transfer on receipt of a certification from both Tenant and the proposed transferee of all consideration to be paid to Tenant in connection with such Transfer. At Landlord's request, Tenant shall also provide additional information reasonably required by Landlord to determine whether it will consent to the proposed Transfer. Landlord shall have a fifteen (15) day period following receipt of all the foregoing within

which to notify Tenant in writing that Landlord elects to: (i) other than with respect to a Permitted Transfer, terminate this Lease as to the portion of the Premises proposed to be transferred, if the portion of the Premises proposed for Transfer, together with any portion of the Building then subject to another Transfer, is for more than fifty percent (50%) (cumulatively, for the proposed Transfer and all other Transfers then in effect and made within the thirty six (36) month period before Tenant's request for consideration of the proposed Transfer) of the rentable square footage of the Building, and the Transfer then under consideration is for more than seventy five percent (75%) of the remaining Lease Term (not taking into account Option Terms which have not yet commenced); (ii) permit Tenant to Transfer such space to the named transferee on the terms and conditions set forth in the notice; or (iii) refuse consent. If Landlord should fail to notify Tenant in writing of such election within the fifteen (15) day period, Landlord shall be deemed to have elected option (iii) above (i.e. refused consent); provided, however that if after such fifteen (15) day period Tenant delivers another written notice to Landlord requesting consent to the proposed Transfer together with the information required to be submitted in connection with the Transfer, such notice states that it is a second notice as to which if Landlord does not respond within seven (7) business days Landlord will be deemed to have granted its consent, and Landlord has confirmed to Tenant that Landlord received such second notice and the submitted Transfer information, then if Landlord fails to respond to Tenant within seven (7) business days after delivery of the second notice and Landlord's confirmation of receipt Landlord shall be deemed to have consented to the proposed Transfer. In the event Landlord elects option (i) above, this Lease shall expire with respect to such part of the Premises which is the subject of the proposed Transfer on the date upon which the proposed Transfer was to commence, and from such date forward, Base Monthly Rent shall be adjusted based on the proportion that the rentable area of the Premises remaining bears to the total rentable area of the Premises before exercise of Landlord's election to terminate, and Tenant's Allocable Share of all other costs and charges shall be adjusted in accordance with Section 9.1: based upon the remaining rentable area of the Premises. In the event Landlord does not elect option (i) above, Landlord's consent to the proposed Transfer shall not be unreasonably withheld, conditioned or delayed, provided and upon the condition that: (i) the proposed transferee is engaged in a business that is limited to the use expressly permitted under this Lease; (ii) the proposed transferee is a company with sufficient financial worth and management ability to undertake the financial obligation of this Lease in the case of an assignment (or in the case of a Transfer of less than all of Tenant's interest in this Lease or a sublease, the financial obligations under such Transfer) and Landlord has been furnished with reasonable proof thereof; (iii) the proposed transfer agreement, if it is a sublease, conforms to the requirements of Section 18.1 below or if it is an assignment, is in a form reasonably satisfactory to Landlord; (iv) the proposed Transfer will not result in there being greater than one (1) subtenants or other occupants (not including employees) on any floor within the Building at any time during the Lease Term; (v) Tenant reimburses Landlord on demand for all reasonable costs that may be incurred by Landlord in connection with said Transfer, including the costs of making investigations as to the acceptability of the proposed transferee and legal costs incurred in connection with the granting or denial of any requested consent not to exceed Two Thousand Five Hundred Dollars ($2,500); and (vi) Tenant shall not have advertised or publicized in any way the availability of the Premises without prior notice to Landlord. In the event all or any one of the foregoing conditions are not satisfied (without limiting other factors that may be considered or conditions that may be imposed by Landlord in connection with a requested Transfer), Landlord shall be considered to have acted reasonably if it withholds its consent. Tenant shall not hypothecate, mortgage, pledge or otherwise encumber Tenant's interest in this Lease or the Premises or otherwise use the Lease as a security device in any manner without the consent of Landlord, (all of the foregoing being an "**Hypothecation**") which consent Landlord may withhold in its sole and absolute discretion. Tenant shall reimburse Landlord on demand for any reasonable costs that may be incurred by Landlord in connection with an Hypothecation, including legal costs incurred in connection with

the granting or denial of any requested consent. Landlord's consent to one or more Transfers or Hypothecations shall not operate to waive Tenant's obligation to obtain Landlord's consent to other Transfers or Hypothecations nor constitute consent to an assignment or other Transfer following foreclosure of any permitted lien, mortgage or other encumbrance. If Tenant is a corporation, limited liability company, unincorporated association, partnership or other legal entity, the sale, assignment, cancellation, surrender, exchange, conversion or any other transfer or hypothecation of any stock, membership or other ownership interest in such entity (whether occurring at one time or over a period of time) in the aggregate of more than fifty percent (50%) (determined cumulatively) shall be deemed an assignment of this Lease; in the case of a partnership, any withdrawal or substitution (whether occurring at one time or over a period of time) of any partners owning fifty percent (50%) or more (cumulatively) of the partnership, or the dissolution of the partnership shall be deemed an assignment of this Lease; provided that, subject to Section 18.D below, the foregoing provisions of this sentence shall not apply to a transfer of stock in a corporation whose stock is publicly traded on a public stock exchange. If Tenant is an entity, any sale of all or substantially all of its assets shall be deemed an assignment of this Lease. If Tenant is a corporation whose stock is not publicly traded on a public stock exchange, any dissolution, merger, consolidation or reorganization of Tenant shall be deemed a Transfer. Tenant acknowledges and agrees that the provision of this Section 18 are not unreasonable standards or conditions for purposes of Section 1951.4 of the California Civil Code, as amended from time to time, under bankruptcy laws, or for any other purpose.

B. Assignment or Subletting Consideration:

Landlord and Tenant hereby agree that fifty percent (50%) of any rent or other economic consideration (including without limitation, payments for trade fixtures and personal property in excess of the fair market value thereof, stock, warrants, and options) in excess of the Base Monthly Rent payable hereunder (after deducting therefrom Reasonable Transfer Costs (defined below)) (i) realized by Tenant in connection with any Transfer by Tenant, and/or (ii) realized by a subtenant or any other person or entity (other than Tenant) (any such subtenant, person or entity being a "**Subsequent Transferor**") in connection with a sublease, assignment or other Transfer by such Subsequent Transferor, shall be paid by Tenant to Landlord promptly after such amounts are paid to Tenant or a Subsequent Transferor, regardless of the amount of sub-rent the Subsequent Transferor pays to Tenant or any prior Subsequent Transferor. As used in this Section 18.B, "**Reasonable Transfer Costs**" shall mean the following costs, to the extent reasonably incurred in connection with the Transfer in question: (i) advertising costs and brokerage commissions payable to unaffiliated third parties, (ii) reasonable legal fees incurred by Tenant in connection with such Transfer, (iii) tenant improvement costs incurred by Tenant solely in connection with such Transfer, and (iv) the Unamortized TI Costs (defined below) to the extent attributable to the portion of the Premises subject to the Transfer. As used in this Lease, "**Unamortized TI Costs**" shall mean the then remaining (as of the date of Transfer) unamortized portion of the Work Allowance Costs to the extent not paid for through the Work Allowance, with the Work Allowance Costs not paid for through the Work Allowance being amortized over the initial one hundred forty four (144) months of the Lease Term and evenly allocated over the rentable square footage of the Premises. In the case of a Transfer other than an assignment of Tenant's entire interest in the Lease and Premises, the Unamortized TI Costs shall be included in Reasonable Transfer Costs on a monthly amortization basis over the then remaining amortization period and shall not be fully deducted upon the occurrence of the Transfer. Tenant's obligation to pay over Landlord's portion of the consideration constitutes an obligation for additional rent hereunder. The above provisions relating to Landlord's right to terminate the Lease and relating to the allocation of excess rent are independently negotiated terms of the Lease which constitute a material inducement for the Landlord to enter into the Lease, and are agreed by the Parties to be commercially reasonable. No Transfer by Tenant shall relieve it of any obligation under this Lease. Any Transfer which

conflicts with the provisions of this Lease shall be voidable by Landlord at any time following such Transfer.

C. No Release:

Any Transfer shall be made only if and shall not be effective until the transferee shall execute, acknowledge, and deliver to Landlord an agreement, in form and substance satisfactory to Landlord, whereby the transferee shall assume all the obligations of this Lease on the part of Tenant to be performed or observed to the extent of the interest being transferred and shall be subject to all the covenants, agreements, terms, provisions and conditions in this Lease to the extent applicable to the interest being transferred. Notwithstanding any Transfer and the acceptance of rent or other sums by Landlord from any transferee, Tenant and any guarantor shall remain fully liable for the payment of Base Monthly Rent and additional rent due, and to become due hereunder, for the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and for all acts and omissions of any transferee or any other person claiming under or through any transferee that shall be in violation of any of the terms and conditions of this Lease, and any such violation shall be deemed a violation by Tenant. Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) resulting from any claims that may be made against Landlord by the proposed transferee or by any real estate brokers or other persons claiming compensation in connection with the proposed Transfer.

D. Reorganization of Tenant:

Notwithstanding any other provision of this Lease, the provisions of this Section 18.D shall apply if: (i) there is a dissolution, merger, consolidation, or other reorganization of or affecting Tenant, where Tenant is not the surviving company, or there is a sale of all or substantially all of the assets of Tenant, or (ii) there is a sale, cancellation, surrender, exchange, conversion or any other transfer of stock involving or consisting of more than fifty percent (50%) of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, or a transfer of more than a fifty percent (50%) ownership interest in Tenant (where Tenant is not a corporation), or there is any merger, consolidation or other reorganization of or affecting Tenant (other than one described in (i) immediately above), whether the foregoing occurs in a single transaction or in multiple steps. In a transaction under clause (i) of this Section 18.D, the surviving or acquiring corporation or entity ("**Surviving Entity**") shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which the Surviving Entity assumes the obligations of Tenant hereunder. In a transaction or series of transactions under clause (ii) of this Section 18.D, the entities which as a result of such transaction(s) own a greater than fifty percent (50%) interest in Tenant (including, without limitation as a result of a reverse triangular merger or a triangular merger) (collectively the "**Acquiring Entity**") shall promptly execute and deliver to Landlord a guaranty of lease in form reasonably satisfactory to Landlord under which the Acquiring Entity guarantees the full payment and performance of the obligations of Tenant under the Lease ("**Lease Guaranty**"). The foregoing notwithstanding, as to all transactions described in this Section 18.D, if the Surviving Entity or Acquiring Entity is itself not a publicly-traded company, but is instead the subsidiary of or owned (directly or indirectly) by a publicly-traded company (or a subsidiary of a subsidiary of a publicly-traded company, or a subsidiary in a chain of entities in which one or more parent companies are publicly traded), then each publicly-traded parent company in such chain shall also be required to execute and deliver to Landlord the Lease Guaranty. In addition, in the event that after such acquisition Tenant does not prepare audited financial statements, then in addition to the financial statements required to be delivered by Tenant hereunder, each entity required to execute the Lease Guaranty shall provide Landlord its audited financial statements at the times and in the manner required of Tenant hereunder.

Without limiting the foregoing requirements, it is the intent of the parties that after such any transaction or series of transactions described in this Section 18.D, Landlord shall be entitled to rely on the creditworthiness of publicly-traded companies and to receive audited financial information from publicly-traded companies to the extent Tenant is owned, directly or indirectly, by a publicly-traded company.

E. Permitted Transfers

Provided that Tenant otherwise complies with the provisions of this Section 18, except the provision requiring prior consent or the provisions relating to payment of Transfer consideration, but otherwise including without limitation Section 18.D, Tenant may enter into any of the following Transfers described in this Section 18.E (a "**Permitted Transfer**") without Landlord's prior consent, provided however that Tenant shall notify Landlord of any such Transfer not later than five (5) business days after the effective date of such Transfer. Except as provided in Section 18.A above relating to a Transfer of any portion of the Amenities Extension or the Roof Deck, Tenant may sublease all or part of the Premises or assign all of its interest in this Lease to (i) any corporation or legal entity which controls, is controlled by, or is under common control with the original Tenant to this Lease by means of an ownership interest of more than fifty percent (50%); (ii) a successor corporation or legal entity which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation or legal entity, so long as the surviving corporation or legal entity has a net worth at the time of such assignment or sublease that is equal to or greater than the net worth of Tenant immediately prior to such transaction; and (iii) a corporation or legal entity which purchases or otherwise acquires all or substantially all of the assets or stock of Tenant so long as the surviving corporation or legal entity has a net worth at the time of such assignment or sublease that is equal to or greater than the net worth of Tenant immediately prior to such transaction. The assignee of a Permitted Transfer is referred to in this Lease as a "**Permitted Assignee**".

F. Effect of Default:

In the event of Tenant's default, Tenant hereby assigns all amounts due to Tenant from any Transfer as security for performance of Tenant's obligations under this Lease, and Landlord as assignee of Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such amounts and apply it toward Tenant's obligations under this Lease, except that Tenant may collect such amounts unless a default beyond applicable notice and cure periods occurs as described in Section 14 above. Landlord's collection of any amounts due from a Transfer shall not constitute an acceptance by Landlord of attornment by any subtenants, and upon Tenant's default beyond applicable notice and cure periods Landlord shall have all rights provided by this Lease and applicable Laws, including without limitation terminating this Lease and any or all occupants' rights to possession of the Premises as Landlord shall determine in Landlord's sole and absolute discretion. A termination of the Lease due to Tenant's default beyond applicable notice and cure periods shall not automatically terminate a Transfer then in existence; rather at Landlord's election (1) such Transfer shall survive the Lease termination, (2) the transferee shall attorn to Landlord, and (3) Landlord shall undertake the obligations of Tenant under the transfer agreement; except that Landlord shall not be liable for prepaid rent, security deposits or other defaults of Tenant to the transferee, or for any acts or omissions of Tenant and Tenant's Agents.

G. Conveyance by Landlord:

In the event of any transfer by any person or entity comprising Landlord of such person's or entity's entire interest in this Lease, such person or entity (and in case of any subsequent transfer, the then transferor) shall be automatically freed and relieved from and after the date of such transfer of all liability for the performance of any covenants or obligations on the part of Landlord contained in this Lease accruing thereafter; provided, however, that any funds in the hands of such person or entity or the then transferor at the time of such transfer, in which Tenant has an interest shall be turned over to the transferee and if the entire interest of Landlord is the subject of the transfer then any amount then due and

payable to Tenant by Landlord or the then transferor under any provision of this Lease shall be paid to Tenant; and provided, further, that upon any such transfer, the transferee shall be deemed to have assumed, subject to the limitations of this Section 18 above all of the agreements, covenants and conditions in this Lease to be performed from and after the transfer on the part of Landlord, it being intended hereby that the covenants and obligations contained in this Lease to be performed on the part of Landlord shall, subject as aforesaid, be binding on each Landlord, its successors and assigns, only during its period of ownership.

II. **Successors and Assigns:**

Subject to the provisions this Section 18, the covenants and conditions of this Lease shall apply to and bind the heirs, successors, executors, administrators and assigns of all Parties hereto; and all parties hereto comprising Tenant shall be jointly and severally liable hereunder.

I. **Sublease Requirements:**

With respect to any permitted sublet of the Premises by Tenant to an approved Subtenant ("**Subtenant**"), the sublet transaction shall be evidenced by a written sublease between Tenant and Subtenant (the "**Sublease**"). The Sublease shall comply with the following requirements: (i) The form of the Sublease and the terms and conditions thereof shall be subject to Landlord's approval which shall not be withheld unreasonably; (ii) The Sublease shall provide that it is subject to all of the terms and conditions of this Lease, except those terms and conditions relating to Rent, additional rent, and any other amount due under this Lease; (iii) The Sublease shall provide that the Subtenant shall have no right to exercise any option or other right granted to Tenant in this Lease; (iv) The Sublease shall contain a waiver of subrogation against Landlord and shall require Subtenant's insurance policies to acknowledge such waiver of subrogation; (v) The Sublease shall provide that all requirements of the Lease applicable to subleases shall be applicable to sub-subleases; (vi) The Sublease shall require Subtenant, acting through Tenant, to obtain Landlord's prior written approval, to any alteration to the Premises to the same extent Tenant is required by this Lease to obtain such consent; (vii) The Sublease shall require Subtenant to send Landlord copies of any and all notices concerning the Premises that Subtenant is obligated to provide to Tenant and Tenant to send Landlord copies of any and all notices concerning the Premises that Tenant is obligated to provide to Subtenant; (viii) The Sublease shall provide that, at Landlord's option, the Sublease shall not terminate in the event that this Lease terminates and shall require Subtenant to execute an attornment agreement if Landlord, in its sole and absolute discretion, shall elect to have the Sublease continue beyond the date of termination of this Lease as a direct lease between Landlord and the Subtenant (provided however that in no event shall Landlord be liable for any default under the Sublease occurring prior to such attornment); and (ix) The Sublease shall require the Subtenant to agree that on receipt of notice from Landlord that Tenant has defaulted beyond applicable notice and cure periods, Subtenant shall pay all sums due under the Sublease to Landlord.

19. OPTION TO EXTEND THE LEASE TERM:

A. **Grant and Exercise of Option:**

Landlord grants to Tenant, subject to the terms and conditions set forth in this Section 19 three (3) options (each an "**Option**" and collectively the "**Options**") to extend the Lease Term for an additional term (each an "**Option Term**"). Each Option Term shall be for a period of sixty (60) months and shall be exercised, if at all, by written notice to Landlord no earlier than twelve (12) months prior to the date the Lease Term would expire but for such exercise but no later than nine (9) months prior to the date the Lease Term would expire but for such exercise, time being of the essence for the giving of such written notice. Notwithstanding the foregoing, in order for Tenant's exercise of an Option under this Lease to be effective, if there are any leases entered into by Tenant for any other portion of Phase 2 (each of such other leases being an "**Additional Phase 2 Lease**") having an expiration date that is within ten (10) months after the Expiration Date of this Lease, then the tenants under such Additional Phase 2 Leases must

concurrently with Tenant exercise their corresponding options to extend the term of the Additional Phase 2 Leases if there are any remaining unexercised options under such Additional Phase 2 Leases. In addition, if an Additional Phase 2 Lease has an expiration date that is within ten (10) months before the Expiration Date of this Lease, and the tenant under such Additional Phase 2 Lease did not exercise an available option to extend the term of the Additional Phase 2 Lease, then all Options under this Lease as to which an Option Term has not commenced shall terminate and be of no further force or effect. If Tenant exercises an Option, all of the terms, covenants and conditions of this Lease shall apply except for the grant of additional Options pursuant to this Section 19, except for Tenant's purchase right pursuant to Section 19.E and except for tenant improvements, improvement allowances, space planning allowance or relocation allowances, free rent or other leasing concessions and inducements, and provided that Base Monthly Rent for the Premises payable by Tenant during the Option Term shall be the Fair Market Rental as hereinafter defined. Notwithstanding anything herein to the contrary, (i) if Tenant or the tenant under any Additional Lease is in monetary or material non-monetary default beyond any applicable cure period under any of the terms, covenants or conditions of this Lease either at the time Tenant exercises the Option, or (ii) if the net worth of Tenant or the net worth or any other tenant under an Additional Lease, as reported in their most recent financial statements shows insufficient financial worth to undertake the financial obligations under this Lease or the Additional Lease, as applicable, determined in Landlord's reasonable discretion, then Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate the Option upon notice to Tenant, in which event the Lease Term shall not be extended pursuant to this Section 19.A. As used herein, the term "Fair Market Rental" is defined as the rental and all other monetary payments, including any escalations and adjustments thereto (including without limitation Consumer Price Indexing) that Landlord could obtain during the Option Term from a third party desiring to lease the Premises, based upon the (i) current use and other allowed uses of the Premises, as determined by the rents then obtainable for new leases of space comparable in age and quality to the Premises in the same real estate submarket as the Building and (ii) the credit standing and financial stature of the Tenant, and taking into account the quality or condition of the Premises (but only if the Premises has been maintained and repaired by Tenant in accordance with this Lease) and tenant improvement allowances. In setting Fair Market Rental, the appraisers shall be instructed that the following concessions obtainable for new space shall not be taken into account in determining Fair Market Rental, there shall be no offset or adjustment for the following costs which Landlord will not incur in the event Tenant exercises its option, and that the appraisers' determination shall not be discounted due to the fact that such costs will not be incurred by Landlord in connection with the Option Term: (i) brokerage commissions, (ii) relocation allowances, or (iii) vacancy costs.

B. Determination of Fair Market Rental:

If Tenant exercises an Option, Landlord shall send Tenant a notice setting forth the Fair Market Rental for the Option Term within thirty (30) days following the date of exercise. If Tenant disputes Landlord's determination of Fair Market Rental for the Option Term, Tenant shall, within thirty (30) days after delivery to Tenant of Landlord's notice setting forth Fair Market Rental for the Option Term, send to Landlord a notice stating that Tenant either elects to terminate its exercise of the Option, in which event the Option shall lapse and this Lease shall terminate on the Expiration Date, or that Tenant disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 19.C below. If Tenant does not timely send Landlord a notice as provided in the previous sentence, Tenant shall be deemed to have disagreed with Landlord's determination of Fair Market Rental and to have elected to resolve the disagreement as provided in Section 19.C below. If Tenant elects to resolve the disagreement as provided in Section 19.C below and such procedures are not concluded prior to the commencement date of the Option Term, Tenant shall pay to Landlord as Base Monthly Rent the Fair Market Rental as determined by Landlord in the manner provided

above. If the Fair Market Rental as finally determined pursuant to Section 19.C is greater than Landlord's determination, Tenant shall pay Landlord the difference between the amount paid by Tenant and the actual Base Monthly Rent due as so determined in this Section 19 within thirty (30) days after such determination. If the Fair Market Rental as finally determined in Section 19.C is less than Landlord's determination, the difference between the amount paid by Tenant and the actual Base Monthly Rent due as so determined pursuant to this Section 19 shall be credited against the next installments of Base Monthly Rent due from Tenant to Landlord hereunder.

C. Resolution of a Disagreement over the Fair Market Rental:

Any disagreement regarding Fair Market Rental shall be resolved as follows: Within thirty (30) days after Tenant's response to Landlord's notice setting forth the Fair Market Rental, Landlord and Tenant shall meet at a mutually agreeable time and place, in an attempt to resolve the disagreement. If within the 30-day consultation period referred to above, Landlord and Tenant cannot reach agreement as to Fair Market Rental, each party shall select one appraiser to determine Fair Market Rental. Each such appraiser shall arrive at a determination of Fair Market Rental and submit their conclusions to Landlord and Tenant within thirty (30) days after the expiration of the 30-day consultation period described above. If only one appraisal is submitted within the requisite time period, it shall be deemed as Fair Market Rental. If both appraisals are submitted within such time period and the two (2) appraisals so submitted differ, the two (2) appraisers shall meet and see if they can come to agreement on the Fair Market Rental, and if the two (2) appraisers cannot agree then they shall immediately select a third appraiser who shall, within thirty (30) days after this selection to choose which of the appraisals made by the initial two (2) appraisers is closest to the Fair Market Rental, and such closest appraisal as determined by the third (3rd) appraiser shall be the Fair Market Rental. All appraisers specified pursuant to this Section 19.C shall be members of the American Institute of Real Estate Appraisers with not less than ten (10) years experience appraising office and industrial properties in the Santa Clara Valley. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

D. Personal to Tenant:

All Options provided to Tenant in this Lease, are personal and granted solely to ServiceNow, Inc., a Delaware corporation ("**ServiceNow**"), or a Permitted Assignee, and are not exercisable by any other person or entity, whether or not a Transfer has occurred. In the event Tenant has multiple options to extend this Lease, a later Option to extend the Lease cannot be exercised unless the prior Option has been properly exercised and the Option Term for that exercised prior Option has commenced. All Options provided to Tenant in this Lease shall terminate upon the expiration or sooner termination of this Lease and shall not apply during any holdover period.

Subject to this paragraph below, all purchase rights described in Section 19.E below, are personal and granted solely to (i) ServiceNow so long as ServiceNow is the tenant under this Lease, and a (ii) Permitted Assignee so long as the Permitted Assignee is the tenant under this Lease, are not exercisable by any other person or entity whether or not a Transfer has occurred except to the extent Landlord consents to permit exercise of any such right by any assignee or subtenant in Landlord's sole and absolute discretion. Notwithstanding the foregoing, to the extent any other lease for space in the Project grants the right to purchase the Building Site (whether alone or in combination with any other portion of the Project) (the right to purchase the Building Site under this Lease or any such other lease being "**Competing Purchase Rights**"), then the following shall apply: (i) So long as ServiceNow is the tenant under this Lease or any other lease granting Competing Purchase Rights at the time that such Competing Purchase Rights are exercisable, only ServiceNow shall have the right to exercise the Competing Purchase Rights under its applicable leases and the Competing Purchase Rights granted to Permitted Assignees shall be of no force or effect; and (ii) If ServiceNow is no longer the tenant under this Lease and the other leases granting Competing

Purchase Rights at the time that such Competing Purchase Rights are exercisable, only the Permitted Assignee under the lease containing Competing Purchase Rights which has the earliest lease term commencement date shall have the right to exercise the Competing Purchase Rights under such lease having the earliest commencement date, and the Competing Purchase Rights under all other leases shall be of no force or effect. In no event shall more than one (1) tenant have rights with respect to any lease offer or sale notice triggering a Competing Leasing Right or Competing Purchase Right.

Tenant's purchase rights in this Lease shall terminate upon the expiration or sooner termination of this Lease and shall not apply during any holdover period.

E. First Opportunity to Purchase:

If Landlord elects to sell or convey all or any portion of the fee interest in the Building and separate legal parcel upon which it is situated and the other improvements located on such separate legal parcel (collectively, the "**Building Site**") whether alone or together with other portions of the Project (such interest in the Building Site and other portions of the Project proposed for sale or other conveyance being the "**Offered Property**") to a Third Party (defined below) during the Lease Term (but not any holdover period), then Landlord shall, prior to offering the Offered Property to a Third Party, provide Tenant with written notice of its desire to sell, and the economic terms under which Landlord desires to sell the Offered Property to Tenant (which for purposes of this Section 19.E means and is limited to the purchase price, and closing costs and prorations) (the "**Sale Notice**"). As used in this Lease, a "**Third Party**" means a third party that is not a Sobrato Affiliate (defined below) and not a Landlord Affiliate (defined below). Provided that at the time of delivery of the Sale Notice to Tenant, Tenant is not in default of its obligations under this Lease beyond any applicable notice and cure period expressly set forth in this Lease, and Tenant leases all of the rentable square footage of the Building, then Tenant shall have thirty (30) days after receipt of the Sale Notice in which to accept or reject Landlord's offer in writing. Tenant shall have no rights under this Section 19.E during any period when Tenant is in default of its obligations under this Lease beyond any applicable notice and cure period expressly set forth in this Lease and Tenant does not lease all of the rentable square footage of the Building. If Tenant fails to deliver written notice of the acceptance of Landlord's offer (an "**Acceptance Notice**") to Landlord within the required thirty (30) day period, Tenant shall be deemed to have rejected Landlord's offer. If Tenant delivers an Acceptance Notice to Landlord within the required thirty (30) day period, Landlord and Tenant shall, in good faith, attempt to reach agreement on the terms and conditions of a mutually acceptable purchase agreement consistent with the Sale Notice within thirty (30) days after delivery of the Acceptance Notice to Landlord, each determined in its sole and absolute discretion. If (x) Landlord and Tenant are unable to reach agreement on a mutually acceptable purchase agreement within such thirty (30) day period (each determined in its sole and absolute discretion), or (y) Tenant fails to deliver an Acceptance Notice to Landlord within the required thirty (30) day period described in this Section 19.E above, then Landlord shall have the right to sell or convey the Offered Property to anyone, free and clear of Tenant's rights under this Section 19.E at not less than ninety five percent (95%) of the economic terms offered to Tenant, free and clear of the rights of Tenant under this Section 19.E, provided that the agreement for such sale or conveyance of the Offered Property is entered into by Landlord with a prospective transferee not later than two hundred seventy (270) days after the Sale Notice with respect to such sale or conveyance was delivered to Tenant, and upon sale or conveyance of the Offered Property to such prospective transferee (or its assignee) pursuant to such agreement (as the same may thereafter be amended provided that the sale is at not less than ninety five percent (95%) of the economic terms offered to Tenant), this Section 19.E shall terminate as to the Offered Property and shall not be subject to revival. If Landlord desires to enter into an agreement for the sale or conveyance of the Offered Property on economic terms that are less than ninety five percent (95%) of the economic terms offered to Tenant, then Landlord must offer Tenant the opportunity to purchase the Offered Property at the more favorable economic

terms in accordance with the terms and conditions of this Section 19.E before entering into an agreement on such more favorable economic terms with a Third Party. In addition, if Landlord does not enter into a purchase agreement for the sale or conveyance of the Offered Property to a prospective transferee within the two hundred seventy (270) day period described in this paragraph above, or if all purchase agreements entered into by Landlord with a prospective transferee during the two hundred seventy (270) day period described in this paragraph above terminate without transfer of the Offered Property having occurred, then Landlord must offer Tenant the opportunity to purchase the Offered Property in accordance with the terms and conditions of this Section 19.E before entering into an agreement after such two hundred seventy (270) day period with a Third Party for the sale or conveyance of the Offered Property to such Third Party, provided that the portion of the Offered Property which Landlord desires to sell includes the Building Site. In addition, if Landlord and Tenant enter into a purchase agreement for the Building Site, but that agreement terminates for any reason other than Landlord's default thereunder, then this Section 19.E shall terminate and shall not be subject to revival.

Notwithstanding the foregoing, this Section 19.E and Tenant's rights under this Section 19.E shall automatically terminate (i) upon the expiration or sooner termination of the Lease (not taking into consideration any holdover period), or (ii) in the event of a foreclosure, deed in lieu of foreclosure transaction or other involuntary transfer of Landlord's interest in all or any portion of the Project, including without limitation as the result of any condemnation proceeding, and shall not be binding upon any Holder or anyone taking title by foreclosure or deed in lieu of foreclosure. Tenant agrees that any subordination, nondisturbance or attornment agreement or any priority agreement pursuant to Section 20.T below shall confirm that Tenant's rights under this Section 19.E shall not be binding upon the Holder or anyone taking title to the Premises by foreclosure or deed in lieu of foreclosure, and that such rights terminate and are not subject to revival upon and foreclosure or deed in lieu of foreclosure. Further, this Section 19.E and Tenant's rights under this Section 19.E shall not apply to sales or other transfers of all or any portion of the Project or interest therein to (i) John A. Sobrato, John Michael Sobrato or any other Sobrato family member or their respective spouses (John A. Sobrato, John Michael Sobrato and other Sobrato family members, and their respective spouses, being the "**Sobrato Family Members**"), or (ii) any entity or entities directly or indirectly owned or controlled by, or under the common control with any of the Sobrato Family Members, or (iii) any trust established, in whole or in part, for the benefit of any of the Sobrato Family Members, or (iv) The Sobrato Family Foundation, The Sobrato Foundation, The Real Estate Trust at Silicon Valley Community Foundation, or any charitable organization of which a Sobrato Family Member or other person or entity described in (ii) or (iii) of this sentence above has a right to direct or vote to direct the disposition of funds or assets, including without limitation a donor advised fund or a support organization at a community foundation (each of the persons and entities described in (i), (ii), (iii) and (iv) of this sentence being individually a "**Sobrato Affiliate**"), or (v) any Landlord Affiliate. As used in this Lease "**Landlord Affiliate**" means any person or entity directly or indirectly owning or owned by, controlling or controlled by, or under common control with Landlord; except that if Landlord or such other person described in this sentence above is a publicly traded company, a Landlord Affiliate shall not include any person or entity solely by reason of such person or entity having an ownership interest in such publicly traded company. In addition, this Section 19.E shall not apply to any sale or other transfer of any portion of the Project which does not include the Building Site as part of such sale or transfer. Landlord shall be free to sell or transfer any portion of the Project, provided the sale or transfer does not include the Building Site, free and clear of Tenant's rights under this Section 19.E.

20. GENERAL PROVISIONS:

A. Attorney's Fees:

In the event a suit or alternative form of dispute resolution is brought for the possession of the Premises, for the recovery of any sum due hereunder, to interpret the Lease, or because of

the breach of any other covenant herein; then the losing party shall pay to the prevailing party reasonable attorney's fees and costs incurred in connection with such proceeding, including the expense of expert witnesses, depositions and court testimony. The prevailing party shall also be entitled to recover all costs and expenses including reasonable attorney's fees incurred in enforcing any judgment or award against the other party. The foregoing provision relating to post-judgment costs is severable from all other provisions of this Lease.

B. Authority of Parties:

If Tenant is a corporation, partnership or other entity, Tenant and each individual signing this Lease on behalf of Tenant represents and warrants that Tenant is duly formed and in good standing, that each individual signing this Lease is duly authorized to execute and deliver this Lease on behalf of Tenant and to bind Tenant to this Lease in accordance with Tenant's governing documents, and that this Lease is binding upon Tenant in accordance with its terms. At Landlord's request, Tenant shall provide Landlord with corporate resolutions or other proof in a form reasonably acceptable to Landlord, of the authorizations described in this Section 20.B. In lieu of a resolution, the Lease may be executed by (i) the president or vice president and (ii) the chief financial officer, corporate secretary or assistant secretary of Tenant as contemplated by California Corporations Code Section 313, provided that evidence reasonably acceptable to Landlord that the signers are in fact such officers of Tenant.

C. Brokers:

Landlord and Tenant each represents to the other it has not dealt with any real estate broker, agent or finder with respect to this Lease that would be entitled to a commission or other payment in connection with this Lease, other than Colliers International ("**Tenant's Broker**"), representing Tenant. Subject to this Section 20.C below, Landlord agrees to pay a commission to Tenant's Broker in connection with this Lease, pursuant to a separate written agreement between Landlord and Tenant's Broker. Each Party (the "**Indemnitor**") agrees to indemnify, defend with counsel reasonably acceptable to other Party (the "**Indemnified Party**") and hold the Indemnified Party harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys' fees) arising from the inaccuracy of the Indemnitor's representation set forth in this Section 20.C.

D. Choice of Law:

This Lease shall be governed by and construed in accordance with California law. Venue for all court proceedings or alternative forms of dispute resolution proceedings shall be Santa Clara County, California.

E. ARBITRATION OF DISPUTES:

LANDLORD AND TENANT AND ANY OTHER PARTY THAT MAY BECOME A PARTY TO THIS LEASE OR BE DEEMED A PARTY TO THIS LEASE, AND THEIR RESPECTIVE SUCCESSORS, ASSIGNS AND SUBTENANTS, AGREE THAT, EXCEPT FOR ANY CLAIM BY LANDLORD FOR (I) UNLAWFUL DETAINER, OR (II) TENANT'S FAILURE TO PAY THE BASE MONTHLY RENT, ANY CONTROVERSY, DISPUTE, OR CLAIM OF WHATEVER NATURE ARISING OUT OF, IN CONNECTION WITH OR IN RELATION TO THE INTERPRETATION, PERFORMANCE OR BREACH OF THIS LEASE, INCLUDING ANY CLAIM BASED ON CONTRACT, TORT, OR STATUTE, SHALL BE RESOLVED AT THE REQUEST OF ANY PARTY TO THIS LEASE, OR THEIR RESPECTIVE SUCCESSORS, ASSIGNS AND SUBTENANTS, THROUGH DISPUTE RESOLUTION PROCESS ADMINISTERED BY J.A.M.S., OR IF J.A.M.S. NO LONGER EXISTS THEN THROUGH SUCH OTHER DISPUTE RESOLUTION SERVICE REASONABLY SELECTED BY LANDLORD, OR IF THE PARTIES AGREE TO ANOTHER DISPUTE RESOLUTION SERVICE THEN PURSUANT TO SUCH OTHER DISPUTE RESOLUTION SERVICE MUTUALLY ACCEPTABLE TO THE PARTIES, LOCATED IN SANTA CLARA COUNTY, CALIFORNIA. THE DISPUTE RESOLUTION PROCESS SHALL CONSIST OF A FINAL AND

BINDING ARBITRATION ADMINISTERED BY AND IN ACCORDANCE WITH THE THEN EXISTING RULES AND PRACTICES OF J.A.M.S. OR OTHER JUDICIAL MEDIATION SERVICE SELECTED AS DESCRIBED ABOVE, AND JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED BY ANY STATE OR FEDERAL COURT HAVING JURISDICTION THEREOF AS PROVIDED BY CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET. SEQ. AS SAID STATUTES THEN APPEAR, INCLUDING ANY AMENDMENTS TO SAID STATUTES OR SUCCESSORS TO SAID STATUTES OR AMENDED STATUTES, EXCEPT THAT IN NO EVENT SHALL THE PARTIES BE ENTITLED TO PROPOUND INTERROGATORIES OR REQUESTS FOR ADMISSIONS DURING THE ARBITRATION PROCESS. THE ARBITRATOR SHALL BE A RETIRED JUDGE OR A LICENSED CALIFORNIA ATTORNEY. THE VENUE FOR ANY SUCH ARBITRATION SHALL BE IN SANTA CLARA COUNTY, CALIFORNIA.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

DS DS

Landlord: _____ Tenant: _____ M.S

F. Entire Agreement:

This Lease and the exhibits attached hereto contain all of the agreements and conditions made between the Parties hereto and may not be modified orally or in any other manner other than by written agreement signed by all parties hereto or their respective successors in interest. This Lease supersedes and revokes all previous negotiations, letters of intent, lease proposals, brochures, agreements, representations, promises, warranties, and understandings, whether oral or in writing, between the parties or their respective representatives or any other person purporting to represent Landlord or Tenant.

G. Entry by Landlord:

Upon not less than one (1) business day's prior notice to Tenant (except in case of emergency, where no prior notice shall be required) and subject to Tenant's reasonable security regulations, Tenant shall permit Landlord and Landlord's agents to enter into and upon the Premises at all reasonable times, and without any rent abatement or reduction or any liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned, for the following purposes: (i) inspecting and maintaining the Premises; (ii) making repairs, alterations or additions to the Premises; (iii) erecting additional building(s) and improvements on the land where the Premises are situated or on adjacent land owned by Landlord; (iv) performing any obligations of Landlord under the Lease including remediation of Hazardous Materials if determined to be the responsibility of Landlord, (v) posting and keeping posted thereon notices of non responsibility for any construction, alteration or repair thereof, as required or permitted by any law, and (vi) placing "For Sale" signs, and showing the Premises to Landlord's existing or potential successors, purchasers and lenders.

Tenant shall permit Landlord and Landlord's agents, at any time during the Lease Term that Tenant is in default under this Lease beyond applicable notice and cure periods granted in this Lease, to place upon the Premises "For Lease" signs, and at any time within nine (9) months prior to the Expiration Date, or at any time during the Lease Term that Tenant is in default under this Lease beyond applicable notice and cure periods granted in this Lease, to exhibit the Premises to leasing real estate brokers and prospective tenants at reasonable hours.

H. Estoppel Certificates:

At any time during the Lease Term, Tenant shall, within seven (7) business days following written notice from Landlord, execute and deliver to Landlord a written statement certifying, if true, the following: (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification); (ii) the date to which rent and other charges are paid in advance, if any; (iii) acknowledging that there are not, to Tenant's current actual knowledge, any uncured defaults on Landlord's part hereunder (or specifying such defaults if they are claimed); and (iv) such other information as Landlord may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of Landlord's interest in the Premises. Tenant's failure to deliver such statement within such time shall be conclusive upon the Tenant that this Lease is in full force and effect without modification, except as may be represented by Landlord, and that there are no uncured defaults in Landlord's performance. Tenant agrees to provide, within seven (7) business days after Landlord's request, Tenant's most recent three (3) years of audited financial statements for Landlord's use in financing or sale of the Premises or Landlord's interest therein, except that as to any period during which Tenant is a public company Tenant shall not be required to provide such audited financial statements if audited financial statements (in English) are otherwise available to Landlord on the internet at the time Landlord desires such audited financial statements.

I. Exhibits:

All exhibits referred to are attached to this Lease and incorporated by reference.

J. Interest:

All rent due hereunder, if not paid when due, shall bear interest at the Agreed Interest Rate. This provision shall survive the expiration or sooner termination of the Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to Tenant by application of the amount of excess interest paid against any sums outstanding in any order that Landlord requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to Tenant by Landlord. To ascertain whether any interest payable exceeds the limits imposed, any non-principal payment (including late charges) shall be considered to the extent permitted by law to be an expense, fee or premium rather than interest.

K. [Intentionally deleted]

L. No Presumption Against Drafter:

Landlord and Tenant understand, agree and acknowledge that this Lease has been freely negotiated by both Parties; and that in any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Lease or any portion thereof.

M. Notices:

All notices, demands, requests, or consents required to be given under this Lease shall be sent in writing by U.S. certified mail, return receipt requested, by nationally recognized overnight courier, cost prepaid, or by personal delivery addressed to the Landlord at the address for Landlord specified in Paragraph 8 of the Basic

Lease Information Sheet of this Lease, and addressed to Tenant at the address for Tenant specified in Paragraph 3 of the Basic Lease Information Sheet of this Lease, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days prior notice to the notifying party; provided that such other address shall not be a P.O Box or other address to which personal service or overnight courier delivery cannot be effectuated. When this Lease requires service of a notice, that notice shall be deemed to constitute and satisfy the requirements of any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure Section 1161 or any similar or successor statute.

N. **Property Management:**

In addition, Tenant agrees to pay Landlord along with the expenses to be reimbursed by Tenant a monthly fee for management services rendered by either Landlord or a third party manager engaged by Landlord (which may be a party affiliated with Landlord), in the amount of one and one-half percent (1.5%) of the Base Monthly Rent.

O. **Rent:**

All monetary sums due from Tenant to Landlord under this Lease, including, without limitation those referred to as "additional rent", shall be deemed as rent.

P. **Representations:**

Except for the provisions of this Lease, Tenant acknowledges that neither Landlord nor any of its employees or agents have made any agreements, representations, warranties or promises with respect to the Premises or Project or with respect to present or future rents, expenses, operations, tenancies or any other matter. Except as herein expressly set forth herein, Tenant relied on no statement of Landlord or its employees or agents for that purpose.

Q. **Rights and Remedies:**

Subject to Section 14 above, all rights and remedies hereunder are cumulative and not alternative to the extent permitted by law, and are in addition to all other rights and remedies in law and in equity.

R. **Severability:**

If any term or provision of this Lease is held unenforceable or invalid by a court of competent jurisdiction, the remainder of the Lease shall not be invalidated thereby but shall be enforceable in accordance with its terms, omitting the invalid or unenforceable term.

S. **Submission of Lease:**

Submission of this document for examination or signature by the Parties does not constitute an option or offer to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

T. **Subordination:**

This Lease is subject and subordinate to ground and underlying leases, mortgages and deeds of trust (collectively "**Encumbrances**") which may now affect the Premises, to any covenants, conditions or restrictions of record, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the holder or holders of any such Encumbrance ("**Holder**") require that this Lease be prior and superior thereto, within seven (7) business days after written request of Landlord to Tenant, Tenant shall execute, have acknowledged and deliver all documents or instruments, in commercially reasonable form presented to Tenant, which Landlord or Holder deems necessary or desirable for such purposes. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all Encumbrances which are now or may hereafter be executed covering the Premises or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided only, that with

respect to Encumbrances created after the Effective Date, in the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees to recognize Tenant's rights under this Lease as long as Tenant is not then in default beyond applicable notice and cure period. Within seven (7) business days after Landlord's written request, Tenant shall execute any commercially reasonable documents required by Landlord or the Holder to make this Lease subordinate to any lien of the Encumbrance. If Tenant fails to do so, then in addition to such failure constituting a default by Tenant, it shall be deemed that this Lease is so subordinated to such Encumbrance. Notwithstanding anything to the contrary in this Section 20.T, Tenant hereby attorns and agrees to attorn to any entity purchasing or otherwise acquiring the Premises at any sale or other proceeding or pursuant to the exercise of any other rights, powers or remedies under such Encumbrance. Landlord represents that the Building is not subject to any Encumbrance as of the Effective Date. Notwithstanding anything to the contrary herein, the subordination of this Lease to any future Encumbrance shall be conditioned upon the delivery from any such future lenders or ground lessors of the Premises of a written agreement in commercially reasonable form which provides that in the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees to recognize Tenant's rights under this Lease as long as Tenant is not then in default beyond applicable notice and cure periods and containing such other provisions reasonably required by Landlord or such Holder.

U. **Survival of Indemnities:**

All indemnification, defense, and hold harmless obligations of Landlord and Tenant under this Lease shall survive the expiration or sooner termination of the Lease.

V. **Time:**

Time is of the essence hereunder.

W. **Transportation Demand Management Programs:**

Should a government agency or municipality require Landlord to institute TDM (Transportation Demand Management) facilities and/or programs, Tenant agrees that the cost of TDM imposed facilities and programs required specifically on the Premises (as opposed to for the Project generally), including but not limited to employee showers, lockers, cafe, or lunchroom facilities, shall be paid by Tenant. Further, any ongoing costs or expenses associated with a TDM program which are required specifically for the Premises and not provided by Tenant, such as an on-site TDM coordinator, shall be provided by Landlord with such costs being included as additional rent and reimbursed to Landlord by Tenant within thirty (30) days after demand. If TDM facilities and programs are instituted on a Project wide basis, Tenant shall pay Tenant's Allocable Share of such costs in accordance with Section 9.E above.

X. **Waiver of Right to Jury Trial:**

To the extent then authorized by law as of the time of any actual litigation between them and to the extent not already encompassed within the various agreements to arbitrate otherwise contained herein, and as an alternative to arbitration should arbitration for any reason not be enforced, Landlord and Tenant waive their respective rights to trial by jury of any contract or tort claim, counterclaim, cross-complaint, or cause of action in any action, proceeding, or hearing brought by either party against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises, including any claim of injury or damage or the enforcement of any remedy under any current or future law, statute, regulation, code, or ordinance.

Y. **General:**

The captions and section headings of this Lease are for convenience of reference only, and shall not be used to limit, extend or interpret the meaning of any part of this Lease. This Lease may be executed in multiple counterparts, each of

which shall be deemed an original and all of which together shall constitute one and the same document. Signatures and initials to this Lease created by the signer by electronic means and/or transmitted by telecopy or other electronic transmission shall be valid and effective to bind the party so signing. Each party agrees to promptly deliver an execution original to this Lease with its actual signature and initials to the other party, but a failure to do so shall not affect the enforceability of this Lease, it being expressly agreed that each party to this Lease shall be bound by its own electronically created and/or telecopied or electronically transmitted signature and initials and shall accept the electronically created and/or telecopied or electronically transmitted signature and initials of the other party to this Lease. All agreements by Tenant contained in this Lease, whether expressed as covenants or conditions, shall be construed to be both covenants and conditions, conferring upon Landlord, in the event of a breach thereof, the right to terminate this Lease. As used in this Lease, the phrase "beyond applicable notice and cure periods" or similar phrases means and is limited to applicable notice and cure periods expressly granted in this Lease.

/// [Signature page follows]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year first set forth below their signatures below.

LANDLORD:

SI 55, LLC,
a California limited liability company
By: Sobrato Interests 3,
a California limited partnership
Its: Sole Member
By: Sobrato Development Companies, LLC,
a California limited liability company
Its: General Partner
By: /s/ Johh Michael Sobrato
John Michael Sobrato
Its:: Manager
Dated: May 3, 2018

TENANT:

ServiceNow, Inc., a Delaware corporation

By: /s/ Robert Teed
Robert Teed
Its: Vice President, Real Estate
Dated: May 1, 2018

By: /s/ Michael Scarpelli
Michael Scarpelli
Its: CFO
Dated: May 1, 2018

Exhibit A
Preliminary Site Plan

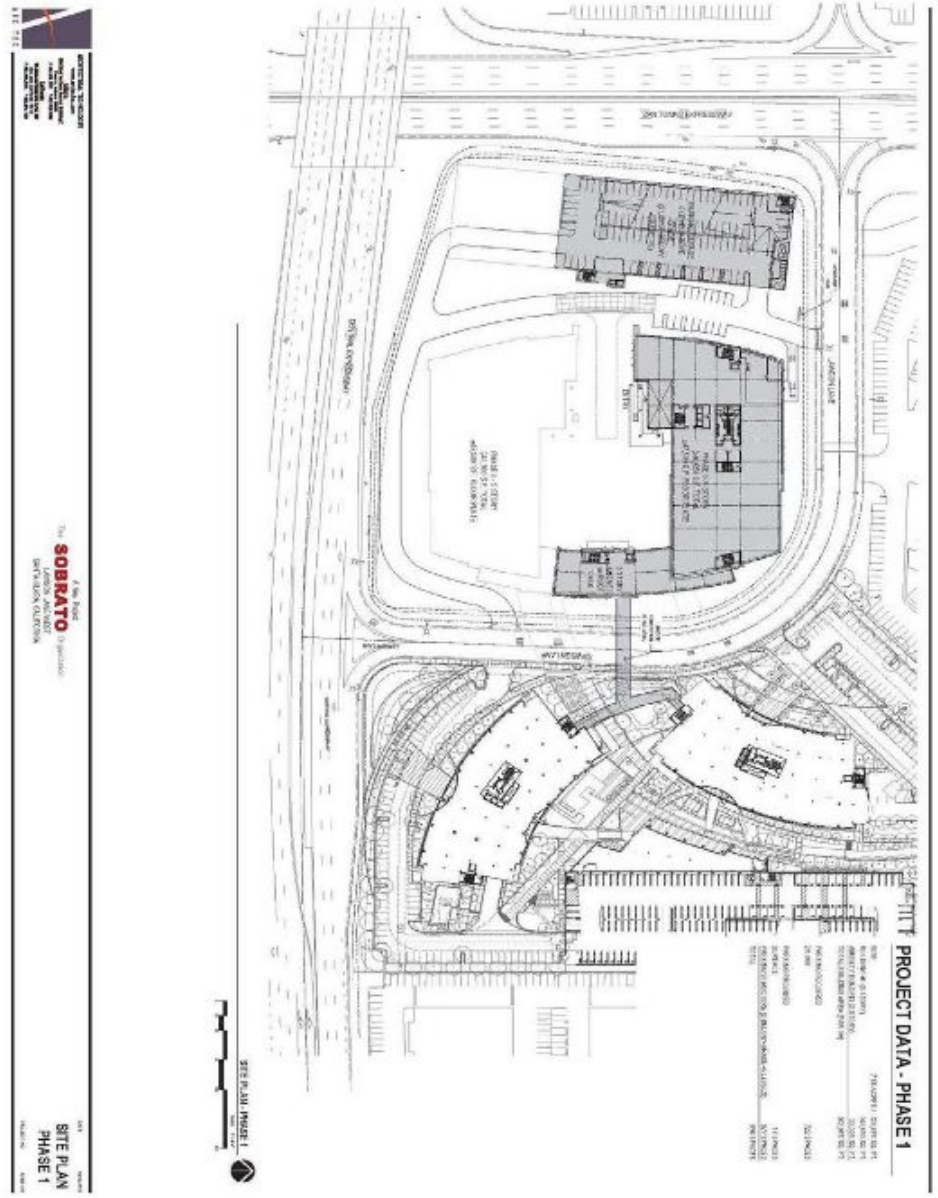


Exhibit B
[Intentionally Deleted]

4/30/18

EXHIBIT – Office Building and Garage Warm Shell Definition
2200 Lawson Lane (Building 1), Santa Clara, CA

- **Site and Shell**:
  All permits and fees required for approval, use, and government sign-off. All landscape, site work, lighting, paving, striping, code related signage, and utilities (power, storm, sewer, water, gas). Includes infrastructure for future phone, data communication, and cable TV requirements. Site landscape irrigation will be separately metered. Work includes all vaults, fees, backflow and monitoring devices. All parking lighting shall be LED and compliant with code.

- **IT Connectivity**:
  Landlord shall provide conduit between the Building and the Garage, between the Building and any future building on Lawson West, and shall also provide conduit out to any monument signs. Landlord shall also install a vault in a location reasonable for Tenant to be able to connect to the existing buildings at 2215-2225 Lawson Lane.

- **Courtyard and Exterior**:
  Completion of the self-enclosed courtyard with plans to be approved by both parties (similar to Phase 1), as part of the warm shell delivery.
  There shall not be composite decking, beer kegs or water feature(s) in courtyard. Water wise landscaping similar to Phase 1 shall be installed.
  Any BBQ's, fire pits, etc. shall be plumbed for natural gas with pipe sizing sufficient for installation of a reasonable number of outdoor radiant heaters at future locations to be specified by Tenant (so long as Tenant timely provides a plan for heater locations). All exterior lighting installed, which shall be LED and code compliant.
  Landlord shall run a main electrical spine through the courtyard and Tenant shall distribute power and data from there. All patio gates shall be prepared to receive Tenant's card key access system. There will be a secure perimeter, similar to Phase 1. Provisions for Code blue emergency activation system will be included in site work.

- **Garage:**
  All work related to the construction of the parking garage including compliance to all codes including ADA and Title 24. Includes garage drainage system, electrical service including transformers and panels for lighting and convenience power. Includes finishes, signage, access and egress stairs, elevators, hollow metal doors, secured bicycle storage, and all lighting shall be LED and to code levels. Separate fire riser and fully monitored fire sprinkler system. Except as specifically provided herein, all work required for a garage final inspection. Power and data for future security requirements included, including driver side card reader islands on entries, but security system and card readers excluded. Landlord shall finish the garage surface areas with a high traction texture. A lift arm system shall be installed, with gates for after hour security. Speed bumps shall be included.

- **Shell:**
  Building will be a five story Type 1B construction fully sprinklered office building.

All work required to obtain a shell permit final inspection. All work shall conform to local building codes, ADA, Title 24, and LEED Gold equivalent for the shell. Weather tight (air and water infiltration) exterior precast or GFRC and glazed curtain wall system. Complete rain water distribution system. Exterior doors and utility room doors with manual exit panic hardware. There shall be double wide man doors leading in from the loading dock areas.

Includes building foundations and slab on grade. The floor structure will be constructed of concrete filled metal deck over wide flange beams. The floors will be designed for 80 PSF uniform live load plus an allowance of 20 pounds per square foot partition load. Floor level tolerance of +/- ¼ inch for every 10 feet.
The roof is designed for 20 pounds per square foot roof live load, including hvac pads and additional pad for future tenant equipment. Includes roof screen to conceal roof top equipment. Insulation at perimeter walls and columns is included. Includes single ply PVC roof system with required flashings.

- **Lobbies:**
  All exterior doors shall be prepped for tenant card access system. [Note: The current rear lobby doors are too hard to operate. Do not install them again]
  Underground conduit shall be placed to facilitate power and data to Tenant supplied turnstiles installed during tenant improvements, provided Tenant provides drawings to specify locations in a timely manner which does not delay Landlords core/shell delivery.

- **Fire Egress Staircases:**
  Standard pre-engineered stairs for floor access and egress with one stair extending to the roof.
  Fire riser and complete shell system, including "up heads" with capped tees for future tenant improvements at all floors. Framing at exterior walls and columns is excluded.

- **FLS**
  There shall not be proprietary FLS systems. Subject to code, the main and supervisory panels will be in a location that is not visible to customers/visitors, but still located adjacent to the lobby reception area.

- **Elevators:**
  Freight elevators will be no smaller than freight elevators in Phase 1. Freight elevator shall extend to the roof deck, be water tight and have no lip or threshold to allow pallet access in and out of the elevators.
  The elevator thresholds and exterior trim strips shall be ½" to ¾" max above slab.
  All elevators shall be set up for Tenant's card access system, details to follow during design, which includes conduit, back boxes, J boxes, etc. Passenger elevators shall be Otis "Gen 2", Kone "Monospace" or equivalent.

- **Electrical:**
  All primary and secondary electrical service from the street to a location in each building and garage, transformer pads, and house meter section.
  Building = 4000A @ 480/277V
  Amenity Extension = 1000A @480/277V
  Garage = 2500A @ 480/277V

- **Core and Other:**
  All work related to construction of core bathrooms, stairs and stair shafts, HVAC shafts, main electrical rooms, janitor closets, elevators and elevator shafts, and elevator vestibules (elevator vestibule finishes by tenant.).

  a) Core bathrooms shall include multiple stalls with one (1) handicap stall per floor to meet code requirement for occupancy load. Bathrooms will receive tile flooring and wall tiles up to wainscot height at wet walls only. All other bathroom interior walls and gypsum board ceilings will be taped, finished and painted. Toilet accessories and partitions are included. All plumbing fixtures including water closets, urinals, lavatory sinks and faucets will be sensor operated and low flow. Please refer to Restroom Standards Exhibit.

  b) Main switchboard to be per Silicon Valley Power requirements. Meter main and transformer pad per Silicon Valley Power requirements, with separate section for metering.
  There shall be a pad and enclosure for an emergency generator, which shall include a tap box and all associated wiring/conduit to allow for a temporary generator to be installed, which generator shall be supplied by Tenant.

  c) Fully operational main electric service, serving Tenant lighting and power loads and base building mechanical equipment loads. Includes conduits and wire feeders for core mechanical units. Tenant panels and transformers not included.
  Building MPOE will have three (3) four (4) inch conduit for utility and secondary rooms will have three (3) four (4) inch sleeves for future tenant distribution. Landlord shall provide vertical electrical feed with tenant distribution panels on each floor.

  d) Primary heating, ventilation and air conditioning system supplied by package rooftop VAV unit(s). Units will be side discharge to centralized shaft locations where ducts will extend down shaft and connect to fire smoke dampers at ceiling level for each floor. Roof top ductwork will be internally lined with insulation. Risers and stubs provided at each floor for horizontal distribution by Tenant.

  The system is designed for 0.85 watts/SF lighting load and 3.0 watts/sf non-core miscellaneous tenant load.

  Controls system shall be compatible to system at Phase 1. [Landlord shall provide design day parameters so Tenant can comment on the unit/sizing.)

  Exterior stairwells shall be ventilated or cooled.

  e) Required egress stairwells will be constructed with metal stud framing and drywall assembly with fire rating in compliance with construction type. All interior walls facing the egress stairs will be taped, finished, and painted. Gypsum board ceiling will be constructed at the top level. No soffit on the underside of stairs, except for the interior stair nearest the lobby. Stair rails and stringers will be painted. All associated lighting and fire sprinklers are included.

  f) DDC controls for base building system only (rooftop heating and cooling) with expansion capacity for future Tenant work. Controls system shall be compatible with Phase 1 to

allow full campus monitoring and control from one system and master screen. The programming will be the responsibility of Tenant. Electrical monitoring shall be included to meet Title 24. The controls shall not include proprietary systems.

g) Hot water boiler system, including hot water pump(s), water treatment and all necessary piping specialties, serving one riser extending from the roof to the lower floor. Supply and return valves to be located on each floor for future connection to hot water piping loops by Tenant.

h) A 24/7 riser is included in the shell with a stub for the future connection at the roof, and future stubs on each floor by Tenant.

i) Domestic cold water main branch piping with valves to each floor near the restroom cores for future Tenant break rooms and coffee stations.

j) Fire alarm system: Building is fully sprinklered and monitored as required by Code. Life safety system distribution (smoke detectors, annunciators, strobes, etc.) as required by Code for core and common areas. Fire alarm to be expandable for future Tenant improvement.

k) The office building will include passenger elevators, along with a service/freight elevator. The parking garage structure will include gearless traction passenger elevators. Standard "Class A" level elevator cab finish will be provided [Note: for all elevators, or just garage? Both]. Elevators shall be gearless traction elevators with call buttons to meet ADA and fire code requirements. Office building passenger elevator flooring is excluded, to be installed by Tenant. Elevator lobby walls will be fire taped ready for Tenant improvement.

Office Passenger Elevators - 3,500 lb. capacity, 350 fpm
Freight Elevator – 4,500 lb. capacity, 150 fpm (subject to confirmation)
Garage Elevator – 4,000 lb. capacity, 150 fpm (subject to confirmation)

l) All core walls will be constructed with metal stud framing and drywall assembly with fire rating in compliance to construction type. Wall facing tenant space will be fire taped. Wall finish by Tenant.

m) Elevator lobbies on the 1st through 5th floor are left unfinished. Smoke curtains are not included

n) Insulated roof and insulation at spandrel panels included.

o) All doors and lower portions of walls leading from dock to freight elevator shall be lined with stainless steel kick plates.

- **Security:**
  Building to be prepared for future perimeter security by Tenant. Preparations includes electrified hardware, conduit chases and back boxes.

- **Car Chargers:**
  Landlord shall supply electrical vehicle chargers (Chargepoint or similar dual charger stations) on 6% of the total parking stalls. An additional 9% of the parking stalls shall be pre-wired for Tenant to increase the total electrical vehicle parking percentage to 15%, at Tenant's election

and cost. The switchgear and transformers will be sized for Tenant's EV installation. The location of the EV stations will be determined at design phase and subject to code compliance.

- **Café and Amenities**
  Adequate gas, power and HVAC shall be delivered to the Amenity building to handle the use of the Amenity building. Tenant to provide specifications.
  Shafts may be upsized to allow for future installs as needed, and as code allows. Tenant to provide specifications. Can sheave down the motors to achieve initial air flow requirements.
  All water lines in the café shall have valves installed to allow work on specific areas without shutting down operations.

- **Roof Deck**
  Landlord shall provide all necessary structural, MEP, egress, exiting, basic utilities, pedestal pavers and code required lighting on the roof deck.

Restroom Standards Exhibit

FINISHES:

- **Restroom Paint:**
  - Manufacturer: Dunn Edwards
  - Sheen: Semigloss
  - Color Field (White): To be selected

- **Restroom Floor Tile:**
  - Manufacturer: Dal Tile *
  - Style: Unity or Portfolio
  - Color: T.B.S. - Only neutral colors accepted

- Size: 24" x 24"
- Grout: Hydroment, Color T.B.S. - Only neutral colors accepted
- Grout Joints: 1/16"

- **Restroom Wall Tile:**
  - Manufacturer: Arizona Tile */ or Daltile
  - Style: Reside Semi-Polished / Unity or Portfolio Polished
  - Color: T.B.S. - Only neutral colors accepted
  - Size: 12" x 24"
  - Grout: Hydroment, Color T.B.S. - Only neutral colors accepted
  - Grout Joint: Minimize grout joints should align with floor tile grout joints

- **Restroom Vanity:**
  - Manufacturer: Caesarstone or Silestone
  - Type: Quartz solid surface
  - Color: T.B.S. - Only neutral colors accepted

- **Restroom Vanity Pipe Cover:**
  - Manufacturer: Nevamar, Wilsonart, or Pionite
  - Color: T.B.S. - Only neutral colors or wood grain accepted

- **Restroom Partitions:**
  - Brushed or satin stainless-steel or wood veneer partitions, floor mounted preferred, (overhead braced-where required)
  - Note: all partition accessories and hardware to also be brushed or satin stainless steel. No polished chrome

NOTE: Floor and wall tile to be same size module for grout line adjustment.

FIXTURES:

- **Urinal**
  - Manufacturer: Kohler
  - Model No.: K-4904-ET
  - Description: Bardon High Efficiency Urinal, ADA Compliant when mounted at 17" to rim, White. Sloan ECOS Electronic flushometer #8186 – 0.125 gpf.

- **Water Closet:**
  - Manufacturer: Kohler
  - Model No.: K-4325 (Replaced K-4330)
  - Description: Kingston bowl wall mounted, 1-1/2" top spud, elongated bowl, ADA compliant, with Sloan ECOS Electronic Flushometer #8111, 1.28 gpf, ADA compliant, with Bemis 1955SSCT open front less cover for elongated bowl plastic seat.
    - Regardless of the above, all water closets will be of consistent height, comfort height, toilets.

- **Lavatory:**
  - Manufacturer: Kohler
  - Model No.: K-2210 with overflow drain
  - Description: Caxton under-mount, honed white vitreous china, polished chrome accessories, ADA compliant
    - Sink counter shall be a design that does not promote ponding on the surface.

- **Faucets:**
  - Manufacturer: Sloan
  - Model No.: Solis EAF-275-ISM
  - Description: Electronic single supply faucet with integral spout temperature mixer, single-hole mounting, in polished chrome finish
    Faucets shall be 'fail closed' faucets, not fail open like was installed at Phase 1.

- **Drinking Fountains:**
  - Manufacturer: Haws
  - Model No.: 1011MS wall mounted drinking fountain
  - Description: Hi-Lo wall mounted barrier free drinking fountain with stainless steel finish.

Shelf Will be a brushed or satin stainless-steel shelf, approx. 12x18 in each restroom.

ACCESSORIES:

- **Soap Dispenser:**
  - Type: B-8226 - Counter mounted, 6" nozzle
- **Paper Towel Dispenser/Disposal:**
  - Type: B-3944 – Semi-recessed, 4" projection
- **Napkin Dispenser:**
  - Type: B-37063-25 – Recessed, Coin-operated, 25-cent
- **Grab Bars:**
  - Type: B-6806x42 – 1-1/2" Diameter, 42" long horizontal at side of w.c.
- **Grab Bars:**
  - Type: B-6806x36 – 1-1/2" Diameter, 36" long horizontal at rear of w.c
- **Toilet Paper/Seat Cover Dispenser:**
  - Type: B-3474 - Recess mounted, single sided, men's room, accessible
- **Toilet Paper/Seat Cover Dispenser:**
  - Type: B3471 – Double sided, partition mounted, men's room, one side accessible
- **Toilet Paper/Seat Cover Dispenser:**
  - Type: B347 – Double sided, partition mounted, men's room, non-accessible
- **Toilet Paper/Seat Cover Dispenser/Napkin Disposal:**
  - Type: B-3574 – Recess mounted, single sided, women's restroom, accessible
- **Toilet Paper/Seat Cover Dispenser/Napkin Disposal:**
  - Type: B-3571 – Double sided, partition mounted, women's room, one side accessible
- **Toilet Paper/Seat Cover Dispenser/Napkin Disposal:**
  - Type: B-357 – Double sided, partition mounted, women's room, non-accessible
- **Grab Bars:**
  - Type: B-68616 – Accessible shower, 24" W x 36" D

NOTE: Accessories are Satin by Bobrick, Stainless Steel finish, unless otherwise noted.

Exhibit D
Shell Plans Reference Sheets

(To Be Attached Subsequently In Accordance With Section 6.A)

Exhibit E
Premises Site Improvements Plans Reference Sheets

(To Be Attached Subsequently in Accordance with Section 6.A)

Exhibit F

ACKNOWLEDGMENT OF SUBSTANTIAL COMPLETION AND COMMENCEMENT DATE

This Acknowledgment of Substantial Completion and Commencement Date ("**Acknowledgment**") is entered into with respect to that certain Lease dated for reference purposes only as of ***[insert reference date of Lease:]*** _____, 2018 ("**Lease**"), between SI 55, LLC, a California limited liability company ("**Landlord**") and ServiceNow, Inc., a Delaware corporation ("**Tenant**") for certain space in the building commonly known as [_____] ("**Premises**"), as more particularly described in the Lease.

In accordance with Section 6.C of the Lease, by the Parties' signature to this Acknowledgment below, the Parties confirm and agree that [e.g., **revise as appropriate: (i) the Building Shell was Substantially Completed, and the Premises Site Improvements were completed to the stage at which Tenant and its contractors have sufficient access to the Building Shell and Project parking to construct the Tenant Improvements (as defined in the Lease), on *[insert date of Substantial Completion:]* _____, subject to those punch list items set forth on Exhibit A attached hereto and to the terms and conditions set forth in Section 6.C of the Lease ; (ii) the Phase 2A Delivery Date occurred on *[insert date of Phase 2A Delivery Date:]*_____, subject to those punch list items set forth on Exhibit A attached hereto and to the terms and conditions set forth in Section 6.C of the Lease; the Commencement Date of the Lease is *[insert Commencement Date:]*_____; and the parking allocable to the Building in the Phase 2 Parking Garage as of the Commencement Date is *[insert parking ratio number:]*_____ parking spaces per one thousand (1,000) Entitled Square Feet, not including Roof Deck, rounded down to the nearest whole parking space (which as of the Commencement Date amounts to a total of _____ parking spaces.**] Capitalized terms used in this letter shall have the meanings assigned in the Lease, if not otherwise defined in this Acknowledgment.

Landlord:

SI 55, LLC,
a California limited liability company

By: Sobrato Interests 3,
a California limited partnership
Its: Sole Member

By: Sobrato Development Companies, LLC,
a California limited liability company
Its: General Partner

By: _____
John Michael Sobrato
Its: Manager

Tenant:

ServiceNow, Inc., a Delaware corporation

By: _____

Its: _____

EXHIBIT A to Acceptance Acknowledgment

PUNCH LIST

Exhibit G
Tenant Improvements Plans Sheet References

(To Be Attached Subsequently In Accordance With Section 6.D)

Exhibit H
Environmental Reports

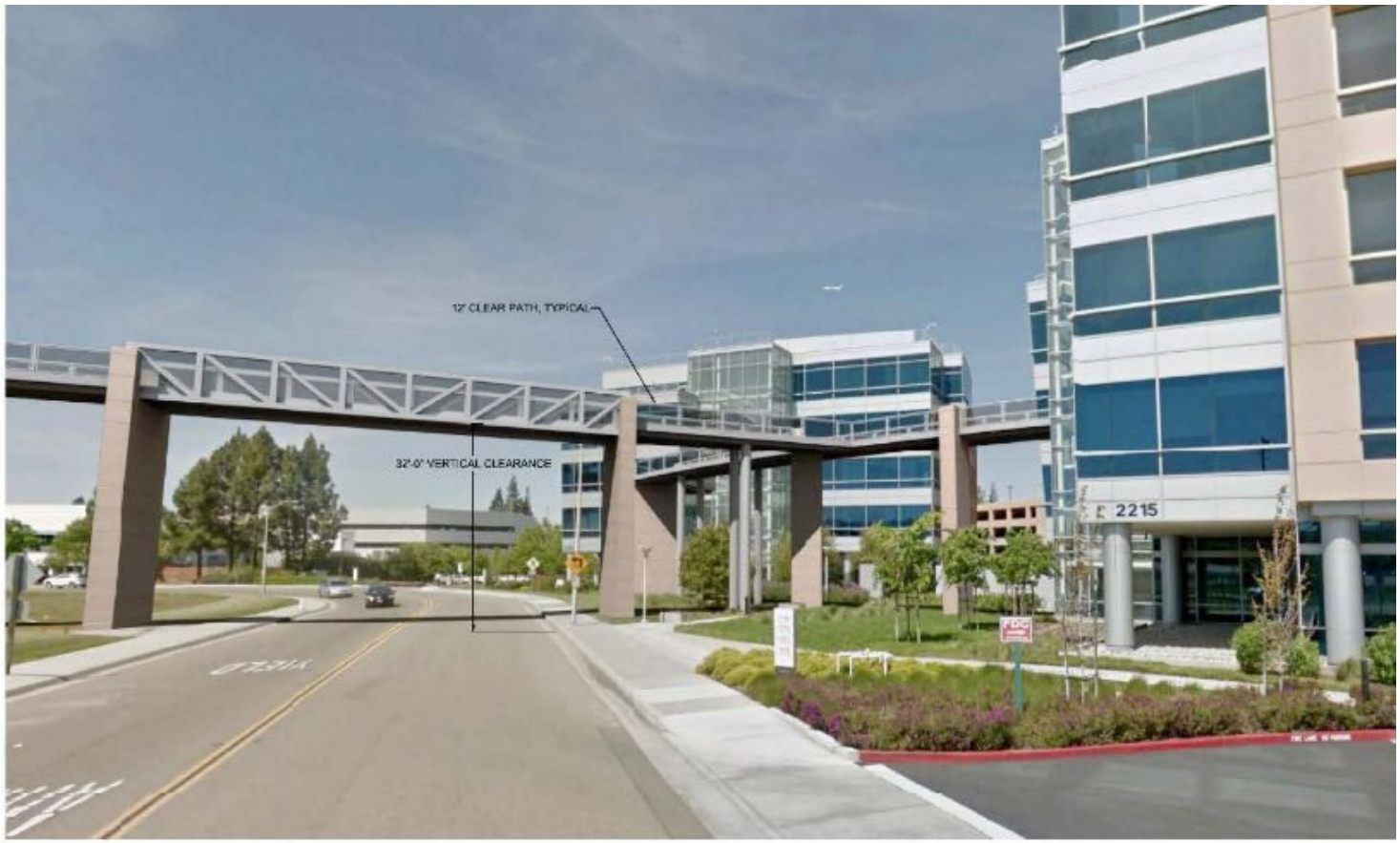
- Soil and Foundation Investigation, United Soil Engineering, Inc., March 1978
- Closure Report of the Integrated Silicon Solution, Inc. Facility, All Chemical Disposal, Inc., 2/14/07
- Phase I Environmental Site Assessment, PES Environmental, 5/16/07
- Non-Hazardous Waste Data Form, World Environmental & Energy, Inc., September 2007
- Work Plan/Repair of Previously Destroyed Agricultural Well, PES Environmental, 1/15/08
- Work Plan/Shallow Soil Sampling, PES Environmental, 4/18/08
- REVISED Work Plan/Shallow Soil Sampling, PES Environmental, 4/21/08
- Shallow Soil Sampling Report, PES Environmental, 5/1/08
- Well Destruction Report for Permit #78D0063, PES Environmental, 11/30/09
- Manifest Fee For 2009 Manifests, California Environmental Protection Agency, December 2009
- Dust Monitoring Survey, Sterling & Associates, Inc., 8/31/11
- Hazardous Materials Post-Closure Report, LMS Enterprises, cover letter dated 8/13/04, report dated 8/9/04
- Phase 1 Environmental Site Assessment, Nova Consulting Group, 3/17/06

Exhibit I
Competitor List

[List Of Five Competitors To Be Provided by Tenant At A Later Date]

Exhibit J
Bridgeways Rendering

(Attached)



Notes:

-Structural steel bridge w/ concrete deck supported by reinforced concrete pier walls over deep foundations. Main span over Lawson

-Seismic joint at both 2215 Lawson Lane and 2225 Lawson Lane

-Code compliant open-air bridge with perimeter railings

-Non-slip material to be applied for improved pedestrian footing

EXHIBIT 10.3

LEASE

By and Between

SI 55, LLC,
a California Limited Liability Company

("Landlord")

and

ServiceNow, Inc.,
a Delaware Corporation

("Tenant")

Lawson Lane-Second Expansion Building
Santa Clara, California

Dated For Reference Purposes Only: April 16, 2018

TABLE OF CONTENTS

Page

TABLE OF CONTENTS 1

1. PARTIES: 1

2. EFFECTIVE DATE; PREMISES: 1

3. USE: 5
   - A. Permitted Uses: 5
   - B. Uses Prohibited: 5
   - C. Advertisements and Signs: 6
   - D. Covenants, Conditions and Restrictions: 7
   - E. Sustainability Requirements: 7

4. TERM AND RENTAL: 8
   - A. Term: 8
   - B. Base Monthly Rent: 9
   - C. Base Monthly Rent Adjustment: 10
   - D. Late Charge: 10
   - E. Additional Base Monthly Rent Abatement: 11

5. [Intentionally Deleted] 12

6. CONSTRUCTION: 12
   - A. Landlord's Work: 12
   - B. Delivery of Building Shell and Premises Site Improvements; Delivery Date: 16
   - C. Walk-through Inspection and Acceptance Agreement: 17
   - D. Tenant Improvement Construction: 18
   - E. Tenant Improvement Costs: 19
   - F. Space Plan Allowance: 21
   - G. Construction Related Accessibility Standards Notice: 21

7. COVENANTS TO SURRENDER: 23
   - A. Surrender: 23
   - B. Failure to Surrender: 24

8. ALTERATIONS & ADDITIONS: 25
   - A. General Provisions: 25
   - B. Free From Liens: 27
   - C. Compliance With Governmental Regulations: 27
   - D. Insurance Requirements: 27
   - E. Rooftop Rights. 28

9. MAINTENANCE OF PREMISES: 28
   - A. Landlord's Obligations: 28
   - B. Tenant's Obligations: 28
   - C. Obligations Regarding Reimbursable Operating Costs: 29
   - D. Reimbursable Operating Costs: 30
   - E. Tenant's Allocable Share: 32
   - F. Waiver of Liability: 32

10. INSURANCE: 32
   - A. Tenant's Use: 32

B. Landlord's Insurance: 32
C. Tenant's Insurance: 33
D. Waiver: 34
11. TAXES: 34
12. UTILITIES: 35
13. TOXIC WASTE AND ENVIRONMENTAL DAMAGE: 35
A. Use of Hazardous Materials: 35
B. Tenant's Indemnity Regarding Hazardous Materials: 36
C. Notice of Release or Violation: 37
D. Remediation Obligations: 37
E. Environmental Monitoring: 38
F. Landlord Indemnification: 38
14. TENANT'S DEFAULT 39
A. Events of Default 39
B. Remedies: 39
C. Right to Re-enter: 40
D. Continuation of Lease: 40
E. No Termination: 40
F. Non-Waiver: 40
G. Performance by Landlord: 41
H. [Intentionally deleted] 41
15. LANDLORD'S LIABILITY: 41
A. Limitation on Landlord's Liability: 41
B. Limitation on Tenant's Recourse: 41
C. Indemnification of Landlord: 42
16. DESTRUCTION OF PREMISES: 42
A. Landlord's Obligation to Restore: 42
B. Limitations on Landlord's Restoration Obligation: 43
17. CONDEMNATION: 43
18. ASSIGNMENT OR SUBLEASE: 44
A. Consent by Landlord: 44
B. Assignment or Subletting Consideration: 46
C. No Release: 47
D. Reorganization of Tenant: 47
E. Permitted Transfers 48
F. Effect of Default: 48
G. Conveyance by Landlord: 48
H. Successors and Assigns: 49
I. Sublease Requirements: 49
19. OPTION TO EXTEND THE LEASE TERM: 49
A. Grant and Exercise of Option: 49
B. Determination of Fair Market Rental: 50
C. Resolution of a Disagreement over the Fair Market Rental: 51
D. Personal to Tenant: 51
E. First Opportunity to Purchase: 52
20. GENERAL PROVISIONS: 53
A. Attorney's Fees: 53

B. Authority of Parties: 54
C. Brokers: 54
D. Choice of Law: 54
E. ARBITRATION OF DISPUTES: 54
F. Entire Agreement: 55
G. Entry by Landlord: 55
H. Estoppel Certificates: 56
I. Exhibits: 56
J. Interest: 56
K. [Intentionally deleted] 56
L. No Presumption Against Drafter: 56
M. Notices: 56
N. Property Management: 57
O. Rent: 57
P. Representations: 57
Q. Rights and Remedies: 57
R. Severability: 57
S. Submission of Lease: 57
T. Subordination: 57
U. Survival of Indemnities: 58
V. Time: 58
W. Transportation Demand Management Programs: 58
X. Waiver of Right to Jury Trial: 58
Y. General: 58

Exhibit A Preliminary Site Plan i

Exhibit B [Intentionally Deleted] i

Exhibit C Warm Shell Definition i

Exhibit D Shell Plans Reference Sheets i

Exhibit E Premises Site Improvements Plans Reference Sheets i

Exhibit F ACKNOWLEDGMENT OF SUBSTANTIAL COMPLETION AND COMMENCEMENT DATE i

Exhibit G Tenant Improvements Plans Sheet References i

Exhibit H Environmental Reports i

Exhibit I Competitor List i

Basic Lease Information Sheet

1.	Date of Lease (for reference purposes only):	April 16, 2018
2.	Tenant:	ServiceNow, Inc., a Delaware corporation
3.	Tenant's Address For Notices Before and After Occupancy:	2225 Lawson Lane Santa Clara, California 95054 Attn: Chief Financial Officer Email address: mike.scarpelli@servicenow.com With a copy to: 2225 Lawson Lane Santa Clara, California 95054 Attn: Robert Teed, Vice President, Real Estate & Facilities Email address: robert.teed@servicenow.com And Colliers International 3825 Hopyard Rd., Suite 195 Pleasanton, CA 94588 Attn: Jim Abarta Executive Vice President Email address: jim.abarta@colliers.com
4.	Tenant Billing Contact as of the Date of Lease:	Paulette Towne, Accounts Payable 4810 Eastgate Mall San Diego, California 92121 Phone: (858) 480-8891 Email address: apinvoices@servicenow.com
5.	Tenant Facility Contact as of the Date of Lease:	Robert Teed, Vice President, Real Estate & Facilities 2225 Lawson Lane Santa Clara, California 95054 Attn: Robert Teed, Vice President, Real Estate & Facilities Phone: (669) 262-3013 Email address: robert.teed@servicenow.com
6.	Landlord:	SI 55, LLC, a California limited liability company
7.	Landlord's Address:	c/o The Sobrato Organization, LLC 10600 North De Anza Boulevard, Suite 200 Cupertino, CA 95014 Attn: Property Manager Email address: As set forth in Paragraph 8 of this Basic Lease Information Sheet

8.	Landlord's Property Manager Contact as of the Date of Lease:	Lisa Kellogg Darrow (408) 796-6487 lkellogg@sobrato.com
9.	Premises:	Second building to be constructed on Phase 2 Land (defined in Section 2), address to be confirmed when entitlements and building permits obtained (Section 2)
10.	Rentable Square Footage/Tenant's Allocable Share:	Rentable Square Footage: To be determined by measurement following Substantial Completion (defined in Section 6.A) of Building Shell (defined in Section 6.A) (Section 2 and Section 4.B) Tenant's Allocable Share of Reimbursable Operating Costs: Allocable Share of Reimbursable Operating Costs allocable to the Building – One hundred percent (100%) Allocable Share of Reimbursable Operating Costs allocable to the Project - To be determined when rentable square footage of Building is determined, subject to adjustment if the rentable square footage of the Premises or Project changes following the Building Shell Delivery Date (Sections 2, 4.B and 9.E)
11.	Commencement Date:	The later of (1) the Site Improvements Delivery Date (defined in Section 6.B) or (2) eight (8) months after the Building Shell Delivery Date (defined in Section 6.B), subject to the provisions of Section 4.A and Section 6.B (Section 4.A)
12.	Reimbursable Operating Costs and Management Fees:	Payable commencing on the Commencement Date (Section 4.A and Section 9.C)
13.	Expiration Date:	The later of (i) one hundred twenty (120) full calendar months after the Commencement Date (it being intended in this event that if the Commencement Date occurs on a day other than the first (1st) calendar day of a calendar month, then the Expiration Date shall be extended so that the Expiration Date occurs on the last day of the one hundred twentieth (120th) full calendar months following the Commencement Date), or (ii) the then scheduled expiration date under the First Expansion Lease (determined as of the Commencement Date, without regard to unexercised options to extend), subject to Section 6.B relating to Tenant Delays affecting the Commencement Date, and subject to extension or sooner termination as described in this Lease (Section 4.A)

14.	Term:	Initial Term: Commencing on the Commencement Date and ending on the later of (i) one hundred twenty (120) full calendar months after the Commencement Date (it being intended in this event that if the Commencement Date occurs on a day other than the first (1st) calendar day of a calendar month, then the Expiration Date shall be extended so that the Expiration Date occurs on the last day of the one hundred twentieth (120th) full calendar month following the Commencement Date), or (ii) the then scheduled expiration date under the First Expansion Lease (determined as of the Commencement Date, without regard to unexercised options to extend or early termination under the First Expansion Building Lease), subject to extension pursuant to Section 4.A below and other provisions of this Lease (Section 4.A) Option Terms: Three (3) consecutive terms of sixty (60) months each Option Term Notice Period: No earlier than twelve (12) months nor later than nine (9) months prior to the date the Lease Term would otherwise expire (Section 19)
15.	Base Monthly Rent:	Starting at an amount equal to the per rentable square foot base monthly rent rate under the First Expansion Building Lease (defined in Section 2) as of the Commencement Date (without regard to rent abatements then in effect under the First Expansion Building Lease or early termination of the First Expansion Building Lease), multiplied by the rentable square footage of the Premises (measured in accordance with the BOMA standard described in Section 4.B). Pursuant to the First Expansion Building Lease, on the first anniversary of the commencement date of the lease term under the First Expansion Building Lease, and on every anniversary thereafter (each, an "**Adjustment Date**"), the then-payable base monthly rent under the First Expansion Building Lease is increased to (i) on each of the first five (5) Adjustment Dates, an amount equal to one hundred three percent (103%) of the base monthly rent in effect immediately before such adjustment (without regard to temporary abatements then in effect), (ii) on the sixth (6th) through tenth (10th) Adjustment Dates, an amount equal to one hundred two and one-half percent (102.5%) of the base monthly rent in effect immediately before such adjustment (without regard to temporary abatements then in effect), and (iii) on the eleventh (11th) Adjustment Date and each Adjustment Date thereafter until the start of the first option term under the First Expansion Building Lease, an amount equal to one hundred two percent (102%) of the base monthly rent in effect immediately before such adjustment (without regard to any temporary abatements then in effect). Base

		Monthly Rent under this Lease shall increase on each Adjustment Date by the same percentage that the base monthly rent under the First Expansion Building Lease would be increased on such Adjustment Date (in each instance without regard to temporary abatements then in effect or early termination of the First Expansion Building Lease). Notwithstanding the foregoing, Base Monthly Rent for the first (1st) twelve (12) full calendar months of the Lease Term is abated under this Lease. Based Monthly Rent is also subject to abatement as described in Section 4.E below (Sections 4.B, 4.C, and 4.E) Option Term Rent: Fair Market Rental (defined in Section 19.A) (Section 19) Holdover After Lease Expiration: Without Landlord's Consent - tenancy at sufferance, at reasonable rental value of the Premises but not less than one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding expiration or earlier termination (without regard to temporary abatements), except as provided in the last paragraph of Section 7.B. With Landlord's Consent - month to month tenancy, at one hundred twenty five percent (125%) of the Base Monthly Rent for the month preceding expiration or sooner termination of this Lease (without regard to temporary abatements) for the first (1st) ninety (90) days of holdover, and one hundred fifty percent (150%) starting on the ninety first (91st) day of holdover. (Section 7.B)
16.	Reimbursable Operating Costs	See Section 9.D for list of Reimbursable Operating Costs (payable starting on the Commencement Date) (Section 9.D)
17.	Property Management Fee:	Monthly fee for management services - one and one-half percent (1.5%) of the Base Monthly Rent, without regard to temporary abatements then in effect, starting on the Commencement Date (Section 20.N)

18.	Late Charge:	Four (4%) percent of the overdue amount not received within five (5) days after the due date. Tenant is entitled to one (1) written notice and five (5) day cure period each calendar year before the first late charge for such calendar year shall accrue. No notice or additional cure period shall be required or apply for the second or any subsequent late charge during the calendar year (Section 4.D)
19.	Security Deposit:	None (Section 5)
20.	Parking:	Non-exclusive right to use approximately two and ninety seven – one hundredths (2.97) parking spaces per one thousand (1,000) Entitled Square Feet (defined in Section 2) not including roof deck, rounded down to the nearest whole parking space (Section 2)
21.	Work Allowance:	Sixty Three Dollars ($63) per rentable square foot of Premises (measured in accordance with the BOMA standard described in Section 4.B), subject to increase by an amount not to exceed Thirty Dollars ($30) per rentable square foot of Premises as described in Section 6.E below. If the Work Allowance is increased by an amount not to exceed Thirty Dollars ($30) per rentable square foot of Premises as described in Section 6. E below, Tenant shall be obligated to pay monthly Amortization Rent as described in Section 6. E. (Section 6.E)
22.	Broker(s):	Landlord's Broker: None Tenant's Broker: Colliers International (Section 20.C)

This Basic Lease Information Sheet and the parenthetical references to sections of this Lease are for convenience of reference only, and designate some of the Lease sections where applicable provisions are set forth. In the event of any conflict between any information in this Basic Lease Information Sheet and the other provisions of the Lease, the other provisions of the Lease shall control.

Lease between
SI 55, LLC and ServiceNow, Inc.
(Lawson Lane (Second Expansion Building))

1. PARTIES:

THIS LEASE (the "**Lease**"), is dated for reference purposes only as of April 16, 2018, to be effective as of the Effective Date (defined in Section 2 below), between SI 55, LLC, a California limited liability company, whose address is set forth in Paragraph 7 of the Basic Lease Information Sheet, and ServiceNow, Inc., a Delaware corporation, whose address is set forth in Paragraph 3 of the Basic Lease Information Sheet, hereinafter called respectively "**Landlord**" and "**Tenant**". Landlord and Tenant are collectively referred to in this Lease as the "**Parties**" and sometimes individually as a "**Party**".

2. EFFECTIVE DATE; PREMISES:

Landlord and Tenant are the landlord and tenant, respectively, under that certain lease dated as of December 12, 2014 (the "**Original Phase 1 Lease**") for certain premises located at 2215 and 2225 Lawson Lane , Santa Clara, California, and more particularly described in the Original Phase 1 Lease (the "**Existing Phase 1 Premises**"). The Original Phase 1 Lease was amended by an Amendment to Lease between Landlord and Tenant dated for reference purposes as of June 19, 2015 (the "**Phase 1 Lease First Amendment**") and a Second Amendment to Lease between Landlord and Tenant dated for reference purposes as of November 5, 2015 (the "**Phase 1 Lease Second Amendment**"). The Original Phase 1 Lease, as amended by the Phase 1 Lease First Amendment and Phase 1 Lease Second Amendment, is referred to in this Lease as the "**Existing Phase 1 Lease**". Concurrently with this Lease, Landlord and Tenant are further amending the Existing Phase 1 Lease pursuant to a Third Amendment to Lease (the "**Phase 1 Lease Third Amendment**"). Concurrently with this Lease, Landlord and Tenant are also entering into a lease for space in the first building to be constructed on the Phase 2 Land (defined below) (the "**First Expansion Building Lease**"). The building to be constructed pursuant to the First Expansion Building Lease is referred to in this Lease as the "**First Expansion Building**". This Lease shall become effective when this Lease, the Phase 1 Lease Third Amendment, and the First Expansion Building Lease have all been signed by Landlord and Tenant (the date of full execution of all of such documents being the "**Effective Date**").

Subject to this Lease becoming effective on the Effective Date, Landlord hereby leases to Tenant, and Tenant hires from Landlord, those certain premises (the "**Premises**") situated in the City of Santa Clara ("**City**"), County of Santa Clara ("**County**"), State of California, being all of the rentable square footage to be contained within what is anticipated to be the second building to be constructed on the Phase 2 Land (the "**Building**"), the address for which will be confirmed when City approvals and building permits are obtained for the Building Shell (defined in Section 6.A). Unless expressly provided otherwise in this Lease, the term "Premises" as used in this Lease shall include the Tenant Improvements (defined in Section 6.D below). Tenant acknowledges that the land use entitlements and permits necessary for the construction of the Building Shell and the Premises Site Improvements (defined in Section 6.A) have not been obtained as of the Effective Date, and that due to Tenant's request that the Building Shell Delivery Date (defined in Section 6.B) not occur earlier than two (2) years after the earlier to occur of the delivery of the First Expansion Building shell pursuant to the First Expansion Building Lease (being the Building Shell Delivery Date as defined in the First Expansion Building Lease, rather than this Lease) or the date that the First Expansion Building Lease terminates without the lease term under the First Expansion Lease having commenced (subject to Section 6.B below), Landlord might not commence discussions with the City for such entitlements and permits until all entitlements and permits for the improvements to be constructed by Landlord pursuant to the First Expansion Building Lease are obtained (although Landlord is not precluded from doing so, in Landlord's sole and absolute discretion). If not sooner commenced, then after the entitlements and

building permits for the improvements to be constructed by Landlord pursuant to the First Expansion Building Lease are obtained by Landlord, Landlord shall commence discussion with the City for entitling the Building Shell for approximately two hundred forty one thousand one hundred (241,100) rentable square feet (measured in accordance with the BOMA standard described in Section 4.B below). Tenant acknowledges that the method of measurement that the City will use in processing Landlord's applications for the Building Shell will not be the BOMA standard described in Section 4.B, and that therefore the City approved square footage for the Building which will be referenced in the City approvals for the Building Shell (the "**Entitled Square Feet**") will likely be different than the rentable square footage as measured in accordance with BOMA standard described in Section 4.B. As used in Lease, as it relates to the Building, "**rentable square foot**", "**rentable square feet**" or "**rentable square footage**" shall mean the rentable square footage as measured by the BOMA Standard described in Section 4.B, unless this Lease expressly states otherwise. If Landlord is not able to obtain entitlements and permits which would allow construction of the Building Shell with a minimum of one hundred seventy five thousand (175,000) rentable square feet by January 1, 2021, then Tenant shall have the right to terminate this Lease by delivering written notice of termination to Landlord at any time after such date but before such entitlements and permits are obtained. If Tenant has not terminated this Lease pursuant to the immediately prior sentence before the entitlements and permits for a minimum of one hundred seventy five thousand (175,000) of Building rentable square feet have been obtained, then Tenant shall no longer have the right to terminate this Lease pursuant to this Section. In no event shall Tenant interfere with or prevent the use of the Roof Deck by other tenants or occupants of the Building or First Expansion Building during any period that Tenant does not have the exclusive right to use the Roof Deck.

The First Expansion Building is currently anticipated by Landlord to be a building comprised of a five (5) story office portion containing approximately two hundred forty thousand six hundred fifty (240,650) rentable square feet exclusive of roof deck, with a two (2) story amenity space extension containing approximately twenty two thousand three hundred twenty five (22,325) rentable square feet exclusive of roof deck (the "**Amenities Extension**"), for a total of approximately two hundred sixty two thousand nine hundred seventy five (262,975) rentable square feet exclusive of roof deck, with a roof deck atop the amenities extension portion of the First Expansion Building to contain an additional approximately eleven thousand one hundred sixty two (11,162) square feet of space (the "**Roof Deck**") (one-half of such roof deck square footage to initially be included in the BOMA measurement of the square footage of the First Expansion Building) for a total of approximately two hundred sixty eight thousand five hundred fifty six (268,556) rentable square feet of space for the First Expansion Building. Pursuant to the First Expansion Building Lease, during any period that Tenant does not have the right to exclusive use of the Roof Deck pursuant to this Lease and such use is on a shared basis with the other tenants of the Phase 2 buildings, only one-quarter of the roof deck square footage is included in the BOMA measurement of the square footage of the First Expansion Building. If the roof deck is constructed as part of the First Expansion Building, and the Building is designed in such a way as to allow access from the Building to the roof deck on the First Expansion Building, then the following shall apply: (1) at any time during the Lease Term that Tenant leases all of the rentable square footage in one (1) Phase 2 building plus any square footage in the other Phase 2 building, Tenant shall have the exclusive use of the Roof Deck, and (2) at any time during the Lease Term that Tenant does not lease all of the rentable square footage in one Phase 2 building plus any square footage in the other Phase 2 building (for example, if Tenant no longer leases space in a Phase 2 building due to termination of that lease or due to assignment of that lease to a person or entity that is not the tenant under this Lease), Tenant shall not have the exclusive use of the Roof Deck and instead the Roof Deck shall constitute non-exclusive shared use space for all of the tenants in the Phase 2 buildings. During any period that Tenant has exclusive right to use the Roof Deck, Tenant shall be responsible for cleaning, maintaining in good condition, order and repair, and repairing when

necessary, the Roof Deck. During any period that Tenant does not have the right to exclusive use of the Roof Deck pursuant to this Lease and such use is on a shared basis with the other tenants of the Phase 2 buildings, Landlord shall be responsible for cleaning, maintaining in good condition, order and repair, and repairing when necessary the Roof Deck the cost of which shall be a Reimbursable Operating Cost for which Tenant shall pay Tenant's Allocable Share, except that if any costs are incurred by Landlord to remedy Tenant's failure to clean, maintain or repair the Roof Deck while Tenant had exclusive use of it, one hundred percent (100%) of such costs shall be paid by Tenant. All entitlements and permits for the First Expansion Building have not been obtained as of the Effective Date, and size and configuration of the First Expansion Building is subject to change. The general location of the Building and the Second Expansion Building which Landlord will be pursuing entitlements and permits for is shown on Exhibit A attached hereto (the "**Preliminary Site Plan**"). As shown on the Preliminary Site Plan, Landlord currently anticipates that the Building will be located immediately adjacent to the First Expansion Building, separated from the First Expansion Building by a common party wall, subject to Landlord being able to obtain development entitlements and permits for the First Expansion Building as more particularly described in the First Expansion Building Lease and for the Building. Tenant acknowledges that the Preliminary Site Plan is preliminary in nature and that the final configuration of the Building, the First Expansion Building, the Phase 2 Parking Structure (defined below) and other improvements to be located on the Phase 2 Land is subject to City approval and such changes as are acceptable to Landlord. If Landlord is able to obtain entitlements and permits for the Building, and this Lease is not terminated by Tenant before such entitlement and permits are obtained, Tenant has requested that the Building Shell Delivery Date not occur before the date that is two (2) years after the earlier to occur of (i) the delivery of the First Expansion Building shell pursuant to the First Expansion Building Lease (being the Building Shell Delivery Date as defined in the First Expansion Building Lease, rather than this Lease), or (ii) the date that the First Expansion Building Lease terminates without the lease term under the First Expansion Lease having commenced, subject to Section 6.B below.

It is currently anticipated by Landlord that a parking structure, which together with all surface parking to be constructed on the Phase 2 Land would initially contain approximately nine hundred ninety four (994) parking spaces (the "**Phase 2 Parking Structure**"), would be constructed on the Phase 2 Land in a location acceptable to Landlord pursuant to the First Expansion Building Lease, and which number of spaces would be more parking than would be required for the First Expansion Building. If entitlements and building permits are obtained for the Building, Landlord anticipates that the Phase 2 Parking Structure and surface parking would be expanded to provide parking for the Building and the First Expansion Building at a parking ratio of approximately two and ninety seven-one hundredths (2.97) parking spaces per one thousand (1,000) Entitled Square Feet of Premises not including roof deck, as part of the Premises Site Improvements (defined in Section 6.A below) pursuant to this Lease, in a location acceptable to Landlord.

As used in this Lease, "**Phase 1 Land**" means the approximately eight and eighty one-one hundredths (8.81) acre parcel of land upon which the Existing Phase 1 Premises are located. As used in this Lease, "**Phase 1**" means the Phase 1 Land and all improvements thereon from time to time. As used in this Lease, "**Phase 2 Land**" means the real property across Lawson Lane from the Phase 1 Land comprised of approximately seven and fifty five one-hundredths (7.55) acres, upon which the Building and the First Expansion Building will be constructed. As used in this Lease, "**Phase 2**" means the Phase 2 Land and all improvements thereon from time to time. As used in this Lease "**Project**" means all of Phase 1 and Phase 2.

Tenant shall also have the nonexclusive right to use, on a non-reserved basis (subject to this Section below), during the Lease Term and any extension thereof, the parking spaces within Phase 2 (without imposition of a parking fee for the use of the parking spaces) at a ratio equal to approximately two and ninety seven-one hundredths (2.97) parking spaces per one thousand (1,000) Entitled Square Feet of the

Building not including roof deck (rounded down to the nearest whole parking space) (and while Tenant leases all of the rentable square footage in all of the buildings located within Phase 2, all other parking spaces within Phase 2), together with the other areas within the Project (defined below) designated by Landlord as common area for the use of the Building from time to time ("**Common Area**") including but not limited to landscaping, sidewalks, service areas and other common facilities designated by Landlord for the use of the Building. During any period that Tenant leases all of the rentable square footage in the buildings located on Phase 2 from Landlord, the outdoor courtyard area with collaborative space located on the Phase 2 Land ("**Collaborative Space**"), the general location of which is shown on the Preliminary Site Plan, shall be available for use solely by Tenant, its subtenants and their respective employees, subject to Landlord's rights under this Lease. Tenant shall have the right to mark fifteen (15) non-handicapped parking spaces near the Building, in a location reasonably acceptable to Landlord, for Tenant's visitors (which spaces shall be a portion of Tenant's parking allocation set forth above). Use of the parking area by Landlord and its contractors and other designated users shall be on a non-reserved as needed basis.

Landlord shall have the right, in its reasonable discretion, from time to time, to do the following, provided that the same do not unreasonably interfere with Tenant's use of the Premises or materially increase the obligations or materially decrease the rights of Tenant under this Lease (except however that costs with respect to same shall be governed by other applicable provisions of this Lease): (a) [Intentionally deleted]; (b) close temporarily any of the Common Area for maintenance and repair purposes or to prevent a public dedication thereof; (c) [Intentionally deleted]; (d) use the Common Area while engaged in making additional improvements, repairs or alterations to the Building or the Project allowed or required by this Lease; (e) erect, use, and maintain pipes, wires and conduits in and through the Premises; and (f) do and perform any other acts, alter or expand or make any other changes in, to or with respect to the Common Area and the Project (other than the Building, except as required for Landlord to perform its obligations under this Lease or to comply with Laws) as Landlord may, in its reasonable discretion, deem to be appropriate.

Except as expressly provided in this paragraph below, Landlord reserves the absolute right to effect such other tenancies in the other Project buildings (if any) as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of Landlord. Except as expressly provided in this paragraph below, Tenant has not relied on the fact, nor has Landlord represented, that any specific tenant or type or number of tenants shall occupy any space in the other Project buildings, or that any specific tenant or type of tenant shall be excluded from occupying any space in the other Project buildings. Notwithstanding this paragraph above, Landlord agrees that so long as ServiceNow, Inc., a Delaware corporation ("**ServiceNow**") or any wholly owned subsidiary of ServiceNow is the Tenant under this Lease, and Tenant is not in default under this Lease beyond and applicable notice and cure period, Landlord shall not, without the prior written consent of Tenant, which may be withheld by Tenant in Tenant's sole and absolute discretion, enter into a lease for any space within the Phase 2 buildings with any competitor of Tenant listed on Exhibit I attached hereto (such list being the "**Competitor List**" and each competitor listed on the Competitor List (as such list may be updated from time to time as allowed below) being individually, a "**Listed Competitor**, and collectively, the "**Listed Competitors**"). Tenant shall have the right to update the Competitor List not more than once in any calendar year; provided, however: (i) the Competitor List shall never list more than five (5) Listed Competitors, (ii) if a Listed Competitor is a publicly traded company, the Competitor List shall identify the stock exchange and stock ticker symbol for such Listed Competitor, so that there is no confusion as to which company is being listed, and (iii) in naming a new Listed Competitor (i.e., those not listed on Exhibit I attached hereto), Tenant must act in good faith and shall not list any entity having a core business that is not competitive with Tenant's core business. If a Listed Competitor changes its name or ticker symbol, and Tenant fails to notify Landlord of such

change, Landlord shall not be deemed to be in breach or default under this Lease if it leases any space to such Listed Competitor under its changed name. Landlord's obligation to Tenant under this paragraph is limited solely to the specific companies named as Listed Competitors on the Competitor List in effect from time to time, without duty to investigate or inquire into the history of a potential tenant, and shall not extend to any other company (including any affiliate of a Listed Competitor).

During any construction on the Phase 1 Land or Phase 2 Land, Tenant shall abide by, and cause its agents, employees, contractors, invitees, licensees, guests and customers to abide by, all safety and construction rules and regulations of Landlord or its general contractor. Tenant acknowledges that during the course of construction upon the Phase 1 Land or Phase 2 Land, loud noises and/or dust may be emitted from the site of such construction. Notwithstanding that Tenant's normal business operations may be disturbed or interfered with during the period of construction due to loud noises, dust or other construction-related activities, Tenant's Base Monthly Rent and other amounts due under this Lease shall not be abated as a result of such construction and, during the period of construction on the Phase 1 Land or Phase 2 Land, Tenant shall continue to timely perform all of its obligations under the Lease then accruing. The preceding notwithstanding, Landlord shall exercise commercially reasonable efforts to minimize, to the extent practicable under the circumstances, any material interference that the construction on the Phase 1 Land or Phase 2 Land may have on Tenant's business operations in the Premises and the emission of dust while construction work is being performed and in no event shall such construction prevent 24/7 access to the Premises. Such commercially reasonable efforts, as such term is used in the immediately preceding sentence, shall not require Landlord to undertake construction on weekends or evenings or require Landlord to install any soundproofing in the Building or institute dust control measures beyond those required by the City. Tenant hereby waives any right to terminate this Lease due to any such construction activities undertaken in accordance with the terms of this Lease with respect to construction on the Phase 1 Land or Phase 2 Land.

3. USE:

A. **Permitted Uses:**

Tenant shall use the Premises pursuant to applicable Laws (defined in Section 8.C below) for the following purposes only and shall not change the use of the Premises without the prior written consent of Landlord, which Landlord may withhold in its sole and absolute discretion: General office, software development and storage incidental thereto. Tenant shall use only the number of parking spaces allocated to Tenant under this Lease. All commercial trucks and delivery vehicles shall be (i) parked in the designated shipping and receiving areas shown on the Preliminary Site Plan, (ii) loaded and unloaded in a manner which does not interfere with the businesses of other occupants of the Project, and (iii) permitted to remain within the Project only so long as is reasonably necessary to complete the loading and unloading. Landlord makes no representation or warranty that any specific use of the Premises desired by Tenant is permitted pursuant to any Laws (as defined in Section 8.C below).

B. **Uses Prohibited:**

Tenant and Tenant's Agents shall not commit on any portion of the Project, any waste, nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant or user of the Project, nor allow any use of the Premises for an unlawful purpose or for any sale by auction. Tenant shall not (i) damage or overload the electrical, mechanical or plumbing systems of the Premises, (ii) attach, hang or suspend anything from the ceiling, walls or columns of the Building in excess of the load limits for which such ceiling, walls or columns are designed, or set any load on the floor in excess of the load limits for which such floors are designed, or (iii) generate dust, fumes or waste products which create a fire or health hazard or damage the Premises or any portion of the Project, including without limitation the soils or ground water in or around the Project. No materials, supplies, equipment, finished products or semi-finished products, raw

materials or articles of any nature, or any waste materials, refuse, scrap or debris, shall be stored upon or permitted to remain on any portion of the Project outside of the Premises by Tenant or Tenant's Agents without Landlord's prior approval, which approval may be withheld in its sole and absolute discretion. Neither Tenant nor Tenant's Agents shall dispose of any waste materials, refuse, scrap, debris or garbage anywhere within the Project except in enclosed trash containers designated for that purpose by Landlord. Neither Tenant nor Tenant's Agents shall conduct any auction in, on or about the Project.

C. Advertisements and Signs:

Tenant shall not place or permit to be placed, in, upon or about the Premises or Project any signs not approved by the City and other governing authorities having jurisdiction. All signs placed within the Project by Tenant shall comply with all recorded documents affecting the Premises, and applicable Laws. Tenant shall not place or permit to be placed upon the Premises any signs, advertisements or notices visible from outside the Premises without the written consent of Landlord as to type, size, design, lettering, coloring and location, which consent will not be unreasonably withheld. Subject to the terms and conditions of this Section 3.C, so long as Tenant leases either (i) all of the rentable square footage of the Building, or (ii) all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, then Tenant may install, at its sole cost and expense, not more than two (2) of its signs on the top of the Building. If at any time during the Lease Term Tenant does not lease all of the rentable square footage of the Building, and also does not lease all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, then Tenant shall remove all of its signage from the top of the Building and repair all damage caused by such removal not later than thirty (30) days after Landlord requests such removal, except as provided in the next sentence.

Notwithstanding the foregoing, during any period that Tenant leases at least fifty percent (50%) of the rentable square footage of the Building, Tenant shall be entitled to install and/or maintain one (1) sign on the top of the Building, subject to the other terms and conditions of this Section above relating to Tenant's signage.

Pursuant to the First Expansion Building Lease, Landlord will attempt to obtain City approval of a sign monument for the Common Area within Phase 2. Pursuant to this Lease, if only one sign monument is approved in connection with the entitlements and permits obtained for the First Expansion Building, then in connection with Landlord's efforts to obtain entitlements and permits for the Building, Landlord agrees to exert commercially reasonable efforts to obtain City approval for an additional sign monument for the Common Area within Phase 2 (the "**Additional Phase 2 Monument**") prior to the Commencement Date. If Landlord is able to obtain City approval of the Additional Phase 2 Monument, then promptly after obtaining such approval, Landlord shall cause, at its sole cost, the City approved Additional Phase 2 Monument to be installed in the Common Area within Phase 2. If pursuant to this Lease and/or the First Expansion Building Lease Landlord is able to obtain City approval for two (2) sign monuments for Phase 2, then there will be one monument dedicated to the Building and the other dedicated to the First Expansion Building; however, at any time during the Lease Term that Tenant leases either (i) all of the rentable square footage of the Building, or (ii) all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, Tenant shall have the right to all of the tenant signage space on both of the sign monuments. If, however, there are two (2) sign monuments for Phase 2, but Tenant does not lease all of the rentable square footage of the Building, and also does not lease all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, then Tenant shall be entitled to use only Tenant's Allocable Share (i.e. in the proportion that the rentable square footage of the space leased by Tenant in the Building bears to the total rentable square footage of the Building) of the tenant signage space on the sign monument dedicated to the Building, and Tenant shall remove its excess signage from the sign monuments and repair all damage caused by such removal not later than thirty (30) days after Landlord requests such removal. If only one (1)

sign monument is approved by the City for Phase 2, then at any time during the Lease Term that Tenant leases either (i) all of the rentable square footage of the Building, or (ii) all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, Tenant shall have the right to all of the tenant signage space on such sign monument; but if at any time Tenant does not lease all of the rentable square footage of the Building, and also does not lease all of the rentable square footage of one (1) Phase 2 building plus any square footage in the other Phase 2 building, then Tenant shall only have the right to its Allocable Share of the tenant signage space on such sign monument (i.e. in the proportion that the rentable square footage of the space leased by Tenant in the Building bears to the total rentable square footage of the Phase 2 buildings) and Tenant shall remove its excess signage and repair any damage to the sign monument caused by such removal not later than thirty (30) days after Landlord requests such removal. Before installation of the Additional Phase 2 Monument, Landlord shall provide drawings of them for Tenant's approval, such approval not to be unreasonably withheld, conditioned or delayed.

Notwithstanding this Section 3.C above, any sign placed in, upon or about the Premises (including without limitation Tenant's rooftop signage and exterior Building address signage), and any sign of Tenant placed upon any Phase 2 sign monument dedicated to the Building, shall be removed by Tenant, at its sole cost, and any damage caused by such removal shall be repaired by Tenant, prior to the Expiration Date or sooner termination of the Lease (whichever is earlier). If any Tenant sign is not removed and damage thereby not repaired within the time required by this Section 3.C above, Landlord may do so at Tenant's expense, the cost of which shall be paid to Landlord not later than thirty (30) days after demand (which obligation shall survive expiration or sooner termination of this Lease).

D. Covenants, Conditions and Restrictions:

This Lease is subject to the effect of (i) any covenants, conditions, restrictions, easements, mortgages or deeds of trust, ground leases, rights of way of record and any other matters or documents of record, and (ii) any zoning laws of the city, county and state where the Building is situated (the matters described in this sentence being collectively referred to herein as "**Restrictions**"), and Tenant shall conform to and shall not violate the terms of any such Restrictions. Landlord shall have the right from time to time to encumber the Project with any and all public utility easements, private easements and covenants, conditions and restrictions required by the City or any other governmental authority in connection with the development or redevelopment of the Project or Phase 2 needed or desired by Landlord for the ownership, use and operation of the Project or Phase 2, provided that they do not materially and adversely affect Tenant's access to or use of the Premises, all of which shall constitute part of the Restrictions; and Tenant agrees that its rights under this Lease shall be subject and subordinate to all such Restrictions. Landlord shall have the right to change the size of any parcel comprising the Phase 2 Land, parcelize, subdivide and/or merge any parcels comprising the Phase 2 Land, without Tenant's approval, provided that such actions do not adversely affect Tenant's rights hereunder. Not later than ten (10) business days after request by Landlord, Tenant shall execute any documents reasonably required to evidence or effectuate Tenant's subordination and/or consent to the matters described in this Section above.

E. Sustainability Requirements:

As used in this Lease, "**Sustainability Requirements**" means any and all Laws relating to any "green building" or other environmental sustainability practices and requirements now or hereafter in effect or imposed by any governmental authority or applicable Laws from time to time. Without limiting the scope of any Sustainability Requirements that may be in effect from time to time, Tenant acknowledges that Sustainability Requirements may address whole-building or premises operations, construction issues, maintenance issues and other issues, including without limitation requirements relating to: chemical use; indoor air quality; energy and water efficiency; recycling programs; interior and exterior maintenance programs; systems upgrades to meet green or sustainable building energy,

water, air quality, and lighting performance standards; construction methods and procedures; material purchases; disposal of garbage, trash, rubbish and other refuse and waste; and the use of proven energy and carbon reduction measures. Neither Tenant nor Tenant's Agents shall use or operate the Premises in a manner that will cause any part of the Project to be in non-compliance with any Sustainability Requirements in effect from time to time.

4. TERM AND RENTAL:

A. Term:

The Lease term ("**Lease Term**") shall commence on the later of (1) the Site Improvements Delivery Date (defined in Section 6.B below) or (2) eight (8) months after the Building Shell Delivery Date (defined in Section 6.B below) (the "**Commencement Date**"), and shall end on the later of (i) one hundred twenty (120) full calendar months thereafter (it being intended in this event that if the Commencement Date occurs on a day other than the first (1st) day of a calendar month, then the Expiration Date shall be extended so that the Expiration Date occurs on the last day of the one hundred twentieth (120th) full calendar month following the Commencement Date), or (ii) the then scheduled expiration date under the First Expansion Lease (determined as of the Commencement Date, without regard to unexercised options to extend or early termination under the First Expansion Building Lease), subject to Section 6.B below relating to Tenant Delays (as defined below) affecting the Commencement Date, and subject to extension or sooner termination as described in this Lease (the date that the Lease Term, as extended pursuant to the terms and conditions of this Lease, expires being the "**Expiration Date**"). Notwithstanding the Parties' agreement that the Lease Term begins on the Commencement Date, this Lease and all of the obligations of Landlord and Tenant shall be binding and in full force and effect from and after the Effective Date, excluding any obligation of Tenant to pay Base Monthly Rent or Tenant's Allocable Share of Reimbursable Operating Costs prior to the Commencement Date. Once the Expiration Date has been determined, the Parties shall promptly thereafter confirm in writing the new Expiration Date and the Base Monthly Rent for the Initial Lease Term for each month of such extension period (as used in this Lease "**Initial Lease Term**" means the Lease Term exclusive of Option Terms and holdover periods, and without regard to early termination prior to the scheduled Expiration Date).

Notwithstanding this Section above, if Tenant terminates the First Expansion Building Lease in accordance with the terms and conditions of the First Expansion Building Lease because permits for the Building Shell (as defined in the First Expansion Building Lease, rather than this Lease) and Premises Site Improvements (as defined in the First Expansion Building Lease rather than this Lease) (not including the Bridgeways, however) have not been issued by all governmental authorities having jurisdiction by end of day on March 1, 2019, then this Lease shall automatically terminate concurrently with the termination of the First Expansion Building Lease.

In addition, notwithstanding this Section above, if before any construction has started on the Phase 2 Land in connection with the Building Shell or Premises Site Improvements (both as defined in Section 6.A below), Tenant terminates the First Expansion Building Lease in accordance with the terms and conditions of the First Expansion Building Lease because the Phase 2.A Delivery Date (as defined in the First Expansion Building Lease) does not occur by the date that is three hundred thirty (330) days after the Building Shell Target Delivery Date (as defined in the First Expansion Building Lease, rather than as defined in this Lease), then Landlord and Tenant shall each have the right to terminate this Lease by delivering written notice of termination to the other party not later than ten (10) business days after Tenant has delivered its termination notice for the First Expansion Building Lease to Landlord for the reason described in this paragraph above. Once construction on the Phase 2 Land in connection with the Building Shell (as defined in this Lease) or Premises Site Improvements (as defined in this Lease) has commenced, neither Landlord nor Tenant shall have the right to terminate this Lease pursuant to this paragraph if Tenant thereafter terminates the First Expansion Building Lease in accordance

with the terms and conditions of the First Expansion Building Lease because the Phase 2.A Delivery Date (as defined in the First Expansion Building Lease) does not occur by the date that is three hundred thirty (330) days after the Building Shell Target Delivery Date (as defined in the First Expansion Building Lease, rather than as defined in this Lease).

B. Base Monthly Rent:

In addition to all other sums payable by Tenant under this Lease, Tenant shall pay as base monthly rent ("**Base Monthly Rent**") for the Premises an amount equal to the per rentable square foot base monthly rent rate in effect under the First Expansion Building Lease as of the Commencement Date (without regard to rent abatements then in effect under the First Expansion Building Lease or early termination of the First Expansion Building Lease), multiplied by the Premises rentable square feet (measured in accordance with the BOMA standard described below), subject to adjustment as described in Section 4.C and in other provisions of this Lease, and subject to the abatement described in this paragraph below and in Section 4.E. For example, if on the Commencement Date the base monthly rent under the First Expansion Space is Three Dollars and Eighty Seven Cents ($3.87) per rentable square foot of space in the First Expansion Building, then the starting Base Monthly Rent under this Lease shall be Three Dollars and Eighty Seven Cents ($3.87) per Premises rentable square feet (measured in accordance with the BOMA standard described below), increased on each Adjustment Date pursuant to Section 4.C below. Notwithstanding this paragraph above, Base Monthly Rent shall be abated for the first (1st) twelve (12) full calendar months of the Lease Term. Notwithstanding that Base Monthly Rent for the first (1st) twelve (12) full calendar months of the Lease Term is Zero Dollars ($0.00), due to the abatement described in the immediately prior sentence, or that there may be other periods of Base Monthly Rent abatement pursuant to other provisions of this Lease, Reimbursable Operating Costs and all other sums due under this Lease, other than abated Base Monthly Rent (but otherwise including without limitation management fees pursuant to Section 20.N, based on an assumed Base Monthly Rent in the amount that would be in effect but for such abatement) shall be due and payable monthly commencing on the Commencement Date. Base Monthly Rent shall be due in advance on the Commencement Date and thereafter on or before the first day of each calendar month during the Lease Term, subject to this paragraph below. All sums payable by Tenant under this Lease shall be paid to Landlord in lawful money of the United States of America, without offset or deduction and except as otherwise expressly provided in this Lease without prior notice or demand, at the address specified in Paragraph 7 of the Basic Lease Information Sheet or at such place or places as may be designated in writing by Landlord after the Effective Date. Base Monthly Rent for any period less than a calendar month shall be a pro rata portion of the monthly installment based on the number of days in the partial calendar month; provided that if this Lease terminates due to Tenant's default, Tenant shall not be relieved of the obligation to pay future accruing rent, and the provisions of Section 14 shall control. Not later than ten (10) business days following the Building Shell Delivery Date, Tenant shall pay to Landlord the sum of Nine Hundred Thirty Three Thousand Fifty Seven Dollars and Fifty Seven Cents ($933,057.57) as a deposit to be applied on the Commencement Date against the Base Monthly Rent due for the first (1st) partial calendar month of the Lease Term (if the first month is a partial month) and Base Monthly Rent becoming due under this Lease thereafter, until applied in full.

Not later than thirty (30) days after the Building Shell Delivery Date, Landlord shall, at its cost, measure the rentable square footage of the Premises in accordance with ANSI/BOMA publication Z65.3-2009 Exterior Gross Area standards for a single tenant building, modified to include balconies, roof decks and 2-story lobbies, but specifically excluding mechanical or other non-occupiable penthouses on the roof, and driplines. The planned Bridgeways (defined in Section 6.A) shall not be included in the square footage of the Premises. Notwithstanding the possible shared use of the roof deck atop the Amenities Extension of the First Expansion Building, the rentable square footage of the Building shall not include roof deck square footage atop the First Expansion Building. Not

later than sixty (60) days after Landlord notifies Tenant of the rentable square footage of the Premises determined pursuant to the prior sentence, Tenant shall have the right to re-measure the square footage of the Premises in accordance with the ANSI/BOMA publication described in the prior sentence, at Tenant's sole cost. The results of such re-measurement shall be provided to Landlord. If Tenant does not independently measure the Premises square footage and notify Landlord of any discrepancies between Landlord's and Tenant's measurements within sixty (60) days after Landlord notifies Tenant of the rentable square footage of the Premises determined by Landlord pursuant to this Section above, Landlord's determination of rentable square footage shall thereafter be conclusive upon the Parties and be the basis upon which Base Monthly Rent (and any other provisions of this Lease based upon the rentable square footage of the Premises shall be calculated, except as expressly provided elsewhere in this Lease (for example, in the event of a partial taking of the Project as described in Section 17 below which results in the recalculation of Base Monthly Rent)). Notwithstanding Tenant's timely objection to Landlord's calculation of the Premises square footage, Tenant shall pay Base Monthly Rent in accordance with Landlord's computation, pending resolution of such dispute either by mutual agreement of the Parties or by arbitration pursuant to Section 20.E below; provided that upon resolution of the dispute, any overpayment of Base Monthly Rent made by Tenant shall be credited against the first Base Monthly Rent payments due thereafter until such overpayment has been credited in full, and any underpayment shall be paid by Tenant to Landlord not later than thirty (30) days after resolution of such dispute. No representation or warranty of any kind, express or implied, is given to Tenant with respect to the square footage or acreage of the Premises, Building or any other portion of the Project. Landlord shall have no liability to Tenant if the approximate square footages or acreage described in this Lease or determined by Landlord differs from the actual square footages and acreage.

C. Base Monthly Rent Adjustment:

Pursuant to the First Expansion Building Lease, on the first anniversary of the commencement date of the lease term under the First Expansion Building Lease, and on every anniversary of such date thereafter (each, an "**Adjustment Date**"), the then-payable base monthly rent under the First Expansion Building Lease is increased to (i) on each of the first five (5) Adjustment Dates, an amount equal to one hundred three percent (103%) of the base monthly rent in effect immediately before such adjustment (without regard to temporary abatements then in effect), (ii) on the sixth (6^{th}) through tenth (10^{th}) Adjustment Dates, an amount equal to one hundred two and one-half percent (102.5%) of the base monthly rent in effect immediately before such adjustment (without regard to temporary abatements then in effect), and (iii) on the eleventh (11^{th}) Adjustment Date and each Adjustment Date thereafter until the start of the first option term under the First Expansion Building Lease, an amount equal to one hundred two percent (102%) of the base monthly rent in effect immediately before such adjustment (without regard to any temporary abatements then in effect). Base Monthly Rent under this Lease shall increase on each Adjustment Date by the same percentage that the base monthly rent under the First Expansion Building Lease would be increased on such Adjustment Date (in each instance without regard to temporary abatements then in effect or early termination of the First Expansion Building Lease). When the Commencement Date under this Lease and the commencement date under the First Expansion Building Lease have been determined, Landlord and Tenant shall promptly thereafter confirm in writing the Adjustment Dates and the Base Monthly Rent amounts due each month during the Initial Lease Term.

D. Late Charge:

Tenant hereby acknowledges that late payment by Tenant to Landlord of Base Monthly Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include but are not limited to: administrative, processing, accounting, and late charges which may be imposed on Landlord by the terms of any

contract, revolving credit, mortgage, or trust deed covering the Premises. Accordingly, if any installment of Base Monthly Rent or other sum due from Tenant is not received by Landlord or Landlord's designee within five (5) days after it is due, Tenant shall pay to Landlord a late charge equal to four percent (4%) of such overdue amount, which late charge shall be due and payable on the same date that the overdue amount was due. The Parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant, excluding interest and attorneys fees and costs. If any Base Monthly Rent or other sum due from Tenant remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the Agreed Interest Rate (defined in Section 14.B) from the date such amount became due until paid. Acceptance by Landlord of such late charge or interest shall not constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Monthly Rent, then the Base Monthly Rent, property management fees and Reimbursable Operating Costs shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any provision of this Lease to the contrary, until Tenant has thereafter timely paid, on before the due date, Base Monthly Rent, Reimbursable Operating Costs and property management fees for a twelve (12) consecutive full calendar month period, at which time Base Monthly Rent, Reimbursable Operating Costs and property management fees shall revert back to being payable monthly (subject however to reverting to quarterly payment if thereafter a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Monthly Rent). In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any amount due under this Lease. Notwithstanding the foregoing, Tenant shall be entitled to one (1) written notice and five (5) day cure period each calendar year before the first late charge for such calendar year shall accrue. No notice or additional cure period shall be required or apply for the second or any subsequent late charge during the calendar year.

E. **Additional Base Monthly Rent Abatement:**

In addition to any other rent abatement hereunder, Tenant shall receive an additional abatement of Base Monthly Rent (the "**Additional Base Monthly Rent Abatement**") equal to the sum of (a) One Hundred Twenty Seven Thousand Five Hundred Dollars ($127,500.00) plus (b) the product of thirty five percent (35%) multiplied by (A) the product of (1) the number of years of the Lease Term (prorated for partial years, and determined without regard to any Option extensions), multiplied by (2) the rentable square feet of the Premises (determined upon Substantial Completion of the Building Shell pursuant to Section 4.B above), multiplied by (3) One Dollar and Twenty Five Cents ($1.25), minus (B) Five Hundred Thousand Dollars ($500,000). For example, if the Lease Term is twelve (12) years and the rentable square footage of the Premises is two hundred forty one thousand one hundred (241,100), then the Additional Base Monthly Rent Abatement shall initially be One Million Two Hundred Eighteen Thousand Two Hundred Seventy Five Dollars ($1,218,275) (i.e., $127,500 + (35% x ($3,616,500 - $500,000))). The initial Additional Base Monthly Rent Abatement shall be based on an assumed Lease Term equal to twelve (12) years and a rentable square footage of two hundred forty one thousand one hundred (241,100), and shall be applied to the Base Monthly Rent due commencing on the beginning of the thirteenth (13th) full calendar month of the Lease Term and thereafter during each consecutive month during the Lease Term until fully applied. When the Lease Term (prorated for partial years, and determined without regard to any Option extensions) and rentable square footage of the Premises are determined upon Substantial Completion of the Building Shell pursuant to Section 4.B above, the Additional Base Monthly Rent Abatement shall be recalculated at that time, and the Parties shall promptly confirm in writing the recalculated Additional Base Monthly Rent Abatement due hereunder. If the Additional Base Monthly Rent

Abatement already received by Tenant as of such recalculation is more than the actual amount determined pursuant to the sentence immediately above, then such excess amount shall be paid by Tenant to Landlord not later than ten (10) business days after the recalculated amount has been determined. If the Additional Base Monthly Rent Abatement already received by Tenant is less than the recalculated amount determined pursuant this paragraph above, then any Additional Base Monthly Rent Abatement due to Tenant shall be applied to Base Monthly Rent next coming due under the Lease until exhausted.

5. **[Intentionally Deleted]**

6. **CONSTRUCTION:**

A. **Landlord's Work:**

Landlord shall cause the Building to be constructed to the warm shell condition described on Exhibit C attached hereto, to LEED Gold equivalent, and fully compliant with all Laws and building codes then applicable to the Building Shell (the Building in such condition being the "**Building Shell**") by Devcon Construction. Landlord does not currently intend to obtain LEED Gold certification of the Building Shell. However, if, not later than ninety (90) days after the Effective Date, Tenant requests that Landlord obtain LEED Gold certification of the Building Shell, Landlord agrees to obtain such certification at Tenant's sole cost following Substantial Completion of the Building Shell, which cost shall be reimbursed to Landlord not later than thirty (30) days after Landlord requests payment from Tenant, which request shall include invoices reasonably evidencing such costs. If Tenant fails to deliver notice that it desires that Landlord obtain LEED Gold certification of the Building Shall within the ninety (90) day period required in the immediately prior sentence, Landlord shall not be obligated to obtain LEED Gold certification of the Building Shell. The Building Shell shall be constructed in accordance with plans and guideline specifications which are acceptable to Landlord, and approved by Tenant to the extent subject to Tenant approval as described in this Section 6.A below (such approval not to be unreasonably withheld, conditioned or delayed), to be prepared by Arc Tec ("**Landlord's Architect**") the reference sheets of which shall be attached to this Lease when prepared as Exhibit D ("**Shell Plans**"), which shall incorporate all of the warm shell components described on Exhibit C attached hereto and contain sufficient detail to make application with the City or County for design review. Not later than seven (7) business days after the Building Shell plans and guideline specifications are made available to Tenant for Tenant's review, Tenant shall deliver written notice to Landlord advising whether Tenant approves them, or if not approved setting forth the reasons for Tenant's disapproval in sufficient detail to enable Landlord to evaluate and respond to Tenant's concerns, and any failure to so notify Landlord within this seven (7) business day period shall be deemed disapproval by Tenant; provided, however that if after such seven (7) business day period Landlord delivers written notice to Tenant requesting consent to the proposed Building Shell plans and guideline specifications, and such notice states that if Tenant does not notify Landlord in writing whether Tenant approves or disapproves such proposed Building Shell plans and guideline specification (and if disapproved stating the reasons for disapproval in sufficient detail to enable Landlord to evaluate and respond to Tenant's concerns), then if Tenant fails to so respond to Landlord within two (2) business days after delivery of Landlord's notice to Tenant, Tenant shall be deemed to have consented to Landlord's proposed Building Shell plans and guideline specifications.

Landlord shall also cause the Phase 2 Parking Structure and other exterior Common Area on the Phase 2 Land necessary for reasonable access to and from the Premises and for parking (the "**Premises Site Improvements**") to be constructed by Landlord's General Contractor to the extent not constructed pursuant to the First Extension Building Lease, in accordance with Premises Site Improvements plans and guideline specifications which are acceptable to Landlord, and approved by Tenant to the extent subject to Tenant approval as described in this Section 6.A below (such approval not to be unreasonably withheld, conditioned or delayed), to be prepared by Landlord's Architect, the reference sheets of

which shall be attached to this Lease when prepared as Exhibit E ("**Premises Site Improvements Plans**"), which shall contain sufficient detail to make application with the City or County for design review. Not later than seven (7) business days after the Premises Site Improvements plans and guideline specifications are made available to Tenant for Tenant's review, Tenant shall deliver written notice to Landlord advising whether Tenant approves them, or if not approved setting forth the reasons for Tenant's disapproval in sufficient detail to enable Landlord to evaluate and respond to Tenant's concerns, and any failure to so notify Landlord within this seven (7) business day period shall be deemed disapproval by Tenant; provided, however that if after such seven (7) business day period Landlord delivers written notice to Tenant requesting consent to the proposed Premises Site Improvements plans and guideline specifications, and such notice states that if Tenant does not notify Landlord in writing whether Tenant approves or disapproves such proposed Premises Site Improvements plans and guideline specification (and if disapproved stating the reasons for disapproval in sufficient detail to enable Landlord to evaluate and respond to Tenant's concerns), then if Tenant fails to so respond to Landlord within two (2) business days after delivery of Landlord's notice to Tenant, Tenant shall be deemed to have consented to the proposed Premises Site Improvements plans and guideline specifications.

For any Tenant requested changes to the plans and guideline specifications for the Building Shell or Premises Site Improvements pursuant to the two (2) paragraphs of this Section 6.A immediately above that would affect any structural components of such improvements, Landlord may withhold its approval of such changes in Landlord's sole and absolute discretion; but if such requested changes do not affect the structural components of such improvement then Landlord's approval shall not be unreasonably withheld. Once the Shell Plans and the Premises Site Improvements Plans have been approved by Landlord and Tenant pursuant to this Section 6.A above, Tenant shall not have the right to request any changes to the Building Shell or Premises Site Improvements except for TRCs in accordance with this Section 6.A below.

Subject to the next sentence as it relates to obtaining approvals and permits, Landlord shall use commercially reasonable efforts to obtain all approvals and permits necessary for the construction of the Building Shell and Premises Site Improvements from the City, County and other governmental authorities having jurisdiction, to the extent such approvals and permits have not been obtained as of the Effective Date, after all entitlements and permits for the First Expansion Building have been obtained, and following receipt of such approvals and permits to thereafter cause Landlord's General Contractor to Substantially Complete the Building Shell and Premises Site Improvements in good and workmanlike manner and in full compliance with all Laws then in effect. The timing as it relates to Landlord's efforts to obtain the approvals and permits described in the immediately prior sentence shall be determined by Landlord in Landlord's sole and absolute discretion taking into account Tenant's request that the Building Shell Delivery Date not occur before the date that is two (2) years after the earlier to occur of the following (i) the delivery of the First Expansion Building shell pursuant to the First Expansion Building Lease (being the Building Shell Delivery Date as defined in the First Expansion Building Lease, rather than this Lease), or (ii) the date that the First Expansion Building Lease terminates without the lease term under the First Expansion Lease having commenced, subject to Section 6.B below. In no event shall Landlord be precluded from obtaining any entitlements or permits for the Building Shell or starting commencement of the Building Shell earlier than necessary to meet Tenant's desired Building Shell Delivery Date described in the immediately prior sentence. Tenant acknowledges that as part of Landlord's efforts to obtain all of the entitlements and permits required for the construction of the First Expansion Building shell, Landlord will use commercially reasonable efforts to obtain approval from the City, County and other governmental authorities having jurisdiction of above-grade bridgeways between the two (2) buildings located on the Phase 1 Land as of the Effective Date (the "**Existing Phase 1 Buildings**") with an extension over Lawson Lane to the planned Roof Deck to be located on the Amenities Extension of the First Expansion Building (the "**Bridgeways**") in accordance with

the terms and conditions of the First Expansion Building Lease. If the Building is constructed in a manner that provides access from the Building to the Roof Deck on the First Expansion Building (which Landlord shall have the right to do), then the Building will also have indirect access to the Bridgeways from the First Expansion Building's Roof Deck. Notwithstanding the foregoing, in no event shall Landlord have any liability to Tenant under this Lease if the Bridgeways are not constructed for any reason, or if governmental approvals for the Bridgeways expire or are revoked at any time. Once constructed by Landlord, Tenant shall be solely responsible for cleaning, maintaining in good condition, order and repair, and repairing when necessary the Bridgeways, at Tenant's sole cost and expense, except for punch list items and deficiencies covered by the general contractor's one (1) year warranty described in the First Expansion Building Lease, and except as provided in Sections 9.A and 16 and this Section 6.A below. Tenant acknowledges and agrees that if at any time Tenant is not a tenant of any of the buildings served by any portion of the Bridgeways, Landlord shall have the right (but not the obligation) to block access over the Bridgeways to the buildings or space not leased by Tenant, in any manner reasonably desired by Landlord so long as Landlord does not block Tenant's access between the buildings served by the Bridgeways which are still leased by Tenant, and in such event, in addition to Landlord's obligations set forth in Section 9.A and 16 below, Landlord shall be responsible for cleaning, maintaining in good condition, order and repair, and repairing when necessary, that portion of the Bridgeways as to which Landlord has blocked Tenant's access, at no cost to Tenant (other than Tenant's Allocable Share of the cost of cleaning of exterior glass (if any), insurance costs and deductibles as described in Section 9.B, utility costs as described in Section 12 below or as provided in Section 16 below). If the Bridgeways are constructed, Tenant shall not have the right to make alterations to the Bridgeways. During any period when Tenant leases all of the rentable square footage of the Phase 1 buildings, all of the rentable square footage of one (1) Phase 2 building, plus any square footage in the other Phase 2 building, Tenant shall have the right to install Tenant signage on the Bridgeways, subject to all applicable Laws, Landlord's prior written approval (Landlord's approval not to be unreasonably withheld, conditioned or delayed), and the other provisions of this Lease relating to signage.

Following Landlord's and Tenant's approval of the Shell Plans pursuant to this Section 6.A above, Tenant shall have the right at any time within the time allowed by the next two (2) sentences (but not thereafter), to request changes to the Shell Plans (provided that such changes are consistent with and are logical evolutions of the Shell Plans previously approved by Landlord, and approved by Tenant to the extent Tenant has approval rights) (each such Tenant-requested change to the Shell Plans, which is requested within the applicable time allowed by the next two (2) sentences, being referred to herein as a "**Tenant Requested Change**" or "**TRC**"), by delivering to Landlord written request for such TRC accompanied by specifications and other details needed for Landlord to evaluate Tenant's request, and for such TRC to be incorporated into the Shell Plans if Landlord consents to such TRC. Any TRC request relating to any exterior aspects of the Building Shell must be submitted by Tenant to Landlord prior to the date that the Shell Plans are initially submitted to the City or County for design review. Any TRC relating to the interior of the Building Shell must be submitted by Tenant to Landlord prior to the date that Landlord submits its initial application for a building permit for the Building Shell to the City or County. Any TRC (which may include, without limitation, a request to expand the roof screen area) shall be subject to Landlord's approval, not to be unreasonably withheld, conditioned or delayed, except if the TRC affects the structural components of any of the improvements, in which case Landlord may withhold approval in its sole and absolute discretion. If a TRC is approved by Landlord, Landlord shall notify Tenant in writing of its approval, and if Landlord estimates that such TRC will cause an increase in cost or time to complete Landlord's work such notice shall also include Landlord's good faith estimate (each a "**TRC Estimate**") of the following, to the extent applicable of: (i) the increase in cost to design, obtain required governmental approvals for, and construct the Building Shell and Premises Site

Improvements relating to the TRC, and (ii) the increase in days to design, obtain required governmental approvals for, and construct the Building Shell and Premises Site Improvements relating to the TRC. Not later than five (5) business days after receipt of a TRC Estimate, Tenant shall either approve ("**TRC Approval**") or disapprove ("**TRC Disapproval**") the TRC Estimate in writing to Landlord. If Tenant timely delivers a TRC Disapproval, Tenant shall be deemed to have elected not to proceed with the TRC for which the TRC Disapproval was delivered. With respect to TRC Approvals (A) the actual increase in costs for the TRCs (net of all actual decreases in costs) shall be paid by Tenant to Landlord by (I) deducting the increased cost from the Work Allowance and/or (II) paying such increased cost to Landlord (the manner of payment described in (I) and (II) of this sentence to be selected by Tenant and designated in its TRC Approvals, provided that the entire increased cost must be paid by Tenant), and (B) the actual increase in days (net of all other TRC Approval actual decreases in days) shall constitute Tenant Delay (as defined below). If Tenant fails to notify Landlord of the manner of payment selected by Tenant for the increased costs for the TRCs within five (5) business days after the TRC Estimate is delivered to Tenant, Tenant shall be deemed to have elected to pay for such increased costs by deducting the increased costs from the Work Allowance in accordance with item (I) of the immediately preceding sentence. If Tenant elects to pay for all or any portion of the TRC Approval net cost increases directly to Landlord, such payment shall be made not later than thirty (30) days after the net increase in cost based on the TRC Estimates has been determined (and Tenant has been provided an invoice); and if the actual costs incurred are more or less than the estimate any overpayment shall be returned to Tenant, and any underpayment shall be paid by Tenant to Landlord, not later than thirty (30) days after such actual costs have been determined (and Tenant has been provided an invoice). Tenant's failure to respond to Landlord with a written approval or disapproval of a TRC Estimate within five (5) business days after the TRC Estimate was received by Tenant shall be deemed to be a TRC Approval of such TRC Estimate by Tenant.

The Building Shell shall be deemed substantially complete ("**Substantially Complete**", "**Substantially Completed**" or "**Substantial Completion**") when: (i) the Building Shell has been completed substantially in accordance with the Shell Plans, as evidenced by a final inspection, temporary certificate of occupancy or equivalent approval by the appropriate governmental authority to the extent a final inspection, temporary certificate of occupancy or equivalent is required by Laws and the City will perform a final inspection, grant a temporary certificate of occupancy or grant equivalent approval without the Tenant Improvements or Premises Site Improvements having been Substantially Completed, and (ii) the Landlord's Architect has certified that the Building Shell has been completed substantially in accordance with the Shell Plans; except in both cases for punch list type items that would not prevent Tenant from occupying the Premises for the conduct of its business in the Premises once the Tenant Improvements and Premises Site Improvements are Substantially Completed. The Premises Site Improvements shall be deemed substantially complete ("**Substantially Complete**", "**Substantially Completed**" or "**Substantial Completion**") when: (i) the Premises Site Improvements have been completed substantially in accordance with the Premises Site Improvements Plans, as evidenced by a final inspection, temporary certificate of occupancy or its equivalent by the appropriate governmental authority, to the extent such final inspection, temporary certificate of occupancy or its equivalent would be legally required for occupancy of the Premises once the Tenant Improvements described below have been completed, or if such final inspection, temporary certificate of occupancy or its equivalent is not required for such occupancy, then (ii) when the Landlord's Architect has certified that the Premises Site Improvements have been completed substantially in accordance with the Premises Site Improvements Plans; except in either case for punch list type items that would not prevent Tenant from occupying the Premises for the conduct of its business therein once the Tenant Improvements have been Substantially Completed.

B. Delivery of Building Shell and Premises Site Improvements; Delivery Date:

Landlord shall deliver possession of the Building Shell to Tenant when it is Substantially Completed and the Premises Site Improvements have been completed to the stage at which Tenant and its contractors will have sufficient access and parking on Phase 2 to construct the Tenant Improvements; provided however that unless agreed to by Tenant, Landlord shall not deliver possession of the Building Shell to Tenant before that date that is two (2) years after the earlier to occur of (i) the delivery of the First Expansion Building shell pursuant to the First Expansion Building Lease (being the Building Shell Delivery Date as defined in the First Expansion Building Lease, rather than this Lease), or (ii) the date that the First Expansion Building Lease terminates without the lease term under the First Expansion Lease having commenced. Landlord shall deliver the Premises Site Improvements to Tenant upon Substantial Completion thereof. Landlord shall exert commercially reasonable efforts to deliver possession of the Building Shell to Tenant Substantially Complete, with the Premises Site Improvements completed to the stage at which Tenant and its contractors will have sufficient access and parking on Phase 2 to construct the Tenant Improvements (such date of delivery being the "**Building Shell Delivery Date**"), not later than the later to occur of (i) five hundred seventy (570) days after the date that building permits for the Building Shell and Premises Site Improvements have been issued by all governmental authorities having jurisdiction, or (ii) two (2) years after the earlier to occur of (1) the delivery of the First Expansion Building shell pursuant to the First Expansion Building Lease (being the Building Shell Delivery Date as defined in the First Expansion Building Lease, rather than this Lease) or (2) the date that the First Expansion Building Lease terminates without the lease term for the First Expansion Building Lease having commenced (the "**Building Shell Target Delivery Date**"), for the purpose of allowing Tenant to commence construction of the Tenant Improvements. The Premises Site Improvements shall be delivered to Tenant Substantially Complete not later than the date (such date being the "**Premises Site Improvements Target Delivery Date**") that the Tenant Improvements have been completed and a certificate of occupancy or other governmental authorization for the occupancy of the Premises either is issued by the City with respect thereto or otherwise would be obtainable from the City but for Landlord's failure to Substantially Complete those Premises Site Improvements required by the City to be completed for the issuance of such occupancy approval. The date that Landlord delivers the Premises Site Improvements to Tenant Substantially Complete pursuant to this Section 6.A is referred to in this Lease as the "**Site Improvements Delivery Date**". As used in this Lease, "**Phase 2B Delivery Date**" shall mean the date that is the later to occur of the Building Shell Delivery Date or the Site Improvements Delivery Date.

From and after the Building Shell Delivery Date, Tenant shall pay for all utilities and other services provided to the Premises, except for any utilities and services consumed by Landlord or Landlord's agents in connection with construction of the Premises Site Improvements. From and after the Commencement Date, Tenant shall pay Tenant's Allocable Share of all Reimbursable Operating Costs and the property management fee described in Section 20.N below. Prior to the Building Shell Delivery Date, Landlord shall pay for all utilities and other services provided to the Premises, which costs shall not be included in Reimbursable Operating Costs or otherwise subject to reimbursement from Tenant.

Except as otherwise expressly provided in this Lease, Landlord shall not be liable for any damage or loss incurred by Tenant for Landlord's failure for whatever cause to deliver possession of the Building Shell or Premises Site Improvement by the Building Shell Target Delivery Date, the Premises Site Improvements Target Delivery Date, the Outside Delivery Date (defined below) or any other date, nor shall this Lease be void or voidable on account of such failure to deliver or delay in delivery of possession of the Building Shell or Premises Site Improvements; provided that if the Phase 2B Delivery Date does not occur by the date that is ninety (90) days after the Building Shell Target Delivery Date (the "**Outside Delivery Date**"), then , in addition to any other Base Monthly Rent abatement granted

in other Sections of this Lease, the date that Tenant is otherwise obligated to commence payment of Base Monthly Rent shall be delayed one day for each day that the Phase 2B Delivery Date is delayed beyond the Outside Delivery Date, but in no event for more than ninety (90) days (such period of delay, not to exceed ninety (90) days, being the "**Free Base Monthly Rent Period**"). In addition, if the Phase 2B Delivery Date does not occur by the date that is three hundred thirty (330) days after the Building Shell Target Delivery Date (the "**Outside Delivery Termination Date**") then Tenant shall have the right to terminate this Lease without penalty or further obligation (other than with respect to obligations already accrued or which this Lease expressly states survives termination), by delivering written notice of termination to Landlord on or after the Outside Delivery Termination Date but prior to the Phase 2B Delivery Date, and upon such termination Landlord shall return to Tenant any prepaid Rent.

Any prevention, delay or stoppage due to strikes, lockouts, inclement weather, labor disputes, inability to obtain labor, materials, fuel or reasonable substitutes therefor, governmental restrictions, regulations, controls, civil commotion, fire or other act of God, Tenant Delays (defined below) and other causes beyond the reasonable control of Landlord (except Landlord's financial inability) (collectively, "**Force Majeure Events**") shall extend the Building Shell Target Delivery Date and Outside Delivery Date, by a period equal to the period of any said prevention, delay or stoppage; except however that in no event shall the Outside Delivery Termination Date be extended for a period of more than one hundred eighty (180) days due to Force Majeure Events that are not Tenant Delays. As used in this Lease, a "**Tenant Delay**" shall mean any delay in Substantial Completion of the Building Shell or the Premises Site Improvements or the Phase 2B Delivery Date as a result of any of the following: (i) any TRCs which constitute a Tenant Delay as described in Section 6.A, (ii) any other changes to any plans, materials, components or finishes requested by Tenant (other than TRCs described in (i) immediately above) which delay the progress of Landlord's work (but with no obligation on the part of Landlord to agree to any request for changes not timely made by Tenant as TRCs pursuant to Section 6.A), and (iii) any other delay in Substantial Completion of the Building Shell or Premises Site Improvements or the Phase 2B Delivery Date caused by Tenant or Tenant's Agents. Notwithstanding anything to the contrary set forth in this Lease, and regardless of the actual date the Building Shell and Premises Site Improvements are Substantially Completed or the Phase 2B Delivery Date occurs, the Commencement Date shall be deemed to be the date the Commencement Date would have occurred if no Tenant Delay had occurred as reasonably determined by Landlord. In addition, if a Tenant Delay results in an increase in the cost of labor or materials, Tenant shall pay the cost of such increases not later than thirty (30) days after demand for payment and invoices reasonably evidencing such increased costs are delivered to Tenant. Notwithstanding the foregoing, no delay (except for a TRC, any other change order requested by Tenant in writing, or Tenant's unreasonable disapproval, delay or conditioning of any consent to the extent Tenant's approval is expressly required by this Lease) shall be a Tenant Delay unless Landlord advises Tenant in writing of such delay and Tenant fails to cure such delay within two (2) business days after receipt of such written notice.

C. **Walk-through Inspection and Acceptance Agreement:**

Not later than thirty (30) days after Landlord delivers possession of the Building Shell to Tenant, and not later than thirty (30) days after Landlord delivers the Premises Site Improvements to Tenant, Landlord and Tenant shall conduct a walk-through inspection of such improvements, and provided that such improvements have been Substantially Completed (subject only to completion of Punch List Items (defined below) in accordance with the Shell Plans and the Premises Site Improvements Plans, as applicable, Landlord and Tenant shall together execute an acceptance agreement of such improvements in substantially the form attached hereto as Exhibit F, subject to prompt completion by Landlord's General Contractor of such Punch List Items specified in such statement as do not materially impair Tenant's use of the Premises for the commencement of the Tenant Improvements

(the "**Punch List Items**"). Tenant's obligation to pay Base Monthly Rent and additional rent shall not be excused or delayed because of Tenant's failure to execute or delay in executing any such acceptance agreement if the Building Shell and Premises Site Improvements have been Substantially Completed. In addition, Landlord shall use commercially reasonable efforts to cause Landlord's General Contractor to promptly correct any construction defect or other punch list item which Tenant brings to Landlord's or Landlord's General Contractor's attention within the one (1) year warranty period described below to the extent such defect or punch list item is covered by such warranty. All such work shall be performed so as to reasonably minimize the interruption to Tenant and its activities on the Premises. Landlord's General Contractor shall provide a standard contractor's warranty with respect to the Building Shell and the Premises Site Improvements for one (1) year from Substantial Completion of all such improvements. Such warranty shall exclude routine maintenance, damage caused by negligence or misuse by Tenant or Tenant's Agents, and acts of God. Landlord makes no express or implied warranty with respect to the construction of the Building Shell, Premises Site Improvements or other Project improvements.

Except as otherwise expressly provided in this Lease, the Premises shall be delivered to Tenant, and Tenant shall accept such delivery, in its then "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, express or implied, other than any which may be expressly contained in this Lease, and with no obligation on the part of Landlord to perform any other work (other than such work as this Lease expressly states must be performed by Landlord during the Lease Term).

D. Tenant Improvement Construction:

Landlord shall have no obligation to perform tenant improvement work with respect to the Premises. All initial tenant improvements which Tenant desires to install in the Building (the "**Tenant Improvements**") shall be constructed by Tenant in accordance with plans and specification reasonably approved by Landlord and the requirements of this Section 6.D and Article 8 below, at Tenant's sole cost, subject to Landlord's obligation to provide a Work Allowance pursuant to Section 6.E below. When Tenant's final plans and specifications for the Tenant Improvements have been approved by Landlord and the City, such plans and specifications (the "**Tenant Improvements Plans**") shall be identified in an exhibit which shall be attached to this Lease as Exhibit G. The Tenant Improvements Plans shall incorporate all details and work necessary for the issuance of building permits for the Tenant Improvements, and for the issuance of a certificate of occupancy or other governmental authorization for the occupancy of the Premises once the Tenant Improvements have been completed, including without limitation all floor coverings, adequate lighting, and adequate electrical and mechanical distributions. Tenant shall have the right, at Tenant's sole discretion, to bid the construction of the Tenant Improvements to three (3) general contractors inclusive of the Landlord's General Contractor. The architect and general contractor involved in the design and construction of the Tenant Improvements shall be subject to Landlord's prior written approval, not to be unreasonably withheld, conditioned or delayed. All Tenant Improvements shall be constructed by Tenant in accordance with the plans and specification approved by Landlord (not to be unreasonably withheld, conditioned or delayed), and shall be consistent with Class A construction and quality, provided however, that the foregoing shall not require Tenant to comply with any particular LEED or similar voluntary green building certification except to the extent required by the City or any other governmental authority having jurisdiction, but in no event shall any Tenant Improvements or other Alterations performed by Tenant adversely affect the Building Shell's LEED Gold equivalence or any LEED certification that Landlord may obtain for the Building Shell. All Tenant Improvements are subject to Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. The process for approval and disapproval of Tenant's plans and specifications for the Tenant Improvements is additionally described in Section 8.A below. Prior to commencement of the Tenant Improvements, Tenant shall deliver to Landlord evidence reasonably satisfactory to Landlord of

the insurance required of Tenant and its contractors. All Tenant Improvements shall be completed not later than twenty four (24) months after the Commencement Date, subject to extension for any prevention, delay or stoppage due to strikes, lockouts, inclement weather, labor disputes, inability to obtain labor, materials, fuel or reasonable substitutes therefor, governmental restrictions, regulations, controls, civil commotion, fire or other act of God, and other causes beyond the reasonable control of Tenant (except Tenant's financial inability) ("**Tenant's Force Majeure Events**").

The Tenant Improvements shall not be removed or altered by Tenant except as provided in Section 7.A and Article 8 below. Tenant shall have the right to depreciate and claim and collect any investment tax credits for the Tenant Improvements during the Lease Term to the extent paid for by sources other than the Work Allowance. Landlord shall retain all rights to depreciate or claim tax credits to the extent of the Work Allowance paid by Landlord. Upon expiration of the Lease Term or any earlier termination of the Lease, the Tenant Improvements shall become the property of Landlord and shall remain upon and be surrendered with the Premises, and title thereto shall automatically vest in Landlord without any payment therefore, except to the extent Tenant is required to remove them pursuant to other provisions of this Lease.

E. **Tenant Improvement Costs:**

Landlord agrees to provide Tenant a work allowance to be utilized by Tenant in accordance with this Lease for the hard and soft costs of the design (but not Tenant's initial space planning), permitting, management, planning (but not Tenant's initial space planning) and construction of the Tenant Improvements, in an amount equal to Sixty Three Dollars ($63) per total rentable square foot of Premises (measured as described in Section 4.B above) (the "**Work Allowance**"), subject to this Section 6.E below. When the rentable square footage of the Premises has been determined pursuant to Section 4.A above, the Parties shall confirm in writing the amount of the Work Allowance.

Tenant shall also have the right to increase the Work Allowance by an amount not to exceed Thirty Dollars ($30) per rentable square foot of Premises, by delivering written notice of such election stating the amount of increase it wants (the "**Allowance Increase Notice**"), not later than one hundred twenty (120) days after the Building Shell Delivery Date (the "**Additional Allowance Election Period**"). If Tenant fails to deliver the Allowance Increase Notice to Landlord within the Additional Allowance Election Period, the Work Allowance shall not be increased. If, however, Tenant does deliver the Allowance Increase Notice to Landlord within the Additional Allowance Election Period, then the Work Allowance shall be increased by the amount specified by Tenant, but in no event by more than Thirty Dollars ($30) per rentable square foot of the Premises. The amount by which the Work Allowance is increased pursuant to this paragraph above is referred to in this Lease as the "**Work Allowance Increase**". If the Work Allowance is increased by Tenant pursuant to this Section 6.E above, then as consideration for Landlord providing such Work Allowance Increase to Tenant, the amount of the Work Allowance Increase provided by Landlord shall be amortized on a monthly basis over all full calendar months of the Initial Lease Term with an interest rate thereon of seven percent (7%) per annum, and each such monthly payment of amortization and interest (collectively, the "**Amortization Rent**") shall be paid by Tenant to Landlord as additional rent, commencing on the first day of the first (1st) full calendar month of the Lease Term, notwithstanding the twelve (12) months of abatement described in Section 4.B above or any other abatement period under this Lease, and continuing on the first (1st) day of each calendar month thereafter throughout the remaining Initial Lease Term. For illustration purposes, if Tenant timely elects to increase the Work Allowance by Twenty Dollars ($20), and the Initial Lease Term is one hundred sixty eight (168) full calendar months, then the Amortization Rent shall be Nineteen Cents ($0.19) per rentable square foot of Premises per month. If this Lease terminates for any reason before the expiration of the Initial Lease Term, the unpaid Amortization Rent which has not been paid by Tenant to Landlord as of the termination date pursuant to the foregoing provisions of this Section 6.E shall become

immediately due and payable as unpaid rent which has been earned as of such termination date and Landlord shall be entitled to the immediate payment of such Amortization Rent. Amortization Rent shall not be subject to proration, abatement or reduction for any reason, notwithstanding any proration, abatement or reduction for Base Monthly Rent or any other amount due under this Lease for any reason.

Tenant shall pay all costs associated with the Tenant Improvements, subject to Landlord's obligation to provide the Work Allowance pursuant to this Section 6.E. The cost of the Tenant Improvements for which the Work Allowance may be utilized by Tenant ("**Work Allowance Costs**") shall consist of only the following to the extent actually incurred or paid by Tenant in connection with the design (but not Tenant's initial space planning), permitting, management, planning (but not Tenant's initial space planning) and construction of the Tenant Improvements to its unaffiliated third party general contractor ("**Tenant's General Contractor**"), architects, designers and suppliers for the Tenant Improvements; the fees of Tenant's General Contractor, architects, designers, project managers and suppliers; materials, labor and other construction costs; governmental permit fees, construction taxes or other costs imposed by governmental authorities related to the Tenant Improvements. In no event shall the Work Allowance be used for Tenant's furniture, trade fixtures, telephone and other office equipment, personal property, or cabling/wiring/telecommunication costs. The Work Allowance shall be paid by Landlord to the third parties entitled to payment in accordance with this Section 6.E below. Until final determination of the rentable square footage of the Premises pursuant to Section 4.A above, the Work Allowance shall be computed and disbursed based on an assumed rentable square footage of two hundred forty one thousand one hundred (241,100). Upon final determination of the rentable square footage of the Premises pursuant to Section 4.A above, the total Work Allowance and amount of prior disbursements shall be recomputed based on such final rentable square footage, and in such event (i) any overpayments of Landlord's share of the Work Allowance as of the date of such determination shall be paid by Tenant to Landlord not later than thirty (30) days after the amount of such overpayment is determined and Tenant is notified of such amount, and (ii) any underpayments of Landlord's share of the Work Allowance as of the date of such determination shall be paid by Landlord to Tenant not later than thirty (30) days after the amount of such underpayment is determined. Subject to the foregoing, during the course of design and construction of the Tenant Improvements, but not more than once in any calendar month, if Tenant desires a disbursement of the Work Allowance, Tenant and Tenant's General Contractor shall deliver to Landlord the following (the "**Disbursement Documentation**"): (i) a written request for disbursement, setting forth the amount requested for disbursement ("**Disbursement Request**"); (ii) a schedule of values allocating costs to the various portions of the Tenant Improvements for which disbursement is sought, in form and content reasonably satisfactory to Landlord, and which shall substantiate that the full amount requested for disbursement has been incurred or expended by Tenant for those Tenant Improvements for which the Work Allowance may be utilized; (iii) evidence of costs incurred of all amounts owed to the applicable third party, in form reasonably acceptable to Landlord, (iv) conditional lien releases, in form and content reasonably satisfactory to Landlord, from Tenant's General Contractor and all subcontractors, material suppliers and other persons or entities providing work or materials for which the current Disbursement Request relates, (v) unconditional lien releases, in form and content reasonably satisfactory to Landlord, from Tenant's General Contractor and all subcontractors, material suppliers and other persons or entities providing work or materials for which prior disbursements were made from the Work Allowance, to the extent not already delivered to Landlord; and (vi) invoices, vouchers, statements, affidavits and/or other documents in a form reasonably acceptable to Landlord which substantiate and justify the disbursement requested. Within thirty (30) days after Landlord's receipt of the Disbursement Request and Disbursement Documentation, Landlord shall pay directly to the third (3rd) party entitled to payment (but subject to the next sentence) an amount equal to the lesser of the

undisbursed portion of the Work Allowance or the following: an amount equal to the product of (i) the amount requested for disbursement, and (ii) the lesser of (x) one (1) or (y) a fraction, the numerator of which is the total amount of the Work Allowance and the denominator of which is the total cost of the Tenant Improvements as evidenced by the contracts entered into between Tenant and Tenant's General Contractor, architects, designers and suppliers (all of which contracts shall be delivered to Landlord as a condition precedent to Landlord's obligation to make the first disbursement of the Work Allowance) for the Tenant Improvement work, until such time as Landlord has expended the full amount of the Work Allowance. Notwithstanding the foregoing, to the extent the amount requested for reimbursement has already been paid by Tenant to the third party entitled to payment, and evidence reasonably satisfactory to Landlord of such payment has been delivered to Landlord, Landlord agrees to reimburse Tenant directly for the amount paid by Tenant to the third party.

If following completion of the Tenant Improvements and payment of Landlord's share of Work Allowance Costs in accordance with this Section 6.1E above there are any un-disbursed Work Allowance funds, Tenant shall not be entitled to any further disbursements of such funds and shall not be entitled to any credit with respect to such funds. If any portion of the Work Allowance is not properly requested as of the date that is twenty four (24) months after the Commencement Date (which date shall be extended by the amount of time of delay caused by Tenant's Force Majeure Events), then as to those remaining funds for which the required Disbursement Documentation has not been submitted to Landlord, Tenant shall not be entitled to any further disbursements of such funds and shall not be entitled to any credit with respect to such funds. All Work Allowance Costs shall be fully documented to and subject to reasonable verification by Landlord. Notwithstanding the foregoing Landlord shall not be required make any disbursements of the Work Allowance during any period when Tenant is in material default under this Lease beyond any applicable cure period expressly granted in this Lease.

F. **Space Plan Allowance:**

In addition to the Work Allowance, Landlord shall reimburse Tenant for the space planning expenses paid by Tenant for the development of a preliminary space plan for the Premises, not to exceed Thirty Six Thousand One Hundred Sixty Five Dollars ($36,165) (the "**Space Plan Allowance**"), not later than thirty (30) days following Landlord's receipt of a complete copy of such space plans (which Landlord shall have the right to retain), request for payment and documentation reasonably acceptable to Landlord evidencing the amount paid by Tenant for such preliminary space plan, provided that Landlord and Landlord's architect are allowed to review and provide comments to such preliminary space plans (the fees of Landlord's architect for such services to be paid for by Landlord). If any portion of the Space Plan Allowance is not properly requested as of the date that is twenty four (24) months after the Commencement Date (which date shall be extended by the amount of time of delay caused by Tenant's Force Majeure Events), then as to those remaining funds for which request for payment and supporting documentation has not been submitted to Landlord, Tenant shall not be entitled to any further disbursements of such funds and shall not be entitled to any credit with respect to such funds. Notwithstanding the foregoing Landlord shall not be required to make any disbursements of the Space Plan Allowance during any period when Tenant is in material default under this Lease beyond any applicable cure period expressly granted in this Lease

G. Construction Related Accessibility Standards Notice:

In accordance with California Civil Code Section 1938, Landlord hereby notifies Tenant that, except to the extent known by or previously disclosed to Tenant, as of the Effective Date Landlord has no actual knowledge of the Premises having been inspected by a Certified Access Specialist (CASp). The following notice is also hereby inserted pursuant to California Civil Code Section 1938(e): "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable

construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." The notice set forth in the prior sentence is not intended to modify Landlord's or Tenant's respective obligations expressly set forth in this Lease. As used in this Lease, a "**Certified Access Specialist**" or "**CASp**" means any person who has been certified by the State of California as such pursuant to applicable California law (including without limitation Section 4459.5 of the California Government Code). Notwithstanding this Section 6.G above or anything to the contrary contained in this Lease, Landlord and Tenant hereby agree and acknowledge that, if Tenant desires to obtain a CASp inspection, it shall be limited to an inspection of the Premises, and in addition:

(a) Tenant shall provide Landlord with not less than ten (10) business days prior written notice of its desire to conduct such CASp inspection ("**Tenant's CASp Inspection**"), identifying the date that such inspection will occur, and identifying the CASp that will conduct the inspection and providing evidence reasonably satisfactory to Landlord that the CASp is licensed and certified as a Certified Access Specialist in accordance with applicable Laws. Landlord shall have the right to, among other things, have one (1) or more Landlord representatives present during such inspection. Subject to the foregoing, Tenant shall coordinate Tenant's CASp Inspection with Landlord before the inspection is conducted.

(b) Tenant shall (x) provide Landlord with a copy of any and all findings, reports and/or other materials provided by the CASp performing Tenant's CASp Inspection (collectively, "**Tenant's CASp Report**") not later than two (2) business days following Tenant's receipt thereof, (y) at all times maintain (and cause to be maintained) Tenant's CASp Report and its findings (and any and all other materials related thereto) confidential and (z) pay for Tenant's CASp Inspection and Tenant's CASp Report prior to delinquency at Tenant's sole cost and expense. If Tenant receives a disability access inspection certificate, as described in subdivision (e) of California Civil Code Section 55.53, in connection with or following Tenant's CASp Inspection, then Tenant shall cause such certificate to be provided to Landlord not later than two (2) business days after received by Tenant.

(c) If Tenant's CASp Report identifies any violation(s) of applicable construction-related accessibility standards ("**CASp Violation(s)**"), then not later than two (2) business days after Tenant's receipt of Tenant's CASp Report, Tenant shall provide written notice to Landlord of any and all such CASp Violation(s). In such event, but only to the extent such violations are not the direct result of the Building Shell or Premises Site Improvements not having been originally constructed in accordance with Laws in effect and applicable to the Building Shell or Premises Site Improvements, as applicable, as of such original construction, Tenant shall, at Tenant's sole cost and expense, perform, or cause to be performed, all repairs, modifications and/or other work necessary to correct such CASp Violation(s) (such repairs, modifications and/or other work being collectively referred to herein as "**Tenant's CASp Work**", and Tenant's CASp Work also constituting Alterations (defined in Section 8.A) under this Lease; provided however, that to the extent such CASp Violation(s) are the direct result of the Building Shell or Premises Site Improvements not having been constructed in accordance with Laws in effect and applicable to the Building Shell or Premises Site Improvements, when the Building Shell or Premises Site Improvements, as applicable, were originally constructed, Landlord shall, at Landlord's sole cost and expense perform, or cause to be performed, all repairs, modifications and/or other work necessary to correct such CASp Violation(s). Tenant shall work diligently to prepare all plans and specifications required for

Tenant's CASp Work, to obtain Landlord's approval of Tenant's CASp Work and to obtain all permits required for Tenant's CASp Work, and to thereafter commence (or cause the commencement of) Tenant's CASp Work in accordance with the terms and conditions set forth in this Lease relating to Tenant's Alterations. Tenant shall diligently prosecute (or cause to be diligently prosecuted) to completion all of Tenant's CASp Work in a lien free, good and workmanlike manner, and, promptly following completion, obtain and deliver to Landlord an updated CASp Report ("**Tenant's Updated CASp Report**") showing that the Premises then comply with all applicable construction-related accessibility standards. Any and all costs and expenses associated with Tenant's CASp Work and/or Tenant's Updated CASp Report shall be at Tenant's sole cost and expense. The preceding to the contrary notwithstanding, if Tenant's CASp Report identifies any CASp Violation(s), Landlord may, at Landlord's option, perform, or cause to be performed by any of Landlord's agents, employees, contractors or consultants, the Tenant's CASp Work necessary to correct such CASp Violation(s) at Tenant's expense, the entire cost of which shall be paid by Tenant to Landlord not later than thirty (30) days following Tenant's receipt of a written invoice from Landlord.

Without limiting the generality of the foregoing, Tenant hereby agrees and acknowledges that Tenant assumes all risk of, and agrees that Landlord shall not be liable for, any and all loss, cost, damage, expense and liability (including, without limitation, court costs and reasonable attorneys' fees) sustained as a result of the Premises not having been inspected by a CASp. To the fullest extent permitted by law, Tenant hereby (A) waives and disclaims any objection to, cause of action based upon, or claim that its obligations hereunder should be reduced or limited as a result of, the lack of any CASp inspection of the Premises, and (B) agrees and acknowledges that the lack of such inspection shall in no event diminish or reduce Tenant's obligations under this Lease.

7. **COVENANTS TO SURRENDER:**

A. Surrender:

Tenant agrees on the Expiration Date or sooner termination of this Lease (whichever is earlier), to surrender the Premises to Landlord in broom clean and good condition, order and repair, normal wear and tear and casualty (subject to Section 16 below) excepted. In this regard, "normal wear and tear" shall be construed to mean wear and tear caused to the Premises by the natural aging process which occurs in spite of prudent application of commercially reasonable standards (from a landlord's perspective) for maintenance, repair, replacement, and janitorial practices, and does not include items of neglected or deferred maintenance. In any event, Tenant shall cause the following to be done prior to the Expiration Date or sooner termination of this Lease (whichever is earlier) to the extent Tenant is not required to remove any of the following pursuant to other provisions of this Lease: (i) all interior walls shall be cleaned, (ii) all tiled floors shall be cleaned, (iii) all carpets shall be cleaned, (iv) all broken, marred, stained or nonconforming acoustical ceiling tiles shall be replaced, (v) all cabling placed above the ceiling by Tenant or Tenant's contractors shall be removed, (vi) [intentionally deleted], (vii) the HVAC system shall be serviced by a reputable and licensed service firm and left in good operating condition and repair, which condition shall also be so certified by such firm, and (viii) the plumbing and electrical systems and lighting shall be placed in good order and repair (including replacement of any burned out, discolored or broken light bulbs, ballasts, or lenses). On or before the Expiration Date or sooner termination of this Lease (whichever is earlier), Tenant shall remove all its personal property and trade fixtures from the Premises. All property and trade fixtures not so removed shall be deemed to have been abandoned by Tenant. As to Alterations for which Landlord's consent was not obtained, Tenant shall ascertain from Landlord not more than one (1) year and not less than ninety (90) days before the Expiration Date or sooner termination of this Lease (whichever is earlier) whether Landlord desires to have any Alterations made by Tenant (as defined in Section 8 below) removed and the Premises or any parts thereof restored to the condition

existing prior to the making of such Alteration, with any upgrades or revisions required to comply with all applicable building codes and other Laws in effect at the time of such removal and restoration to the extent such compliance is necessitated by the removal, repair and restoration work, or to cause Tenant to surrender all Alterations in place to Landlord. In addition, if at the time Tenant obtains Landlord's consent to any Alterations Landlord advises Tenant that any Alterations must be removed, then Tenant shall be required to surrender the Premises on the Expiration Date or sooner termination of the Lease (whichever is earlier) with such Alterations removed and the Premises restored to the condition existing prior to the making of such Alteration, with any upgrades or revisions required to comply with all applicable building codes and other Laws in effect at the time of such removal and restoration to the extent such compliance is necessitated by the removal, repair and restoration work; but if at the time Tenant obtains Landlord's consent to an Alteration Landlord fails to advise Tenant that such Alteration must be removed then Tenant shall not be required to remove such Alteration. Tenant's repair and restoration obligation shall include causing the Premises to be brought into compliance with all applicable building codes and other Laws in effect at the time of the removal, repair and restoration to the extent such compliance is necessitated by the removal, repair and restoration work. The foregoing provisions relating to Alterations for which Landlord's consent was not obtained shall in no event be construed as giving Tenant the right to do any Alterations without Landlord's consent (except as otherwise expressly provided in Section 8 below). Notwithstanding this Section 7.A above, in no event shall Tenant be required to remove any elements of the Tenant Improvements, or any other Alterations that were consented to by Landlord, that are typical of an open interior office plan. For purposes of this Lease, an open interior office plan means (i) offices and conference rooms, with not more than fifty percent (50%) in the aggregate of the rentable square footage of the Building on each floor of the Building (not including roof deck) being offices that are partitioned, enclosed or built out (other than open workspace cubicles which are not hard wall construction) or conference rooms that are partitioned, and (ii) not more than five percent (5%) in the aggregate of the rentable square footage of the Building on each floor of the Building (not including roof deck) being offices on the exterior window line (which window line offices shall be included in the calculation of the fifty percent (50%) aggregate threshold described in item (i) immediately above).

B. **Failure to Surrender:**

If Tenant remains in possession of the Premises after the Expiration Date or sooner termination of this Lease (whichever occurs earlier) without Landlord's consent, or fails to surrender the Premises on the Expiration Date or sooner termination of this Lease (whichever occurs earlier) in the condition required by this Lease, such hold over or failure shall not constitute a renewal or extension of the Lease Term. Tenant's continued possession shall be on the basis of a tenancy at sufferance, and Tenant shall be liable to Landlord for the reasonable rental value of the Premises (which shall be deemed to be one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding the Expiration Date or termination of this Lease (whichever occurs earlier), as applicable (without regard to temporary abatements then in effect)) plus all other amounts payable by Tenant under this Lease, subject to the last paragraph of this Section 7.B below. In addition, if Tenant holds over without Landlord's consent or fails to surrender the Premises at expiration or sooner termination of this Lease in the condition required by this Lease, Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord, and hold Landlord and Landlord's trustees, beneficiaries, shareholders, directors, officers, members, employees, partners, affiliates, agents, successors and assigns (collectively "**Landlord Related Parties**") harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) resulting from delay by Tenant in timely surrendering the Premises in the required condition, including without limitation all lost rents, lost profits and lost or delayed business opportunities (including without limitation those relating to any delay or

prevention in Landlord's ability to redevelop all or any portion of the project of which the Premises is a part), and Landlord shall be entitled to all other rights and remedies available to a landlord against a tenant wrongfully holding over after the expiration or termination of the term of a lease without the landlord's consent. If Tenant holds over after the expiration or sooner termination of this Lease with Landlord's consent, such holding over shall be construed as a month to month tenancy, at one hundred twenty five percent (125%) of the Base Monthly Rent for the month preceding the Expiration Date or termination of this Lease (whichever occurs earlier) (without regard to temporary abatements then in effect) for the first ninety (90) days of hold over, and one hundred fifty percent (150%) of the Base Monthly Rent for the month preceding the Expiration Date or termination of this Lease (whichever occurs earlier) (without regard to temporary abatements then in effect) starting on the ninety first (91st) day of holdover, in addition to all other rent due under this Lease, and shall otherwise be on the terms and conditions of this Lease, except for the following: those provisions relating to the Lease Term to the extent inconsistent with a month to month tenancy, any provisions requiring Landlord to perform any Landlord's Work or install any Tenant Improvements or otherwise relating to the delivery of the Premises to Tenant, or pay any work allowances, space planning allowance or grant any free rent or other concessions and any options or rights to extend or renew this Lease or to purchase any portion of the Project, which provisions shall be of no further force and effect. Notwithstanding this Section 7.B above, if Tenant surrenders the Premises to Landlord but it is not in the condition required by this Lease, Tenant shall be deemed in holdover without Landlord's consent only so long as it would reasonably take for Landlord to perform such work as is necessary to render the Premises in the required condition. All hard and soft costs incurred by Landlord in connection with such work shall be paid for by Tenant to Landlord not later than thirty (30) days after demand for payment is delivered to Tenant, which obligation shall survive the expiration or sooner termination of this Lease. This Section 7.B shall survive the termination or expiration of the Lease.

Notwithstanding this Section 7.B above, if Tenant surrenders the Premises at expiration or sooner termination of this Lease, but the Premises is not in the condition required by this Lease, Tenant shall not be required to pay one hundred and fifty percent (150%) of Base Monthly Rent as described above for a period not to exceed thirty (30) days immediately after the expiration or sooner termination of this Lease, and instead of such increased Base Monthly Rent shall pay Base Monthly Rent in the amount applicable immediately before such holdover (without regard to temporary abatements then in effect), if and only if (i) the cost to perform the work to render the Premises in the required condition is less than Two Hundred Fifty Thousand ($250,000), (ii) Tenant shall not be relieved of its obligation to perform the work necessary to render the Premises in the required condition, and (iii) such work is unrelated to any Hazardous Materials condition. Notwithstanding that Tenant may be relieved of the obligation to pay increased Base Monthly Rent during the thirty (30) day period described in the immediately prior sentence, following the surrender of the Premises to Landlord pursuant to the immediately prior sentence, Tenant shall not be relieved of any other liability to Landlord resulting from such default, and no notice or cure period shall apply with respect thereto.

8. ALTERATIONS & ADDITIONS:

A. General Provisions:

Except as otherwise expressly provided in this Section 8.A, Tenant shall not make, or suffer to be made, any alteration or addition to the Premises ("**Alterations**"), or any part thereof, without obtaining Landlord's prior written consent (not to be unreasonably withheld, conditioned or delayed) and delivering to Landlord the proposed architectural and structural plans for all such Alterations at least fifteen (15) days prior to the start of construction. If Landlord's consent is required for such Alterations, Landlord shall have a period of ten (10) business days after delivery of Tenant's request for approval and the plans for Alterations. Landlord's failure to grant or withhold its consent to any Alterations within ten (10) business days after receipt of Tenant's request for approval and

all required plans therefor shall be deemed to constitute Landlord's disapproval of same; provided, however that if after such ten (10) business day period Tenant delivers another written notice to Landlord requesting consent to the proposed Alterations, such notice states that it is a second notice as to which if Landlord does not respond within five (5) business days Landlord will be deemed to have granted its consent, then if Landlord fails to respond to Tenant within five (5) business days after delivery of the second notice Landlord shall be deemed to have consented to the proposed Alterations. All Tenant Improvements shall also constitute Alterations under this Lease. If such Alterations affect the structure of the Building, Tenant additionally agrees to reimburse Landlord its reasonable out-of-pocket costs incurred in reviewing Tenant's plans. After obtaining Landlord's consent, Tenant shall not proceed to make such Alterations until Tenant has obtained all required governmental approvals and permits, and if the costs of the Alterations will exceed Five Million Dollars ($5,000,000) in the aggregate and at the time of the proposed Alterations Tenant does not have cash and cash equivalents, short term investments and long term investments, in the aggregate, of Seven Hundred Fifty Million Dollars ($750,000,000) or more, then Landlord may require Tenant to provide Landlord reasonable security, in form reasonably approved by Landlord, to protect Landlord against mechanics' lien claims, before commencing such work; provided, however, that Tenant shall not be required to provide any security in connection with the Tenant Improvements. Tenant agrees to provide Landlord (i) not less than fifteen (15) days prior written notice of the anticipated and actual start-date of the work, (ii) a complete set of half-size (15" X 21") vellum as-built drawings, and (iii) a certificate of occupancy, or other final government approval if the City does not issue certificates of occupancy, for the work upon completion of the Alterations. All Alterations shall be constructed by a licensed general contractor reasonably acceptable to Landlord in compliance with all applicable Laws including, without limitation, all building codes, Sustainability Requirements and the Americans with Disabilities Act of 1990 as amended from time to time. All Alterations shall be designed and constructed in such a manner as to not negatively affect any LEED equivalency or LEED certification for the Building Shell. Upon the Expiration Date or termination of this Lease (whichever occurs earlier), all Alterations, except movable furniture and trade fixtures, shall become a part of the realty and belong to Landlord, except to the extent Tenant is required to remove Alterations pursuant to this Section or Section 7.A above. Alterations which are not to be deemed trade fixtures include heating, lighting, electrical systems, air conditioning, walls, carpeting, or any installation which has become an integral part of the Premises. All Alterations shall be maintained, replaced or repaired by Tenant at its sole cost and expense. In no event shall Landlord's approval of, or consent to, any architect, contractor, engineer or other consultant or professional, any Alterations, or any plans, specifications and drawings for any Alterations constitute a representation or warranty by Landlord of (i) the accuracy or completeness of the plans, specifications, drawings and Alterations or the absence of design defects or construction flaws therein, or the qualification of any person or entity, or (ii) compliance with applicable Laws, and Tenant agrees that Landlord shall incur no liability by reason of such approval or consent. Once any Alterations begin, Tenant shall diligently and continuously pursue their completion. Notwithstanding the foregoing, Tenant may, without Landlord's prior written consent, make non-structural Alterations to the Premises which do not affect the structure, roof or Building systems and are not visible from outside the Building, provided that (i) such Alterations do not exceed Five Hundred Thousand Dollars ($500,000) aggregate per contract, and do not exceed Three Million Dollars ($3,000,000) aggregate in a calendar year, and (ii) Tenant otherwise complies with the provisions of this Lease relating to Alterations. Tenant's trade fixtures, furniture, office equipment (including servers and related equipment) and other personal property installed in the Premises shall at all times be and remain the property of Tenant (unless deemed abandoned as provided elsewhere in this Lease), and may be removed by Tenant at any time during the Lease Term provided that Tenant repairs all damage caused by such removal.

B. Free From Liens:

Tenant shall keep the Premises free from all liens arising out of work performed, materials furnished, or obligations incurred by Tenant or claimed to have been performed for or furnished to Tenant. In the event Tenant fails to discharge any such lien within fifteen (15) days after receiving notice of the filing, Landlord shall immediately be entitled to discharge the lien at Tenant's expense and all resulting costs incurred by Landlord, including reasonable attorney's fees shall be due immediately from Tenant as additional rent.

C. Compliance With Governmental Regulations:

The term "Laws" or "**Governmental Regulations**" shall mean all federal, state, county, city or governmental agency laws, statutes, ordinances, codes, standards, rules, requirements, regulations, Sustainability Requirements or orders now in force or hereafter enacted, promulgated, or issued. The term also includes government measures regulating or enforcing public access, traffic mitigation, occupational, health, or safety standards for employers, employees, landlords, or tenants. Except as expressly provided in Section 6.G above, Tenant, at Tenant's sole expense shall comply with all such Governmental Regulations applicable to the Premises or the Tenant's use of the Premises and shall make all repairs, replacements, alterations, or improvements necessary to comply with said Governmental Regulations. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant (whether Landlord be a party thereto or not) that Tenant has violated any such law, regulation or other requirement in its use of the Premises shall be conclusive of that fact as between Landlord and Tenant. Tenant's obligations pursuant to this Section 8.C shall include, without limitation, maintaining and restoring the Premises and making structural and nonstructural alterations and additions to the Premises, Building and Common Area in compliance and conformity with all Laws and recorded documents to the extent required because of Tenant's particular use of the Premises or any work or Alteration made by or on behalf of Tenant during the Lease Term or any breach of Tenant's obligations under this Lease. The foregoing shall include, without limitation, compliance with and improvements required by the Americans With Disabilities Act or any similar Laws, as they may be amended from time to time. Landlord's approval of any Alteration or other act by Tenant shall not be deemed to be a representation by Landlord that said Alteration or act complies with applicable Laws, and Tenant shall remain solely responsible for said compliance.

Notwithstanding anything contained herein to the contrary, if during the last three (3) years of the Lease Term (without regard to Options not yet exercised) any improvement or alteration to the Premises is required as a result of any newly enacted future Laws or any changes in Laws in effect as of the Effective Date affecting the Premises and is not triggered by Tenant's particular use of the Premises and is not required because of Alterations made by Tenant or by breach of Tenant's obligations under this Agreement or by Tenant having caused any Casp Inspection to be performed, and the cost of such work is reasonably estimated by Tenant and Landlord to be Two Hundred Sixty Two Thousand Dollars ($262,000) or more, then Landlord shall perform such work and the cost of such improvements shall be allocated between Landlord and Tenant, and Tenant shall only be obligated to pay, each month during the remainder of the Lease Term (including any extensions or hold over period) after such improvements are made or such costs are incurred, on the date on which Monthly Base Rent is due, an amount equal to the product obtained by multiplying the cost of such work by a fraction, the numerator of which is one, and the denominator of which is the anticipated useful life (in months) of the improvement, together with interest thereon at the Agreed Interest Rate.

D. Insurance Requirements:

Tenant or its contractors shall maintain during the course of construction of Alterations, at Tenant's sole cost and expense, builders' risk insurance for the amount of the completed value of the Alterations on an all-risk non-reporting form covering all improvements under

construction, including building materials, and other insurance in amounts and against such risks as Landlord shall reasonably require in connection with the Alterations. In addition to and without limitation on the generality of the foregoing, Tenant shall ensure that its contractors procure and maintain in full force and effect during the course of construction a "broad form" commercial general liability and property damage policy of insurance naming Landlord, any property manager designated by Landlord and Landlord's lenders and any affiliates of Landlord that are designated by Landlord from time to time as additional insureds. The minimum limit of coverage of the aforesaid policy shall be in the amount of not less than Five Million Dollars ($5,000,000.00) per occurrence and Five Million Dollars ($5,000,000.00) annual aggregate, and shall contain a severability of interest clause or a cross liability endorsement. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit. In no event shall the amount or type of insurance maintained or required to be maintained by Tenant or any of its contractors under this Lease in any way limit Tenant's liability under this Lease, including without limitation any indemnification, defense or hold harmless provision in favor of Landlord under this Lease.

E. **Rooftop Rights.**

Tenant shall have the non-exclusive right, in common with Landlord and other tenants of the Building (except other tenants shall not be permitted to install any antennae, equipment or dish on the Roof Deck), upon prior written approval by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed), and at Tenant's sole cost and expense (and not as a Work Allowance Cost), to install and operate a satellite antennae or dish on the top of the Building, provided that (i) Tenant has obtained all governmental approvals required with respect to the installation and use of such equipment, (ii) such installation shall be performed by a licensed contractor in a good and workmanlike manner, and in a manner that does not invalidate any roof or other warranties, (iii) such equipment shall be installed in locations reasonably acceptable to Landlord, (iv) such equipment shall be screened in a manner reasonably acceptable to Landlord, (v) all such equipment shall be removed from the Building, and all damage cause by such removal shall be repaired, by Tenant not later than the expiration or sooner termination of this Lease and (vi) Tenant otherwise complies with all of the requirements in this Lease as it relates to Alterations. Tenant, at its sole cost and expense shall promptly repair any and all damage to the roof or equipment located thereon or any other portion of the Building, including any needed replacements resulting from the activities of Tenant or Tenant's Agents, including without limitation, all roof leaks and damage to flashing, roof membrane, parapet walls, roof top equipment and materials.

9. **MAINTENANCE OF PREMISES:**

A. **Landlord's Obligations:**

Landlord at its sole cost and expense, shall maintain in good condition, order, and repair, and replace as and when necessary, subject to Section 16 below, the structural components of the Building, which consists of the foundation, exterior load bearing walls and roof structure, the structural components of the Bridgeways if the Bridgeways are constructed, and the structural components of the Phase 2 Parking Structure, except that the cost to repair any damage caused by Tenant or Tenant's Agents shall be paid for by Tenant to the extent the cost of repair is not fully paid to Landlord from available insurance proceeds.

B. **Tenant's Obligations:**

Except for those items described in Section 9.A above which are required to be maintained and repaired by Landlord or as described in this Section 9.B below, Tenant shall clean, maintain in good condition, order, and repair, and repair and replace when necessary the Building, the Roof Deck, and every part thereof through regular inspections and servicing, including but not limited to the following to the extent Landlord does not elect to maintain the same as Reimbursable Operating Costs (as defined in

Section 9.C below): (i) all plumbing and sewage facilities, (ii) all heating ventilating and air conditioning facilities and equipment, (iii) all fixtures, interior walls, floors, carpets and ceilings, (iv) all windows, door entrances, plate glass and glazing systems including caulking, and skylights other than washing of exterior surfaces of Building exterior window, (v) all electrical facilities and equipment, (vi) all automatic fire extinguisher equipment, (vii) all elevator equipment, (viii) the roof membrane system, and (ix) as described in Section 6.A above, the Bridgeways. All wall surfaces and floor tile are to be maintained in good condition and repair, normal wear and tear and casualty excepted (subject to Section 16 below). With respect to items (ii), (vii) and (viii) above, Tenant shall provide Landlord a copy of a service contract between Tenant and a licensed service contractor providing for periodic maintenance of all such systems or equipment in conformance with the manufacturer's recommendations. Tenant shall provide Landlord a copy of such preventive maintenance contracts and paid invoices for the recommended work if requested by Landlord. To the extent that any item in (i) through (viii) above is determined by Landlord to be for the benefit of more than one (1) tenant or occupant of the Building or Project, Landlord may assume the obligation to clean, maintain, repair and replace the same as Reimbursable Operating Costs (as defined in Section 9.D below) and Tenant shall during the period of such assumption have no obligation to clean, maintain, repair or replace such item.

Notwithstanding this Section 9.B above, if Tenant determines that any Building components located in or servicing the Premises which Tenant is required to repair (other than Tenant Improvements or Alterations or work required of Tenant to comply with applicable Laws pursuant to Section 8.C) are in need of material repair or replacement, and (i) the cost of such repair replacement is in excess of Twenty Five Thousand Dollars ($25,000), and (ii) the material repair or replacement constitutes a capital cost under generally accepted accounting principles, then Tenant shall notify Landlord of same in writing. If Tenant notifies Landlord of the foregoing pursuant to the prior sentence, then Landlord shall cause such repair or replacement (whether an item is repaired or replaced shall be determined by Landlord in its reasonable discretion) to be made, subject to reimbursement by Tenant as follows: The entire cost incurred by Landlord with respect to such work, together with interest thereon at the Agreed Interest Rate, shall be amortized over the useful life of the capital repair or replacement, as reasonably determined by Landlord in accordance with generally accepted accounting principles, and the monthly amortized cost (and interest thereon) shall be a Reimbursable Operating Cost to be paid by Tenant under this Lease until the earlier of the Expiration Date or the date that the entire cost of such work and interest thereon has been reimbursed to Landlord.

C. Obligations Regarding Reimbursable Operating Costs:

In addition to the direct payment by Tenant of expenses as provided in Section 9.B, 10, 11 and 12 of this Lease, commencing on the Commencement Date and thereafter on the first (1st) day of each month during the Lease Term, Tenant agrees to reimburse Landlord for Tenant's Allocable Share (as defined in Section 9.E below) of Reimbursable Operating Costs (as defined in Section 9.D below) resulting from Landlord payment of expenses related to the Building or Project which are not otherwise paid by Tenant directly. Landlord shall have the right to periodically provide Tenant with a written estimate of Reimbursable Operating Costs for the next twelve (12) months and Tenant shall thereafter, until Landlord revises such estimate, pay to Landlord as additional rental, along with its Base Monthly Rent, one twelfth of Tenant's Allocable Share of the Reimbursable Operating Costs as estimated by Landlord. Within ninety (90) days after the end of each calendar year during the Lease Term Landlord shall deliver to Tenant a statement ("**Annual Statement**") in which Landlord shall set forth the actual expenditures for Reimbursable Operating Costs for such calendar year and Tenant's Allocable Share thereof. The Annual Statement shall be certified by an authorized officer of Landlord to be correct. If the Annual Statement shows that Tenant's payments of estimated Reimbursable Operating Costs exceeded Tenant's actual

obligation in respect of such calendar year, Landlord shall accompany said Annual Statement with a payment to Tenant of the amount of such excess. If the Annual Statement shows that Tenant's payments of estimated Reimbursable Operating Costs were less than its actual obligation in respect of such calendar year, Tenant shall pay said difference to Landlord within thirty (30) days after Tenant's receipt of the Annual Statement.

If Tenant disputes the amount or characterization of any item contained in the Annual Statement then Tenant shall give written notice thereof to Landlord not later than ninety (90) days after the Annual Statement is delivered to Tenant. Tenant shall then have the right to cause Landlord's records upon which the Annual Statement is based to be audited by an independent nationally recognized certified public accounting firm. Such auditor shall require the consent of Landlord to enter upon Landlord's offices to inspect Landlord's books which consent shall be granted in subject to Landlord's reasonable scheduling, confidentiality and security requirements. Except as provided below, the fee for any audit conducted on Tenant's behalf shall be borne solely by Tenant. In no event shall the fee for any audit be computed on a contingency fee basis or be otherwise dependent upon the findings of such audit, and Tenant shall demonstrate to Landlord's reasonable satisfaction the non-contingent nature of the contract between Tenant and such auditor. Tenant shall not have any right to withhold any payment pending resolution of such dispute or audit, and payment by Tenant of any sum or sums in dispute shall not be deemed to be a waiver of Tenant's right to audit or contest the Annual Statement in accordance with the terms and conditions of this Lease. Landlord shall cooperate with such audit and shall provide Landlord's books and records reasonably requested and relative to the audit which shall be conducted during regular business hours at the office where Landlord maintains its books and records, at no cost to Landlord except as expressly provided below. If after such audit the parties do not agree on the audit findings then the dispute shall be settled by arbitration pursuant to Section 20.E below. If, as a result of Tenant's inspection of Landlord's books or the findings of the third party independent audit of Landlord's records and review, an error is discovered in the Annual Statement, Landlord shall revise the Annual Statement accordingly and any overpayment by Tenant shall be refunded by Landlord to Tenant not later than thirty (30) days after receipt by Landlord of written demand for payment, and any underpayment shall be paid by Tenant not later than thirty (30) days after receipt by Tenant of written demand for payment. If Tenant does not notify Landlord of a dispute within ninety (90) days after receipt of any Annual Statement, Tenant shall be deemed to have accepted such Annual Statement and waived its right to dispute the Annual Statement or conduct an audit with respect to the Annual Statement. Landlord's records and any information provided by Landlord to auditors pursuant to this Section, and the results of any such audit, shall be kept confidential by Tenant and its auditors, and shall not be made available by the auditors or Tenant to any other person or entity except to Tenant's parent or affiliates and outside legal and financial representatives and except in any dispute resolution proceeding between the parties relating to such audit. If requested by Landlord, Tenant and its auditor shall, prior to any such audit, execute and deliver to Landlord a confidentiality agreement prepared by Landlord, reasonably acceptable to Tenant. If the final audit discloses an error in Landlord's determination of the Reimbursable Operating Costs in excess of five percent (5%) in Landlord's favor (i.e. the Annual Statement overstated Reimbursable Operating Costs by more than five percent (5%)), then all reasonable out-of-pocket costs of the audits shall be borne by Landlord; otherwise the cost of the audits shall be borne by Tenant.

D. Reimbursable Operating Costs:

For purposes of calculating Tenant's Allocable Share of Building and Project costs, the term "**Reimbursable Operating Costs**" is defined as all costs and expenses which are incurred by Landlord in connection with ownership and operation of the Building or the Project, together with such additional facilities as may be determined by Landlord to be reasonably desirable or necessary to the ownership or operation of the Building and/or Project. All

costs and expenses shall be determined in accordance with generally accepted accounting principles which shall be consistently applied with accruals appropriate to Landlord's business ("GAAP"). Reimbursable Operating Costs shall include, but not be limited to, the following to the extent the obligation therefor is not that of Tenant under the provisions of Section 9.B above: (i) common area utilities, including water, power, telephone, heating, lighting, air conditioning, ventilating, Amenities Building utilities, and Building utilities to the extent not separately metered to the Building; (ii) common area maintenance and service agreements for the Building and/or Project and the fixtures and equipment therein, including without limitation, common area janitorial services, alarm and security services (if provided), exterior window cleaning for the Building, exterior glass cleaning for the Bridgeways (if constructed with glass), costs relating to any LED sign for Phase 2 to the extent such sign is installed and Landlord has assumed the obligation to maintain, repair and operate it, and maintenance of the sidewalks, landscaping, waterscape, parking areas, driveways, service areas, mechanical rooms, elevators, and the Building exteriors; (iii) insurance premiums and costs, including without limitation, the premiums and cost of All Risk property coverage (including Business Interruption), Liability coverage, Environmental Liability coverage and if elected by Landlord, earthquake insurance applicable to the Building or Project, and coverage relating to the Bridgeways, subject to the cost limitations set forth in Section 10 below; (iv) repairs, replacements and general maintenance (excluding repairs and general maintenance paid by proceeds of insurance or by Tenant or other third parties other than as Reimbursable Operating Costs, and repairs or alterations attributable solely to tenants of other buildings other than Tenant); (v) all real estate taxes and assessment installments or other impositions or charges which may be levied on the Building or Project, upon the occupancy of the Building or Project and including any substitute or additional charges which may be imposed during, or applicable to the Lease Term including real estate tax increases due to a sale, transfer or other change of ownership of the Building or Project, as such taxes are levied or appear on the City and County tax bills and assessment rolls; (vi) costs of complying with Sustainability Requirements; (vii) deductibles under insurance policies (including without limitation with respect to the Bridgeways), except for earthquake deductibles to the extent in excess of Five Hundred Thousand Dollars ($500,000); (viii) the wages and benefits of all employees devoting time on operating or managing the Project, provided that as to any employee who does not devote substantially all of his or her employed time to the Project, that employee's wages and benefits shall be prorated to reflect the time spent on operating or managing the Project as opposed time spent on matters unrelated to operating and managing the Project, (ix) capital expenditures if required by Laws, or to repair or replace existing capital items, or to increase efficiencies and save costs in the Building to the extent not in excess of the cost of such savings, all of which shall be amortized over their useful lives as reasonably determined by Landlord in accordance with GAAP, together with interest on the unpaid portion of such expenditure at the Agreed Interest Rate, (x) Bridgeway costs for work required of Landlord pursuant to Section 6.A above, other than initial construction thereof, and (xi) costs incurred by Landlord in performing any work with respect to any of items (i) through (viii) in Section 9.B above to the extent Landlord has assumed with respect thereto the obligation for cleaning, maintenance, repair or replacement. Landlord shall have no obligation to provide guard services or other security measures for the benefit of the Project, provided, however, that nothing contained herein shall prevent Landlord, at its sole option, from providing security measures for the Project. Notwithstanding Landlord's election to provide security measures for the Project, Tenant assumes all responsibility for the protection of Tenant and Tenant's Agents from acts of third parties. This is a "Net" Lease, meaning that Base Monthly Rent is paid to Landlord absolutely net of all costs and expenses, except as otherwise expressly provided in this Lease. The provision for payment of Reimbursable Operating Costs by means of monthly payment of Tenant's Allocable Share of the Building and/or Project costs is intended to pass on to Tenant and reimburse Landlord for all costs of operating and managing the Building and/or Project, except as otherwise expressly provided in this Lease. If less than one hundred

percent (100%) of the Building and other Project buildings is leased at any time during the Lease Term, Landlord shall adjust Reimbursable Operating Costs to equal Landlord's reasonable estimate of what Reimbursable Operating Costs would be had one hundred percent (100%) of the Building and the other Project buildings been leased. If a bill for real property taxes and assessments is received by Landlord not later than five (5) years after the expiration or termination of the Lease Term (including without limitation a supplemental tax bill), but is applicable to any tax year within the Lease Term, Tenant shall pay Tenant's Allocable Share of such taxes and assessments not later than thirty (30) days after Tenant's receipt of notice of the amount due from Landlord, which obligation shall survive expiration or sooner termination of the Lease Term.

E. **Tenant's Allocable Share:**

For purposes of prorating Reimbursable Operating Costs which Tenant shall pay, Tenant's Allocable Share of Reimbursable Operating Costs shall be computed by multiplying the Reimbursable Operating Costs by a fraction, the numerator of which is the total rentable square footage of the Premises and the denominator of which is either (i) the total rentable square footage of the Premises if the service or cost is allocable only to the Premises, or (ii) the total rentable square footage of the buildings in the Project if the service or cost is allocable to the entire Project, or (iii) the total rentable square footage assigned to the premises of those tenants or occupants that Landlord reasonably determines to be benefiting from such service or facility. Tenant's obligation to share in Reimbursable Operating Costs shall be adjusted to reflect the Commencement Date and Expiration Date and is subject to recalculation in the event of expansion or contraction of the rentable square footage of the Building or Project.

F. **Waiver of Liability:**

Failure by Landlord to perform any defined services required of Landlord under this Lease, or any cessation thereof, when such failure is caused by accident, breakage, repairs, strikes, lockout or other labor disturbances or labor disputes of any character or by any other cause, similar or dissimilar, shall not render Landlord liable to Tenant in any respect, including damages to either person or property, nor be construed as an eviction of Tenant, nor cause an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any equipment or machinery utilized in supplying the services listed herein as being Landlord's obligation break down or for any cause cease to function properly, upon receipt of written notice from Tenant of any deficiency or failure of any services, Landlord shall use reasonable diligence to repair the same promptly, but Tenant shall have no right to terminate this Lease and shall have no claim for rebate of rent or damages on account of any interruptions in service occasioned thereby or resulting therefrom. Tenant waives the provisions of California Civil Code Sections 1941 and 1942 concerning the Landlord's obligation of tenantability and Tenant's right to make repairs and deduct the cost of such repairs from the rent, and any similar Law now or hereafter in effect. Landlord shall not be liable for a loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing, or its failure to furnish, any of the foregoing.

10. INSURANCE:

A. **Tenant's Use:**

Tenant shall not use or permit the Premises, or any part thereof, to be used for any purpose other than that for which the Premises are hereby leased; and no use of the Premises shall be made or permitted, nor acts done, which will cause an increase in premiums or a cancellation of any insurance policy covering the Premises or any part thereof, nor shall Tenant sell or permit to be sold, kept, or used in or about the Premises, any article prohibited by the standard form of insurance policies. Tenant shall, at its sole cost, comply with all requirements of any insurance company or organization necessary for the maintenance of property and liability policies covering the Premises and appurtenances.

B. **Landlord's Insurance:**

Landlord agrees to purchase and keep in force All Risk insurance (or its equivalent or industry

replacement) in an amount equal to the replacement cost of the Building, the Bridgeways if constructed, and Phase 2 Parking Structure (excluding any Tenant Improvements and Alterations that are not typical or customary for offices uses ("**Specialized Tenant Improvements**") and other than Alterations for which Landlord's consent is not obtained). In addition, Landlord may elect to purchase insurance coverage for perils including earthquake, flood and/or terrorist acts, in amounts and with deductibles reasonably determined by Landlord. Earthquake insurance premiums incurred by Landlord and included in Reimbursable Operating Costs shall not exceed Sixteen Thousand Two Hundred Fifty Dollars ($16,250) per month (the "**Earthquake Premium Cap**") until the first August 1st following the commencement date of the lease term under the First Expansion Building Lease, at which time it will be increased as described below. The Earthquake Premium Cap shall be subject to increase annually commencing on the first August 1 following the commencement date of the lease term under the First Expansion Building Lease and every August 1 thereafter in the event of an increase in the Consumer Price Index (each such anniversary date being an "**Earthquake Cap Adjustment Date**"). The basis for computing the adjustment shall be the U.S. Department of Labor, Bureau of Labor Statistic's Consumer Price Index for All Urban Consumers, All Items, 1982-84=100, for the San Francisco-Oakland-San Jose area ("**Index**"). The Index most recently published preceding the commencement date of the lease term under the First Expansion Building Lease shall be considered the "**Base Index**" for the first adjustment. Thereafter, the index most recently published preceding the previous Earthquake Cap Adjustment Date shall be considered the "**Base Index.**" If the Index most recently published preceding the Earthquake Cap Adjustment Date ("**Comparison Index**") is greater than the Base Index, the then-payable Earthquake Premium Cap shall be increased by multiplying the then-applicable Earthquake Premium Cap by a fraction, the numerator of which is the Comparison Index and the denominator of which is the Base Index. Notwithstanding any subsequent actual increase or decrease in the Index, the increase in the Earthquake Premium Cap for any Earthquake Cap Adjustment Date shall never be more than four percent (4%) of the Earthquake Premium Cap in effect immediately before such adjustment. In no event shall the Earthquake Premium Cap decrease due to a decrease in the Index. Landlord may also maintain a policy of (i) commercial general liability insurance insuring Landlord (and such others designated by Landlord) against liability for personal injury, bodily injury, death and damage to property occurring or resulting from an occurrence in, on or about the Premises or Project in an amount as Landlord determines is reasonably necessary for its protection, (ii) rental loss insurance covering a minimum of twelve (12) months and (iii) Environmental Impairment/Pollution Liability coverage. Tenant agrees to pay Landlord as additional rent, within thirty (30) days after written invoice to Tenant, Tenant's Allocable Share of the amount of any deductible under such policy (subject to the cap on earthquake deductibles described in Section 9.D), provided that if damage is confined to the Premises, Tenant shall pay the entire deductible to Landlord (subject to the cap on earthquake deductibles described in Section 9.D). It is understood and agreed that Tenant's obligation to pay insurance premiums under this Section 10.B will be prorated to reflect the Commencement Date and Expiration Date.

C. Tenant's Insurance:

Tenant agrees, at its sole cost, to insure its personal property, trade fixtures, Specialized Tenant Improvements and other Alterations not required to be insured by Landlord against damage for their full replacement value (without depreciation). Said insurance shall provide All Risk coverage (or its equivalent or industry replacement) equal to the replacement cost of said property. The property insurance provided by Tenant as required by this paragraph shall be carried in favor of Landlord and Tenant as their respective interests may appear and shall provide that any loss to Alterations shall be adjusted with and be payable to both Landlord and Tenant. Tenant shall deliver a copy of the policy and renewal certificate to Landlord. Tenant agrees, at its sole cost, to obtain and maintain throughout the Lease Term Commercial General Liability insurance for occurrences within the Project with a combined single limit of not less than Five

Million Dollars ($5,000,000.00), worker's compensation insurance in compliance with statutory requirements, and Employer's Liability with a limit of not less than Five Million Dollars ($5,000,000.00). Tenant may meet the Commercial General Liability and Employer's Liability insurance requirements described in the prior sentence with an excess liability insurance policy, so long as the full amount of coverage required above is provided. Tenant's liability insurance shall be primary insurance containing a cross-liability endorsement, and shall provide coverage on an "occurrence" rather than on a "claims made" basis. All such insurance shall provide for severability of interests; shall provide that an act or omission of one of the named or additional insureds shall not reduce or avoid coverage to the other named or additional insureds. Tenant shall include Landlord, Landlord's affiliates and property manager and Landlord's lenders as additional insureds on Tenant's liability policies and shall name Landlord and Landlord's lenders as loss payees on its property insurance covering Alterations, and shall deliver a copy of the policies and renewal certificates to Landlord evidencing the required coverage before entry onto the Premises to commence any Tenant Improvement work or to operate its business in the Premises and before expiration of any such policies. Tenant shall provide a waiver of subrogation in favor of Landlord, Landlord's affiliates and property manager for worker's compensation and employer's liability. Tenant shall deliver to Landlord a copy of the certificates of such insurance evidencing the coverage required of Tenant prior to the earlier of the first Commencement Date or first entry to ready any portion of the Premises for Tenant's occupancy, and within five (5) days after renewal of such policies, but in no event later than five (5) days after the scheduled expiration of such policies. If any policy required of Tenant is cancelled, terminated or reduced in coverage, Tenant shall notify Landlord of such changes not later than five (5) business days after Tenant becomes aware of such change. Notwithstanding the above, Landlord retains the right to have Tenant provide other forms of insurance which may be reasonably required to cover future risks. In no event shall the types or limits of any insurance policies maintained or required to be maintained under this Lease by Tenant or its contractors limit Tenant's liability under this Lease, including without limitation Tenant's indemnification, defense and hold harmless obligations.

D. Waiver:

Except as expressly set forth elsewhere in this Lease, Landlord and Tenant hereby waive all tort, contract or other rights each may have against the other on account of any loss or damage sustained by Landlord or Tenant, as the case may be, to the Premises or its contents, or the other Project improvements, which may arise from any risk to the extent covered by their respective property insurance policies (or to the extent they would have been covered had such insurance policies been maintained in accordance with this Lease) as set forth above; provided that such waiver shall be effective only to the extent either permitted by the insurance covering such loss or, if insurance is required by this Lease but not obtained, permitted by the insurance that would cover such loss if such insurance were obtained as required by this Lease. The Parties shall each obtain from their respective insurance companies a waiver of any right of subrogation which said insurance company may have against Landlord or Tenant, as the case may be, with respect to the property insurance maintained with respect to this Lease.

11. TAXES:

Tenant shall be liable for and shall pay as additional rent, prior to delinquency, all taxes and assessments levied against Tenant's personal property and trade or business fixtures. All real estate taxes shall be prorated to reflect the Commencement Date and Expiration Date. If, at any time during the Lease Term a tax, excise on rents, business license tax or any other tax, however described, is levied or assessed against Landlord as a substitute or addition, in whole or in part, for taxes assessed or imposed on land or buildings, Tenant shall pay and discharge its Allocable Share of such tax or excise on rents or other tax before it becomes delinquent; except that this provision is not intended to cover net income taxes, inheritance, gift or estate tax imposed upon Landlord. In the event that a tax is placed, levied, or assessed against Landlord and the taxing authority takes the position that Tenant

cannot pay and discharge its Allocable Share of such tax on behalf of Landlord, then at Landlord's sole election, Landlord may increase the Base Monthly Rent by the exact amount of such tax and Tenant shall pay such increase. If by virtue of any application or proceeding brought by Landlord, there results a reduction in the assessed value of the Premises during the Lease Term, Tenant agrees to pay Landlord a fee consistent with the fees charged by a third party appeal firm for such services.

12. UTILITIES:

Tenant shall arrange for and pay directly to the providing utility all water, gas, electric, telephone, and other utilities supplied to the Premises. During any period when Tenant leases all of the space located in the Project buildings served by the Bridgeways, Tenant shall also arrange for and pay directly to the providing utility all utilities supplied to the Bridgeways. During any period that Tenant does not lease all of the space located in the Project buildings served by the Bridgeways, Landlord shall arrange for and pay to the providing utility all utilities supplied to the Bridgeways, the cost of which shall be included in Reimbursable Operating Costs and as to which Tenant shall pay Tenant's Allocable Share. Landlord shall not be liable for loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing or the utility company's failure to furnish utilities to the Premises or any other portion of the Project, and in such event Tenant shall not be entitled to abatement or reduction of any portion of Base Monthly Rent or any other amount payable under this Lease and the continued effectiveness of this Lease shall not be affected thereby. Tenant acknowledges that the Premises, the Building and/or the Project may become subject to the rationing of utility services or restrictions on utility use as required by a public utility company, governmental agency or other similar entity having jurisdiction thereof. Tenant acknowledges and agrees that its tenancy and occupancy hereunder shall be subject to such rationing or restrictions as may be imposed upon Landlord, Tenant, the Premises, the Building and/or the Project, and Tenant shall in no event be excused or relieved from any covenant or obligation to be kept or performed by Tenant by reason of any such rationing or restrictions.

13. TOXIC WASTE AND ENVIRONMENTAL DAMAGE:

A. Use of Hazardous Materials:

Without the prior written consent of Landlord, neither Tenant, nor any subtenant of the Premises (of any tier in the chain of title) or any of Tenant's or such subtenant's agents, employees, representatives, affiliates, architects, contractors (including without limitation subcontractors of all tiers), suppliers, vendors, subtenants, licensees or invitees (collectively "**Tenant's Agents**"), shall cause or permit any Hazardous Materials, as defined below, to be generated, brought onto, used, stored, created, released or disposed of in or about the Premises or Project, except that Tenant may use and store small quantities of common household cleaners, office supplies and computer equipment on the Premises provided such use and storage is in strict compliance with all Environmental Laws, as defined below. As used herein, the term "**Hazardous Materials**" shall mean any and all substances, materials or wastes (whether liquid, solid or gaseous), which are a pollutant or contaminant, or which are hazardous, toxic, ignitable, reactive, corrosive, dangerous, harmful or injurious, or which present a risk to public health or the environment, or which are or may become regulated by or under the authority of any Environmental Laws, including, without limitation, asbestos or asbestos containing materials, petroleum products, pesticides, polychlorinated biphenyls, flammable explosives, radioactive materials and urea formaldehyde. As used herein, the term "**Environmental Laws**" shall mean any present or future federal, state or local Laws, whether common law, statute, rule, regulation or ordinance, judgment, order, or other governmental restriction, guideline, listing or requirement, relating to the environment or any Hazardous Materials, including without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. §9601 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §6901 et seq., and applicable provisions of the California Health and Safety Code and the

California Water Code, all as heretofore or hereafter may be amended from time to time. In order to obtain consent, Tenant shall deliver to Landlord its written proposal describing the Hazardous Materials to be brought onto the Premises, measures to be taken for storage and disposal thereof, and safety measures to be employed to prevent pollution or contamination of the air, soil, surface and ground water. Landlord's approval may be withheld in its reasonable judgment. Without diminishing Tenant's obligation to obtain Landlord's consent to Tenant's use of Hazardous Materials on the Premises where this Lease requires such consent, Tenant represents and warrants that it shall comply with all Governmental Regulations applicable to Hazardous Materials including doing the following: (i) adhere to all reporting and inspection requirements imposed by Federal, State, County or Municipal Laws and provide Landlord a copy of any such reports or agency inspections; (ii) obtain and provide Landlord copies of all necessary permits and management plans required for the use, storage and handling of Hazardous Materials on the Premises; (iii) enforce Hazardous Materials handling and disposal practices consistent with industry standards; (iv) surrender the Premises and Project free from any and all Hazardous Materials generated, brought, used, stored, created, released, or disposed of by Tenant or Tenant's Agents or by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises; and (v) with respect to Hazardous Materials as to which Tenant is obligated or liable pursuant to the express provisions of this Lease, properly close the facility with regard to such Hazardous Materials including the removal or decontamination of any process piping, mechanical ducting, storage tanks, containers, or trenches which have come into contact with such Hazardous Materials and obtaining a closure certificate from the local administering agency prior to the expiration or sooner termination of this Lease.

B. Tenant's Indemnity Regarding Hazardous Materials:

Tenant shall, at its sole cost and expense and with counsel reasonably acceptable to Landlord, indemnify, defend and hold harmless Landlord and the Landlord Related Parties from and against any and all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) incurred or suffered arising from generating, bringing, using, storing, creating, releasing or disposing of Hazardous Materials in or about the Premises or Project by Tenant or Tenant's Agents, or by anyone else coming onto the Premises (other than Landlord or Landlord's agents, employees and contractors), or the violation of any Governmental Regulation or Environmental Laws by Tenant or Tenant's Agents or by anyone else coming onto the Premises (other than Landlord or Landlord's agents, employees or contractors). This indemnification, defense and hold harmless obligation applies whether or not the concentrations of any such Hazardous Materials exceed applicable maximum contaminant or action levels or any governmental agency has issued a cleanup order. Tenant's indemnification, defense, and hold harmless obligations include, without limitation, the following: (i) claims, liabilities, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under present or future Laws, including Environmental Laws; (ii) claims, liabilities, costs or expenses pertaining to the assessment and identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source; (iii) losses attributable to diminution in the value of the Premises, Building or Project (iv) loss or restriction of use of rentable square footage of the Building or Project; (v) adverse effect on the marketing of any space in the Building or Project; and (vi) all other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders or judgments), damages (including consequential and punitive damages), and costs (including attorney, consultant, and expert fees and expenses) resulting from the release or violation. This Section 13.13 shall survive the expiration or termination of this Lease.

C. Notice of Release or Violation:

If, during the Lease Term (including any extensions), Tenant becomes aware of (i) any actual or threatened release of any Hazardous Materials on, under or about the Premises or Project or (ii) any inquiry, investigation, proceeding, claim, notice or order by any private or public person or entity regarding the presence of Hazardous Materials on, under or about the Premises or Project, including without limitation alleged violations of Environmental Laws by Tenant or Tenant's Agents, Tenant shall give Landlord written notice of the release or investigation within five (5) days after learning of it and shall simultaneously and thereafter furnish Landlord with copies of any claims, notices of violation, reports, or other writings received by Tenant concerning the release or investigation. In the event of an actual release of Hazardous Materials, Tenant shall also give Landlord immediate verbal notice of such release. In the event of any release on or into the Premises or any portion of the Project or into the soil or ground water under the Premises, the Building or the Project of any Hazardous Materials used, treated, stored or disposed of by Tenant or Tenant's Agents or as to the Premises only by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises, Tenant agrees to comply, at its sole cost, with all laws, regulations, ordinances and orders of any federal, state or local agency relating to the monitoring or remediation of such Hazardous Materials. In the event of any such release of Hazardous Materials Tenant shall immediately give verbal and follow-up written notice of the release to Landlord, and Tenant agrees to meet and confer with Landlord and any lender designated by Landlord which has a loan secured by the Premises to attempt to eliminate and mitigate any financial exposure to such lender and resultant exposure to Landlord under California Code of Civil Procedure Section 736(b) as a result of such release, and promptly to take reasonable monitoring, cleanup and remedial steps given, inter alia, the historical uses to which the Project has and continues to be used, the risks to public health posed by the release, the then available technology and the costs of remediation, cleanup and monitoring, consistent with acceptable customary practices for the type and severity of such contamination and all applicable Laws. Nothing in the preceding sentence shall eliminate, modify or reduce the obligation of Tenant under Section 13.B of this Lease to indemnify, defend and hold Landlord and the Landlord Related Parties harmless. Tenant shall provide Landlord prompt written notice of Tenant's monitoring, cleanup and remedial steps. In the absence of an order of any federal, state or local governmental or quasi-governmental agency relating to the cleanup, remediation or other response action required by applicable law, any dispute arising between Landlord and Tenant concerning Tenant's obligation to Landlord under this Section 13.C concerning the level, method, and manner of cleanup, remediation or response action required in connection with such a release of Hazardous Materials shall be resolved by arbitration pursuant to this Lease.

D. Remediation Obligations:

In the event of any release on, under or about the Premises or the Project of any Hazardous Materials generated, brought onto, used, stored, created or disposed of by Tenant or Tenant's Agents or, as to the Premises only, by anyone else (other than Landlord or Landlord's agents, employees or contractors) coming onto the Premises, Tenant shall, at its sole cost, promptly take all necessary and appropriate actions, in compliance with applicable Environmental Laws, to remove or remediate such Hazardous Materials, whether or not any governmental agency has issued a cleanup order, so as to return the Premises and Project to the condition that existed before the introduction of such Hazardous Materials. Tenant shall obtain Landlord's written consent prior to implementing any proposed removal or remedial action, provided, however, that Tenant shall be entitled to respond immediately to an emergency without first obtaining Landlord's written consent. Nothing in the preceding sentence shall in any way eliminate, modify or reduce the obligation of Tenant under 13.B of this Lease to indemnify, defend and hold Landlord and the Landlord Related Parties harmless. Landlord agrees that Tenant shall not be liable to Landlord for, and Landlord shall not require Tenant to remove or remediate (or pay for the cost thereof), any Hazardous Material that are present at the Project as of the Effective Date or

that have migrated to or under the Building or the Project from off-site sources, except to the extent caused by Tenant or Tenant's Agents or coming from any building in the Project leased to Tenant or its successors, affiliates, assigns or other transferees.

E. Environmental Monitoring:

Landlord and its agents and consultants shall have the right to inspect, investigate, sample and monitor the Premises, including any air, soil, water, ground water, or to conduct any other sampling or testing, digging, drilling or analysis, to determine whether Tenant is complying with the terms of this Section 13. If Landlord discovers that Tenant is not in compliance with the terms of this Section 13, all costs incurred by Landlord in determining Tenant's non-compliance, including attorneys', consultants' and experts' fees, shall be due and payable by Tenant to Landlord within thirty (30) days following Landlord's written demand therefor.

F. Landlord Indemnification:

Landlord shall indemnify and hold Tenant harmless from any claims, liabilities, costs or expenses (including, without limitation, all litigation costs, expert witness fees and reasonable attorneys' fees) incurred or suffered by Tenant for the removal, investigation, monitoring or remediation of Hazardous Materials which are present on the Premises or the Project as of the Effective Date (except to the extent caused by Tenant or Tenant's Agents or coming from any building in the Project leased to Tenant or its successors, affiliates, assigns or other transferees), or which come to be present on the Premises or the Project as a result of Landlord's actions after the Effective Date. Landlord's indemnification and hold harmless obligations include, without limitation, (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), the Resource Conservation and Recovery Act of 1980 ("RCRA") or any other Federal, State, County or Municipal law, ordinance or regulation, for the removal, investigation, monitoring or remediation of Hazardous Materials which are present on the Premises or the Project as of the Effective Date (except to the extent caused by Tenant or Tenant's Agents or coming from any building in the Project leased to Tenant or its successors, affiliates, assigns or other transferees), or which come to be present on the Premises or the Project as a result of Landlord's actions after the Effective Date, (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials which are present on the Premises or the Project as of the Effective Date (except to the extent caused by Tenant or Tenant's Agents or coming from any building in the Project leased to Tenant or its successors, affiliates, assigns or other transferees), or which come to be present on the Premises or the Project as a result of Landlord's actions after the Effective Date from soils, riverbeds or aquifers including the provision of an alternative public drinking water source, and (iii) all costs of defending such claims. In no event shall Landlord be liable for any consequential damages suffered or incurred by Tenant as a result of any such contamination. To the actual knowledge of Landlord, except as disclosed by in the documents described on Exhibit H attached hereto or in any documents delivered to Tenant before the Effective Date or recorded against the Project, no Hazardous Material is present in the Building or the Project in violation of applicable Laws. Phrases such as "**to the actual knowledge of Landlord**", or other phrases relating to Landlord's knowledge as used in this Lease, mean and are limited to the actual personal knowledge as of the Effective Date of John Michael Sobrato, without such individual having undertaken or being required to undertake any duty of inquiry, investigation or due diligence with respect to such matters, without the knowledge of any other person being imputed to such individual, without any constructive knowledge being imputed to such individual and without such individual assuming any personal liability with respect to such matters.

14. TENANT'S DEFAULT

A. Events of Default

The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant: (i) Tenant's failure to pay the Base Monthly Rent or any other payment due under this Lease (including additional rent) by the date such amount is due, where such failure continues for three (3) business days after Tenant's receipt of Landlord's notice that such amount was not received; (ii) the abandonment of the Premises by Tenant; (iii) Tenant's failure to deliver to Landlord any document or agreement required to be delivered by Tenant pursuant to Sections 3.D, 20.H, 20.K, 20.T within the time required by those Sections, or failure to discharge any liens within the time required by Section 8.B, or failure to deliver any evidence of insurance within the time required by this Lease, where such failure continues for two (2) business days after written notice of the failure has been delivered to Tenant; (iv) Tenant's failure to observe and perform any other required provision of this Lease, or the occurrence of any other event described as a default in other Sections of this Lease or any amendment to this Lease, where such failure or default continues for thirty (30) days after written notice from Landlord, provided, however, that if the nature of the default is such that it cannot reasonably be cured within such thirty (30) day period, Tenant shall not be deemed in default if it commences within such thirty (30) day period to cure and thereafter diligently prosecutes the same to; except, however, that if this Lease expressly provides that no notice or cure is required for a breach or default to exist then such thirty (30) day or longer notice and cure period shall not apply; (v) Tenant's making of any general assignment for the benefit of creditors; (vi) the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within thirty (30) days after the filing); (vii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (viii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

B. Remedies:

In the event of any default by Tenant beyond applicable notice and cure periods, then in addition to other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event Landlord elects to so terminate this Lease, Landlord may recover from Tenant all the following: (i) the worth at time of award of any unpaid rent which had been earned at the time of such termination; (ii) the worth at time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss for the same period that Tenant proves could have been reasonably avoided; (iii) the worth at time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom; including the following: (x) expenses for repairing, altering or remodeling the Premises for purposes of reletting, (y) broker's fees, advertising costs or other expenses of reletting the Premises, and (z) costs of carrying the Premises such as taxes, insurance premiums, utilities and security precautions; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law. The term "**rent**", as used in this Lease, is defined as the minimum monthly installments of Base Monthly Rent and all other sums required to be paid by Tenant pursuant to this Lease, all such other sums being deemed as additional rent due hereunder. As used in (i) and (ii) above, "**worth at the time of award**" shall be computed by allowing interest at a rate equal to the greater of the following (the

"**Agreed Interest Rate**") (i) the discount rate of the Federal Reserve Bank of San Francisco plus five (5%) percent per annum, as of the twenty-fifty (25th) day of the month immediately preceding Tenant's default, on advances to member banks under Section 13 and 13(a) of the Federal Reserve Act, as now in effect or hereafter from time to time amended, or (ii) ten percent (10%) per annum. As used in (iii) above, "**worth at the time of award**" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent. Any obligation Landlord may have to mitigate damages upon a termination due to Tenant's default shall not include the obligation to relet the Premises if Landlord has other comparable available space within the Building or Project.

C. **Right to Re-enter:**

In the event of any such default by Tenant, Landlord shall have the right, after terminating this Lease, to re-enter the Premises and remove all persons and property in accordance with applicable law. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, and disposed of by Landlord, in any manner permitted by law.

D. **Continuation of Lease:**

If Landlord does not elect to terminate this Lease as provided in Section 14.B above, then the provisions of California Civil Code Section 1951.4. (Landlord may continue the Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due if Tenant has a right to sublet and assign, subject only to reasonable limitations) as amended from time to time, shall apply, this Lease shall continue in effect, and Landlord may enforce all of its rights and remedies under this Lease, including without limitation, the right to recover payment of rent as it becomes due.

E. **No Termination:**

Neither efforts by Landlord to mitigate damages caused by a breach or default of Tenant, nor acts of maintenance or preservation or efforts to relet the Premises shall constitute an election by Landlord to terminate the Lease or a termination of Tenant's right to possession of the Premises.

F. **Non-Waiver:**

Landlord may accept Tenant's payments without waiving any rights under this Lease, including rights under a previously served notice of default. No payment by Tenant or receipt by Landlord of a lesser amount than any installment of rent due shall be deemed as other than payment on account of the amount due. If Landlord accepts payments after serving a notice of default, Landlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of default without giving Tenant any further notice or demand. Furthermore, Landlord's acceptance of rent from the Tenant when the Tenant is holding over without express written consent does not convert Tenant's tenancy from a tenancy at sufferance to a month to month tenancy. No waiver of any provision of this Lease shall be implied by any failure of Landlord to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by Landlord of any provision of this Lease must be in writing. Such waiver shall affect only the provision specified and only for the time and in the manner stated in the writing. No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver thereof by Landlord. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute acceptance of the surrender of the Premises by Tenant before the Expiration Date. Only written notice from Landlord to Tenant of acceptance shall constitute such acceptance of surrender of the Premises. Landlord's consent to or approval of any act by Tenant which requires Landlord's consent or approvals shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subleases or subtenants, or may, at the option of Landlord, operate as an assignment

to Landlord of any or all such subleases or subtenants

G. Performance by Landlord:

If Tenant fails to perform any obligation required under this Lease or by Laws beyond applicable notice and cure periods, Landlord in its sole and absolute discretion may, without notice, without waiving any rights or remedies and without releasing Tenant from its obligations hereunder, perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums paid by Landlord in connection with such substitute performance, including interest at the Agreed Interest Rate within ten (10) days of Landlord's written notice for such payment.

H. [Intentionally deleted]

15. LANDLORD'S LIABILITY:

A. Limitation on Landlord's Liability:

In the event of Landlord's failure to perform any of its covenants or agreements under this Lease, Tenant shall give Landlord written notice of such failure and shall give Landlord thirty (30) days to cure or commence to cure such failure prior to any claim for breach or resultant damages, provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Landlord shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion. In addition, upon any such failure by Landlord, Tenant shall give notice by registered or certified mail to any person or entity with a security interest in the Premises ("**Mortgagee**") that has provided Tenant with notice of its interest in the Premises, and shall provide Mortgagee a reasonable opportunity to cure such failure, including such time to obtain possession of the Premises by power of sale or judicial foreclosure or appointment of a receiver, if such should prove necessary to effectuate a cure. Tenant agrees that each of the Mortgagees to whom this Lease has been assigned is an express third-party beneficiary hereof. Tenant waives any right under California Civil Code Section 1950.7 or any other present or future law relating to the collection of any payment or deposit from Mortgagee or any purchaser at a foreclosure sale of Mortgagee's interest unless Mortgagee or such purchaser shall have actually received and not refunded the applicable payment or deposit. Tenant further waives all rights to terminate this Lease and to vacate the Premises on Landlord's default under this Lease, the Parties having agreed that Tenant's remedies in the event of a Landlord default shall be limited to those expressly set forth in this Lease. Tenant's sole remedy on Landlord's default is an action for damages or injunctive or declaratory relief; provided, however, Landlord and the Landlord Related Parties shall not be liable to Tenant for any consequential damages suffered or incurred by Tenant on account of Landlord's default including, without limitation, on account of lost profits or the interruption of Tenant's business. Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom or for damage to the goods, wares, merchandise, or other property of Tenant, Tenant's employees, invitees, customers, or any other person in or about the Premises or the Project, nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or any other person in or about the Premises or Project, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water, or rain, or from the breakage, leakage, obstruction, or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning, or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the Project or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant, occupant, or user of the Project, nor from the failure of Landlord to enforce the provisions of any other lease of the Project.

B. Limitation on Tenant's Recourse:

If Landlord is a corporation, trust, partnership, joint venture, unincorporated association or other form of business entity, then the obligations of Landlord shall not constitute

personal obligations of the Landlord Related Parties. Tenant shall have recourse only to the interest of Landlord in the Premises and current net rent proceeds therefrom (after deduction of all costs and expenses incurred in connection with the Project, including debt service) for the satisfaction of the obligations of Landlord and shall not have recourse to any other assets of Landlord for the satisfaction of such obligations.

C. Indemnification of Landlord:

As a material part of the consideration rendered to Landlord, Tenant hereby waives all claims against Landlord for damages to goods, wares and merchandise, and all other personal property in, upon or about said Premises and for injuries to persons in or about said Premises or Project, from any cause arising at any time to the fullest extent permitted by law. Except to the extent due to the negligence or willful misconduct of Landlord or a breach of Landlord's obligations under this Lease, Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) incurred or suffered arising from the use or occupancy of the Premises or any part of the Project by Tenant or Tenant's Agents, the acts or omissions of Tenant or Tenant's Agents, Tenant's breach of this Lease, or any damage or injury to person or property from any cause, including but not limited to the use or occupancy of the Premises or any part of the Project by Tenant or Tenant's Agents, the acts or omissions of Tenant or Tenant's Agents, Tenant's breach of this Lease or from the failure of Tenant to keep the Premises in good condition and repair as herein provided. Further, in the event Landlord is made party to any litigation due to the acts or omission of Tenant or Tenant's Agents, Tenant shall indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) incurred in connection with such litigation.

16. DESTRUCTION OF PREMISES:

A. Landlord's Obligation to Restore:

In the event of damage or destruction of the Premises, or the Bridgeways if they are constructed, during the Lease Term (other than Tenant's Specialized Tenant Improvements and other than those Alterations for which Landlord's consent was not obtained) Landlord, and Tenant (as to Alterations for which Landlord's consent was not obtained, and Specialized Tenant Improvements, provided that in no event shall Tenant perform any work in violation of the other Sections of this Lease), shall repair the same to a similar condition to that which existed prior to such damage or destruction, to the extent legally allowed, subject to this Section 16 below. Such damage or destruction shall not annul or void this Lease; however, Tenant shall be entitled to a proportionate reduction of Base Monthly Rent while Landlord's repairs or restoration of the Building are being made, and thereafter until the earlier to occur of (i) one hundred fifty (150) days after completion of Landlord's Premises repair or restoration work or (ii) the date that Tenant completes its Premises repair or restoration work, such abatement to be based upon the extent to which Tenant is not able to occupy the Premises and conduct business therein due to such casualty or repair or restoration work, as reasonably determined by Landlord. In no event shall Landlord have any liability to Tenant, and in no event shall Tenant be entitled to any rent reduction or abatement or have the right to terminate this Lease if repair or reconstruction of the Bridgeways following casualty is not allowed by any governmental authority having jurisdiction. In no event shall Landlord have the obligation to restore any portion of the Bridgeways serving a Project building if such Project building is no longer leased by Tenant. In no event shall Landlord be required to repair or restore Alterations for which Landlord's consent was not obtained, Specialized Tenant Improvements or Tenant's trade fixtures or personal property.

B. Limitations on Landlord's Restoration Obligation:

Notwithstanding the provisions of Section 16.A above, Landlord shall have no obligation to repair or restore the Building (or any portion of the Bridgeways, if they are constructed) if any of the following occur: (i) if Landlord estimates the repairs cannot be made in three hundred sixty (360) days from the date of receipt of all governmental approvals necessary under applicable Laws, as reasonably determined by Landlord, (ii) if the holder of the first deed of trust or mortgage encumbering the Building elects not to permit the insurance proceeds payable upon damage or destruction to be used for such repair or restoration, (iii) the damage or destruction is not fully covered by the insurance maintained by Landlord, (iv) the damage or destruction occurs in the last twenty four (24) months of the Lease Term (taking into consideration all Options then exercised by Tenant), or (v) Tenant is in default pursuant to the provisions of Section 14 above; or (vi) Tenant has vacated the Premises for more than ninety (90) days before the casualty. In any such event Landlord may elect either to (i) complete the repair or restoration, or (ii) terminate this Lease by providing Tenant written notice of its election within sixty (60) days following the damage or destruction. If Landlord elects to terminate this Lease pursuant to the immediately prior sentence, then Tenant shall have the right to terminate the First Expansion Building Lease by notifying Landlord of such election in writing not later than thirty (30) days after Landlord has elected to terminate this Lease pursuant to the immediately prior sentence. If Landlord elects to repair or restore, this Lease shall continue in full force and effect. Tenant shall also have the right to terminate this Lease in the event either (1) Landlord estimates the repairs cannot be made in the three hundred sixty (360) days from the date of receipt of all governmental approvals necessary under applicable Laws, as reasonably determined by Landlord, or (2) the damage or destruction occurs in the last twenty four (24) months of the Lease Term (taking into consideration all Options then exercised by Tenant), by providing Landlord written of its election of (1) of this sentence above within twenty (20) days after Landlord's notice of the time to repair and restore and of (2) of this sentence above within thirty (30) days after the date of the casualty; provided however that Tenant's termination right pursuant to this sentence shall not apply with respect to the Bridgeways or the First Expansion Building Lease. Tenant hereby waives the benefits and rights provided to Tenant by the provisions of Civil Code Sections 1932 and 1933, or any similar Law now or hereafter in effect. If this Lease terminates as the result of any damage or destruction to Premises, all property insurance proceeds relating to Alterations maintained by Tenant shall be the sole property of Landlord, Tenant shall have no right to such proceeds, and Tenant shall fully cooperate with Landlord in collecting such proceeds, or if such proceeds have been paid to Tenant, Tenant shall pay such proceeds to Landlord not later than seven (7) business days after the Expiration Date or termination of this Lease (whichever is earlier), which obligations shall survive the expiration or sooner termination of this Lease. Tenant shall also pay to Landlord not later than seven (7) business days after the Expiration Date or termination of this Lease (whichever is earlier) an amount equal to the deductible under Tenant's property insurance, which obligation shall survive the expiration or sooner termination of this Lease. If Tenant fails to maintain the property insurance required by this Lease, then Tenant shall pay to Landlord, not later than seven (7) business days after the Expiration Date or termination of this Lease (whichever is earlier) an amount equal to what the proceeds would have been had Tenant maintained the insurance required by this Lease, plus the deductible that would have applied if such insurance had been in place.

17. CONDEMNATION:

If any part of the Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and only a part thereof remains which is susceptible of occupation hereunder, this Lease shall, as to the part so taken, terminate as of the day before title vests in the condemnor or purchaser ("**Vesting Date**") and Base Monthly Rent payable hereunder shall be adjusted so that Tenant is required to pay for the remainder of the Lease Term only such portion of Base Monthly

Rent as the value of the part remaining after such taking bears to the value of the entire Premises prior to such taking, as reasonably determined by Landlord. Further, in the event of such partial taking, Landlord shall have the option to terminate this Lease as of the Vesting Date. If Landlord elects to terminate this Lease pursuant to the immediately prior sentence, then Tenant shall have the right to terminate the First Expansion Building Lease by delivering written notice of its election to Landlord not later than thirty (30) days after Landlord has elected to terminate this Lease pursuant to the immediately prior sentence. If all of the Premises or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder, this Lease shall terminate on the Vesting Date. If part or all of the Premises be taken, all compensation awarded upon such taking shall go to Landlord, and Tenant shall have no claim thereto; except Landlord shall cooperate with Tenant, without cost to Landlord, to recover compensation for the unamortized cost of any Specialized Tenant Improvements and Alterations paid for by Tenant and not reimbursed through the Work Allowance or for Tenant's moving costs. If there is a taking of any parking areas within Phase 2, substitute parking cannot be provided within Phase 2 by means of restriping the remaining existing parking areas within Phase 2, and Landlord does not provide replacement parking within Phase 1 or other property adjacent to Phase 1 or Phase 2, then the parking allocated to Tenant under this Lease shall be proportionately reduced. However, if the parking allocated to Tenant under this Lease is reduced by more than ten percent (10%) or there is a taking of more than fifteen percent (15%) of the rentable square footage of the Building then leased by Tenant (not including roof deck), Tenant shall have the right to terminate this Lease effective as of the Vesting Date or thirty (30) days after Tenant delivers its termination notice to Landlord, whichever is later. If any part of the Premises is taken but this Lease is not terminated, then Landlord shall, to the extent not prohibited by Laws and condemnation proceeds are sufficient to do so, repair any damage to the Premises caused by such taking to a condition reasonably suitable for Tenant's continued operations. Tenant hereby waives the provisions of California Code of Civil Procedures Section 1265.130 and any similar Law now or hereafter in effect, and the provisions of this Section 17 shall govern in the case of a taking.

18. ASSIGNMENT OR SUBLEASE:

A. Consent by Landlord:

Except as specifically provided in Section 18.E below, Tenant may not voluntarily, involuntarily or by operation of law, assign, sell or otherwise transfer all or any part of Tenant's interest in this Lease or in the Premises, cause or permit any part of the Premises to be sublet, occupied or used by anyone other than Tenant, or permit any person to succeed to any interest in this Lease or the Premises (all of the foregoing being a "**Transfer**") without the express written consent of Landlord. Notwithstanding any other provision of this Lease, in no event shall Tenant have the right to effect a Transfer of its rights to any portion of the Roof Deck, without concurrently therewith assigning all of its rights under this Lease to the same transferee, except that in the case of a sublease or license of less than all of the interior space of the Premises, Tenant may allow its subtenant or licensee to have shared use of the Amenities Extension or the Roof Deck to the extent Tenant has the right to use the Roof Deck. In the event Tenant desires to effectuate a Transfer, Tenant shall deliver to Landlord (i) executed counterparts of any agreement and of all ancillary agreements with the proposed transferee, (ii) current financial statements of the transferee covering the preceding three (3) years, (iii) the nature of the proposed transferee's business to be carried on in the Premises, (iv) a statement outlining all consideration to be given on account of the Transfer, and (v) a current financial statement of Tenant. Landlord may condition its approval of any Transfer on receipt of a certification from both Tenant and the proposed transferee of all consideration to be paid to Tenant in connection with such Transfer. At Landlord's request, Tenant shall also provide additional information reasonably required by Landlord to determine whether it will consent to the proposed Transfer. Landlord shall have a fifteen (15) day period following receipt of all the foregoing within which to notify Tenant in writing that Landlord elects to: (i) other than with respect to a Permitted Transfer, terminate this Lease as to the portion of

the Premises proposed to be transferred, if the portion of the Premises proposed for Transfer, together with any portion of the Building then subject to another Transfer, is for more than fifty percent (50%) (cumulatively, for the proposed Transfer and all other Transfers then in effect and made within the thirty six (36) month period before Tenant's request for consideration of the proposed Transfer) of the rentable square footage of the Building, and the Transfer then under consideration is for more than seventy five percent (75%) of the remaining Lease Term (not taking into account Option Terms which have not yet commenced); (ii) permit Tenant to Transfer such space to the named transferee on the terms and conditions set forth in the notice; or (iii) refuse consent. If Landlord should fail to notify Tenant in writing of such election within the fifteen (15) day period, Landlord shall be deemed to have elected option (iii) above (i.e. refused consent); provided, however that if after such fifteen (15) day period Tenant delivers another written notice to Landlord requesting consent to the proposed Transfer together with the information required to be submitted in connection with the Transfer, such notice states that it is a second notice as to which if Landlord does not respond within seven (7) business days Landlord will be deemed to have granted its consent, and Landlord has confirmed to Tenant that Landlord received such second notice and the submitted Transfer information, then if Landlord fails to respond to Tenant within seven (7) business days after delivery of the second notice and Landlord's confirmation of receipt Landlord shall be deemed to have consented to the proposed Transfer. In the event Landlord elects option (i) above, this Lease shall expire with respect to such part of the Premises which is the subject of the proposed Transfer on the date upon which the proposed Transfer was to commence, and from such date forward, Base Monthly Rent shall be adjusted based on the proportion that the rentable area of the Premises remaining bears to the total rentable area of the Premises before exercise of Landlord's election to terminate, and Tenant's Allocable Share of all other costs and charges shall be adjusted in accordance with Section 9.E based upon the remaining rentable area of the Premises. In the event Landlord does not elect option (i) above, Landlord's consent to the proposed Transfer shall not be unreasonably withheld, conditioned or delayed, provided and upon the condition that: (i) the proposed transferee is engaged in a business that is limited to the use expressly permitted under this Lease; (ii) the proposed transferee is a company with sufficient financial worth and management ability to undertake the financial obligation of this Lease in the case of an assignment (or in the case of a Transfer of less than all of Tenant's interest in this Lease or a sublease, the financial obligations under such Transfer) and Landlord has been furnished with reasonable proof thereof; (iii) the proposed transfer agreement, if it is a sublease, conforms to the requirements of Section 18.I below or if it is an assignment, is in a form reasonably satisfactory to Landlord; (iv) the proposed Transfer will not result in there being greater than one (1) subtenants or other occupants (not including employees) on any floor within the Building at any time during the Lease Term; (v) Tenant reimburses Landlord on demand for all reasonable costs that may be incurred by Landlord in connection with said Transfer, including the costs of making investigations as to the acceptability of the proposed transferee and legal costs incurred in connection with the granting or denial of any requested consent not to exceed Two Thousand Five Hundred Dollars ($2,500); and (vi) Tenant shall not have advertised or publicized in any way the availability of the Premises without prior notice to Landlord. In the event all or any one of the foregoing conditions are not satisfied (without limiting other factors that may be considered or conditions that may be imposed by Landlord in connection with a requested Transfer), Landlord shall be considered to have acted reasonably if it withholds its consent. Tenant shall not hypothecate, mortgage, pledge or otherwise encumber Tenant's interest in this Lease or the Premises or otherwise use the Lease as a security device in any manner without the consent of Landlord, (all of the foregoing being an "**Hypothecation**") which consent Landlord may withhold in its sole and absolute discretion. Tenant shall reimburse Landlord on demand for any reasonable costs that may be incurred by Landlord in connection with an Hypothecation, including legal costs incurred in connection with the granting or denial of any requested consent. Landlord's consent to one or more Transfers or Hypothecations shall not operate to waive

Tenant's obligation to obtain Landlord's consent to other Transfers or Hypothecations nor constitute consent to an assignment or other Transfer following foreclosure of any permitted lien, mortgage or other encumbrance. If Tenant is a corporation, limited liability company, unincorporated association, partnership or other legal entity, the sale, assignment, cancellation, surrender, exchange, conversion or any other transfer or hypothecation of any stock, membership or other ownership interest in such entity (whether occurring at one time or over a period of time) in the aggregate of more than fifty percent (50%) (determined cumulatively) shall be deemed an assignment of this Lease; in the case of a partnership, any withdrawal or substitution (whether occurring at one time or over a period of time) of any partners owning fifty percent (50%) or more (cumulatively) of the partnership, or the dissolution of the partnership shall be deemed an assignment of this Lease; provided that, subject to Section 18.D below, the foregoing provisions of this sentence shall not apply to a transfer of stock in a corporation whose stock is publicly traded on a public stock exchange. If Tenant is an entity, any sale of all or substantially all of its assets shall be deemed an assignment of this Lease. If Tenant is a corporation whose stock is not publicly traded on a public stock exchange, any dissolution, merger, consolidation or reorganization of Tenant shall be deemed a Transfer. Tenant acknowledges and agrees that the provision of this Section 18 are not unreasonable standards or conditions for purposes of Section 1951.4 of the California Civil Code, as amended from time to time, under bankruptcy laws, or for any other purpose.

B. Assignment or Subletting Consideration:

Landlord and Tenant hereby agree that fifty percent (50%) of any rent or other economic consideration (including without limitation, payments for trade fixtures and personal property in excess of the fair market value thereof, stock, warrants, and options) in excess of the Base Monthly Rent payable hereunder (after deducting therefrom Reasonable Transfer Costs (defined below)) (i) realized by Tenant in connection with any Transfer by Tenant, and/or (ii) realized by a subtenant or any other person or entity (other than Tenant) (any such subtenant, person or entity being a "**Subsequent Transferor**") in connection with a sublease, assignment or other Transfer by such Subsequent Transferor, shall be paid by Tenant to Landlord promptly after such amounts are paid to Tenant or a Subsequent Transferor, regardless of the amount of sub-rent the Subsequent Transferor pays to Tenant or any prior Subsequent Transferor. As used in this Section 18.B, "**Reasonable Transfer Costs**" shall mean the following costs, to the extent reasonably incurred in connection with the Transfer in question: (i) advertising costs and brokerage commissions payable to unaffiliated third parties, (ii) reasonable legal fees incurred by Tenant in connection with such Transfer, (iii) tenant improvement costs incurred by Tenant solely in connection with such Transfer, and (iv) the Unamortized TI Costs (defined below) to the extent attributable to the portion of the Premises subject to the Transfer. As used in this Lease, "**Unamortized TI Costs**" shall mean the then remaining (as of the date of Transfer) unamortized portion of the Work Allowance Costs to the extent not paid for through the Work Allowance, with the Work Allowance Costs not paid for through the Work Allowance being amortized over the initial one hundred forty four (144) months of the Lease Term and evenly allocated over the rentable square footage of the Premises. In the case of a Transfer other than an assignment of Tenant's entire interest in the Lease and Premises, the Unamortized TI Costs shall be included in Reasonable Transfer Costs on a monthly amortization basis over the then remaining amortization period and shall not be fully deducted upon the occurrence of the Transfer. Tenant's obligation to pay over Landlord's portion of the consideration constitutes an obligation for additional rent hereunder. The above provisions relating to Landlord's right to terminate the Lease and relating to the allocation of excess rent are independently negotiated terms of the Lease which constitute a material inducement for the Landlord to enter into the Lease, and are agreed by the Parties to be commercially reasonable. No Transfer by Tenant shall relieve it of any obligation under this Lease. Any Transfer which conflicts with the provisions of this Lease shall be voidable by Landlord at any time following such Transfer.

C. No Release:

Any Transfer shall be made only if and shall not be effective until the transferee shall execute, acknowledge, and deliver to Landlord an agreement, in form and substance satisfactory to Landlord, whereby the transferee shall assume all the obligations of this Lease on the part of Tenant to be performed or observed to the extent of the interest being transferred and shall be subject to all the covenants, agreements, terms, provisions and conditions in this Lease to the extent applicable to the interest being transferred. Notwithstanding any Transfer and the acceptance of rent or other sums by Landlord from any transferee, Tenant and any guarantor shall remain fully liable for the payment of Base Monthly Rent and additional rent due, and to become due hereunder, for the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and for all acts and omissions of any transferee or any other person claiming under or through any transferee that shall be in violation of any of the terms and conditions of this Lease, and any such violation shall be deemed a violation by Tenant. Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord and the Landlord Related Parties harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys fees) resulting from any claims that may be made against Landlord by the proposed transferee or by any real estate brokers or other persons claiming compensation in connection with the proposed Transfer.

D. Reorganization of Tenant:

Notwithstanding any other provision of this Lease, the provisions of this Section 18.D shall apply if: (i) there is a dissolution, merger, consolidation, or other reorganization of or affecting Tenant, where Tenant is not the surviving company, or there is a sale of all or substantially all of the assets of Tenant, or (ii) there is a sale, cancellation, surrender, exchange, conversion or any other transfer of stock involving or consisting of more than fifty percent (50%) of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, or a transfer of more than a fifty percent (50%) ownership interest in Tenant (where Tenant is not a corporation), or there is any merger, consolidation or other reorganization of or affecting Tenant (other than one described in (i) immediately above), whether the foregoing occurs in a single transaction or in multiple steps. In a transaction under clause (i) of this Section 18.D, the surviving or acquiring corporation or entity ("**Surviving Entity**") shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which the Surviving Entity assumes the obligations of Tenant hereunder. In a transaction or series of transactions under clause (ii) of this Section 18.D, the entities which as a result of such transaction(s) own a greater than fifty percent (50%) interest in Tenant (including, without limitation as a result of a reverse triangular merger or a triangular merger) (collectively the "**Acquiring Entity**") shall promptly execute and deliver to Landlord a guaranty of lease in form reasonably satisfactory to Landlord under which the Acquiring Entity guarantees the full payment and performance of the obligations of Tenant under the Lease ("**Lease Guaranty**"). The foregoing notwithstanding, as to all transactions described in this Section 18.D, if the Surviving Entity or Acquiring Entity is itself not a publicly-traded company, but is instead the subsidiary of or owned (directly or indirectly) by a publicly-traded company (or a subsidiary of a subsidiary of a publicly-traded company, or a subsidiary in a chain of entities in which one or more parent companies are publicly traded), then each publicly-traded parent company in such chain shall also be required to execute and deliver to Landlord the Lease Guaranty. In addition, in the event that after such acquisition Tenant does not prepare audited financial statements, then in addition to the financial statements required to be delivered by Tenant hereunder, each entity required to execute the Lease Guaranty shall provide Landlord its audited financial statements at the times and in the manner required of Tenant hereunder. Without limiting the foregoing requirements, it is the intent of the parties that after such any transaction or series of transactions described in this Section 18.D, Landlord shall be entitled to

rely on the creditworthiness of publicly-traded companies and to receive audited financial information from publicly-traded companies to the extent Tenant is owned, directly or indirectly, by a publicly-traded company.

E. **Permitted Transfers**

Provided that Tenant otherwise complies with the provisions of this Section 18, except the provision requiring prior consent or the provisions relating to payment of Transfer consideration, but otherwise including without limitation Section 18.D, Tenant may enter into any of the following Transfers described in this Section 18.E (a "**Permitted Transfer**") without Landlord's prior consent, provided however that Tenant shall notify Landlord of any such Transfer not later than five (5) business days after the effective date of such Transfer. Except as provided in Section 18.A above relating to a Transfer of any portion of the Roof Deck, Tenant may sublease all or part of the Premises or assign all of its interest in this Lease to (i) any corporation or legal entity which controls, is controlled by, or is under common control with the original Tenant to this Lease by means of an ownership interest of more than fifty percent (50%); (ii) a successor corporation or legal entity which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation or legal entity, so long as the surviving corporation or legal entity has a net worth at the time of such assignment or sublease that is equal to or greater than the net worth of Tenant immediately prior to such transaction; and (iii) a corporation or legal entity which purchases or otherwise acquires all or substantially all of the assets or stock of Tenant so long as the surviving corporation or legal entity has a net worth at the time of such assignment or sublease that is equal to or greater than the net worth of Tenant immediately prior to such transaction. The assignee of a Permitted Transfer is referred to in this Lease as a "**Permitted Assignee**".

F. **Effect of Default:**

In the event of Tenant's default, Tenant hereby assigns all amounts due to Tenant from any Transfer as security for performance of Tenant's obligations under this Lease, and Landlord as assignee of Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such amounts and apply it toward Tenant's obligations under this Lease, except that Tenant may collect such amounts unless a default beyond applicable notice and cure periods occurs as described in Section 14 above. Landlord's collection of any amounts due from a Transfer shall not constitute an acceptance by Landlord of attornment by any subtenants, and upon Tenant's default beyond applicable notice and cure periods Landlord shall have all rights provided by this Lease and applicable Laws, including without limitation terminating this Lease and any or all occupants' rights to possession of the Premises as Landlord shall determine in Landlord's sole and absolute discretion. A termination of the Lease due to Tenant's default beyond applicable notice and cure periods shall not automatically terminate a Transfer then in existence; rather at Landlord's election (1) such Transfer shall survive the Lease termination, (2) the transferee shall attorn to Landlord, and (3) Landlord shall undertake the obligations of Tenant under the transfer agreement; except that Landlord shall not be liable for prepaid rent, security deposits or other defaults of Tenant to the transferee, or for any acts or omissions of Tenant and Tenant's Agents.

G. **Conveyance by Landlord:**

In the event of any transfer by any person or entity comprising Landlord of such person's or entity's entire interest in this Lease, such person or entity (and in case of any subsequent transfer, the then transferor) shall be automatically freed and relieved from and after the date of such transfer of all liability for the performance of any covenants or obligations on the part of Landlord contained in this Lease accruing thereafter; provided, however, that any funds in the hands of such person or entity or the then transferor at the time of such transfer, in which Tenant has an interest shall be turned over to the transferee and if the entire interest of Landlord is the subject of the transfer then any amount then due and payable to Tenant by Landlord or the then transferor under any provision of this Lease shall be paid to Tenant; and provided, further, that upon any such transfer, the transferee shall be deemed to have assumed, subject to the limitations of this Section 18 above all of the

agreements, covenants and conditions in this Lease to be performed from and after the transfer on the part of Landlord, it being intended hereby that the covenants and obligations contained in this Lease to be performed on the part of Landlord shall, subject as aforesaid, be binding on each Landlord, its successors and assigns, only during its period of ownership.

H. **Successors and Assigns:**

Subject to the provisions this Section 18, the covenants and conditions of this Lease shall apply to and bind the heirs, successors, executors, administrators and assigns of all Parties hereto; and all parties hereto comprising Tenant shall be jointly and severally liable hereunder.

I. **Sublease Requirements:**

With respect to any permitted sublet of the Premises by Tenant to an approved Subtenant ("**Subtenant**"), the sublet transaction shall be evidenced by a written sublease between Tenant and Subtenant (the "**Sublease**"). The Sublease shall comply with the following requirements: (i) The form of the Sublease and the terms and conditions thereof shall be subject to Landlord's approval which shall not be withheld unreasonably; (ii) The Sublease shall provide that it is subject to all of the terms and conditions of this Lease, except those terms and conditions relating to Rent, additional rent, and any other amount due under this Lease; (iii) The Sublease shall provide that the Subtenant shall have no right to exercise any option or other right granted to Tenant in this Lease; (iv) The Sublease shall contain a waiver of subrogation against Landlord and shall require Subtenant's insurance policies to acknowledge such waiver of subrogation; (v) The Sublease shall provide that all requirements of the Lease applicable to subleases shall be applicable to sub-subleases; (vi) The Sublease shall require Subtenant, acting through Tenant, to obtain Landlord's prior written approval, to any alteration to the Premises to the same extent Tenant is required by this Lease to obtain such consent; (vii) The Sublease shall require Subtenant to send Landlord copies of any and all notices concerning the Premises that Subtenant is obligated to provide to Tenant and Tenant to send Landlord copies of any and all notices concerning the Premises that Tenant is obligated to provide to Subtenant; (viii) The Sublease shall provide that, at Landlord's option, the Sublease shall not terminate in the event that this Lease terminates and shall require Subtenant to execute an attornment agreement if Landlord, in its sole and absolute discretion, shall elect to have the Sublease continue beyond the date of termination of this Lease as a direct lease between Landlord and the Subtenant (provided however that in no event shall Landlord be liable for any default under the Sublease occurring prior to such attornment); and (ix) The Sublease shall require the Subtenant to agree that on receipt of notice from Landlord that Tenant has defaulted beyond applicable notice and cure periods, Subtenant shall pay all sums due under the Sublease to Landlord.

19. OPTION TO EXTEND THE LEASE TERM:

A. **Grant and Exercise of Option:**

Landlord grants to Tenant, subject to the terms and conditions set forth in this Section 19 three (3) options (each an "**Option**" and collectively the "**Options**") to extend the Lease Term for an additional term (each an "**Option Term**"). Each Option Term shall be for a period of sixty (60) months and shall be exercised, if at all, by written notice to Landlord no earlier than twelve (12) months prior to the date the Lease Term would expire but for such exercise but no later than nine (9) months prior to the date the Lease Term would expire but for such exercise, time being of the essence for the giving of such written notice. Notwithstanding the foregoing, in order for Tenant's exercise of an Option under this Lease to be effective, if there are any leases entered into by Tenant for any other portion of Phase 2 (each of such other leases being an "**Additional Phase 2 Lease**") having an expiration date that is within ten (10) months after the Expiration Date of this Lease, then the tenants under such Additional Phase 2 Leases must concurrently with Tenant exercise their corresponding options to extend the term of the Additional Phase 2 Leases if there are any remaining unexercised options under such Additional Phase 2 Leases. In addition, if an Additional Phase 2 Lease has an expiration date

that is within ten (10) months before the Expiration Date of this Lease, and the tenant under such Additional Phase 2 Lease did not exercise an available option to extend the term of the Additional Phase 2 Lease, then all Options under this Lease as to which an Option Term has not commenced shall terminate and be of no further force or effect. If Tenant exercises an Option, all of the terms, covenants and conditions of this Lease shall apply except for the grant of additional Options pursuant to this Section 19, except for Tenant's purchase right pursuant to Section 19.E and except for tenant improvements, improvement allowances, space planning allowance or relocation allowances, free rent or other leasing concessions and inducements, and provided that Base Monthly Rent for the Premises payable by Tenant during the Option Term shall be the Fair Market Rental as hereinafter defined. Notwithstanding anything herein to the contrary, (i) if Tenant or the tenant under any Additional Lease is in monetary or material non-monetary default beyond any applicable cure period under any of the terms, covenants or conditions of this Lease either at the time Tenant exercises the Option, or (ii) if the net worth of Tenant or the net worth or any other tenant under an Additional Lease, as reported in their most recent financial statements shows insufficient financial worth to undertake the financial obligations under this Lease or the Additional Lease, as applicable, determined in Landlord's reasonable discretion, then Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate the Option upon notice to Tenant, in which event the Lease Term shall not be extended pursuant to this Section 19.A. As used herein, the term "**Fair Market Rental**" is defined as the rental and all other monetary payments, including any escalations and adjustments thereto (including without limitation Consumer Price Indexing) that Landlord could obtain during the Option Term from a third party desiring to lease the Premises, based upon the (i) current use and other allowed uses of the Premises, as determined by the rents then obtainable for new leases of space comparable in age and quality to the Premises in the same real estate submarket as the Building and (ii) the credit standing and financial stature of the Tenant, and taking into account the quality or condition of the Premises (but only if the Premises has been maintained and repaired by Tenant in accordance with this Lease) and tenant improvement allowances. In setting Fair Market Rental, the appraisers shall be instructed that the following concessions obtainable for new space shall not be taken into account in determining Fair Market Rental, there shall be no offset or adjustment for the following costs which Landlord will not incur in the event Tenant exercises its option, and that the appraisers' determination shall not be discounted due to the fact that such costs will not be incurred by Landlord in connection with the Option Term: (i) brokerage commissions, (ii) relocation allowances, or (iii) vacancy costs.

B. Determination of Fair Market Rental:

If Tenant exercises an Option, Landlord shall send Tenant a notice setting forth the Fair Market Rental for the Option Term within thirty (30) days following the date of exercise. If Tenant disputes Landlord's determination of Fair Market Rental for the Option Term, Tenant shall, within thirty (30) days after delivery to Tenant of Landlord's notice setting forth Fair Market Rental for the Option Term, send to Landlord a notice stating that Tenant either elects to terminate its exercise of the Option, in which event the Option shall lapse and this Lease shall terminate on the Expiration Date, or that Tenant disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 19.C below. If Tenant does not timely send Landlord a notice as provided in the previous sentence, Tenant shall be deemed to have disagreed with Landlord's determination of Fair Market Rental and to have elected to resolve the disagreement as provided in Section 19.C below. If Tenant elects to resolve the disagreement as provided in Section 19.C below and such procedures are not concluded prior to the commencement date of the Option Term, Tenant shall pay to Landlord as Base Monthly Rent the Fair Market Rental as determined by Landlord in the manner provided above. If the Fair Market Rental as finally determined pursuant to Section 19.C is greater than Landlord's determination, Tenant shall pay Landlord the difference between the amount paid by Tenant and the actual Base Monthly Rent due as so determined in this Section 19 within thirty

(30) days after such determination. If the Fair Market Rental as finally determined in Section 19.C is less than Landlord's determination, the difference between the amount paid by Tenant and the actual Base Monthly Rent due as so determined pursuant to this Section 19 shall be credited against the next installments of Base Monthly Rent due from Tenant to Landlord hereunder.

C. Resolution of a Disagreement over the Fair Market Rental:

Any disagreement regarding Fair Market Rental shall be resolved as follows: Within thirty (30) days after Tenant's response to Landlord's notice setting forth the Fair Market Rental, Landlord and Tenant shall meet at a mutually agreeable time and place, in an attempt to resolve the disagreement. If within the 30-day consultation period referred to above, Landlord and Tenant cannot reach agreement as to Fair Market Rental, each party shall select one appraiser to determine Fair Market Rental. Each such appraiser shall arrive at a determination of Fair Market Rental and submit their conclusions to Landlord and Tenant within thirty (30) days after the expiration of the 30-day consultation period described above. If only one appraisal is submitted within the requisite time period, it shall be deemed as Fair Market Rental. If both appraisals are submitted within such time period and the two (2) appraisals so submitted differ, the two (2) appraisers shall meet and see if they can come to agreement on the Fair Market Rental, and if the two (2) appraisers cannot agree then they shall immediately select a third appraiser who shall, within thirty (30) days after this selection to choose which of the appraisals made by the initial two (2) appraisers is closest to the Fair Market Rental, and such closest appraisal as determined by the third (3rd) appraiser shall be the Fair Market Rental. All appraisers specified pursuant to this Section 19.C shall be members of the American Institute of Real Estate Appraisers with not less than ten (10) years experience appraising office and industrial properties in the Santa Clara Valley. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

D. Personal to Tenant:

All Options provided to Tenant in this Lease are personal and granted solely to ServiceNow, Inc., a Delaware corporation ("**ServiceNow**"), or a Permitted Assignee, and are not exercisable by any other person or entity, whether or not a Transfer has occurred. In the event Tenant has multiple options to extend this Lease, a later Option to extend the Lease cannot be exercised unless the prior Option has been properly exercised and the Option Term for that exercised prior Option has commenced. All Options provided to Tenant in this Lease shall terminate upon the expiration or sooner termination of this Lease and shall not apply during any holdover period.

Subject to this paragraph below, all purchase rights described in Section 19.E below, are personal and granted solely to (i) ServiceNow so long as ServiceNow is the tenant under this Lease, and a (ii) Permitted Assignee so long as the Permitted Assignee is the tenant under this Lease, are not exercisable by any other person or entity whether or not a Transfer has occurred except to the extent Landlord consents to permit exercise of any such right by any assignee or subtenant in Landlord's sole and absolute discretion. Notwithstanding the foregoing, to the extent any other lease for space in the Project grants the right to purchase the Building Site (whether alone or in combination with any other portion of the Project) (the right to purchase the Building Site under this Lease or any such other lease being "**Competing Purchase Rights**"), then the following shall apply: (i) So long as ServiceNow is the tenant under this Lease or any other lease granting Competing Purchase Rights at the time that such Competing Purchase Rights are exercisable, only ServiceNow shall have the right to exercise the Competing Purchase Rights under its applicable leases and the Competing Purchase Rights granted to Permitted Assignees shall be of no force or effect; and (ii) If ServiceNow is no longer the tenant under this Lease and the other leases granting Competing Purchase Rights at the time that such Competing Purchase Rights are exercisable, only the Permitted Assignee under the lease containing Competing Purchase Rights which has the earliest lease term commencement date shall have the

right to exercise the Competing Purchase Rights under such lease having the earliest commencement date, and the Competing Purchase Rights under all other leases shall be of no force or effect. In no event shall more than one (1) tenant have rights with respect to any lease offer or sale notice triggering a Competing Leasing Right or Competing Purchase Right.

Tenant's purchase rights in this Lease shall terminate upon the expiration or sooner termination of this Lease and shall not apply during any holdover period.

E. First Opportunity to Purchase:

If Landlord elects to sell or convey all or any portion of the fee interest in the Building and separate legal parcel upon which it is situated and the other improvements located on such separate legal parcel (collectively, the "**Building Site**") whether alone or together with other portions of the Project (such interest in the Building Site and other portions of the Project proposed for sale or other conveyance being the "**Offered Property**") to a Third Party (defined below) during the Lease Term (but not any holdover period), then Landlord shall, prior to offering the Offered Property to a Third Party, provide Tenant with written notice of its desire to sell, and the economic terms under which Landlord desires to sell the Offered Property to Tenant (which for purposes of this Section 19.E means and is limited to the purchase price, and closing costs and prorations) (the "**Sale Notice**"). As used in this Lease, a "**Third Party**" means a third party that is not a Sobrato Affiliate (defined below) and not a Landlord Affiliate (defined below). Provided that at the time of delivery of the Sale Notice to Tenant, Tenant is not in default of its obligations under this Lease beyond any applicable notice and cure period expressly set forth in this Lease, and Tenant leases all of the rentable square footage of the Building, then Tenant shall have thirty (30) days after receipt of the Sale Notice in which to accept or reject Landlord's offer in writing. Tenant shall have no rights under this Section 19.E during any period when Tenant is in default of its obligations under this Lease beyond any applicable notice and cure period expressly set forth in this Lease and Tenant does not lease all of the rentable square footage of the Building. If Tenant fails to deliver written notice of the acceptance of Landlord's offer (an "**Acceptance Notice**") to Landlord within the required thirty (30) day period, Tenant shall be deemed to have rejected Landlord's offer. If Tenant delivers an Acceptance Notice to Landlord within the required thirty (30) day period, Landlord and Tenant shall, in good faith, attempt to reach agreement on the terms and conditions of a mutually acceptable purchase agreement consistent with the Sale Notice within thirty (30) days after delivery of the Acceptance Notice to Landlord, each determined in its sole and absolute discretion. If (x) Landlord and Tenant are unable to reach agreement on a mutually acceptable purchase agreement within such thirty (30) day period (each determined in its sole and absolute discretion), or (y) Tenant fails to deliver an Acceptance Notice to Landlord within the required thirty (30) day period described in this Section 19.E above, then Landlord shall have the right to sell or convey the Offered Property to anyone, free and clear of Tenant's rights under this Section 19.E at not less than ninety five percent (95%) of the economic terms offered to Tenant, free and clear of the rights of Tenant under this Section 19.E, provided that the agreement for such sale or conveyance of the Offered Property is entered into by Landlord with a prospective transferee not later than two hundred seventy (270) days after the Sale Notice with respect to such sale or conveyance was delivered to Tenant, and upon sale or conveyance of the Offered Property to such prospective transferee (or its assignee) pursuant to such agreement (as the same may thereafter be amended provided that the sale is at not less than ninety five percent (95%) of the economic terms offered to Tenant), this Section 19.E shall terminate as to the Offered Property and shall not be subject to revival. If Landlord desires to enter into an agreement for the sale or conveyance of the Offered Property on economic terms that are less than ninety five percent (95%) of the economic terms offered to Tenant, then Landlord must offer Tenant the opportunity to purchase the Offered Property at the more favorable economic terms in accordance with the terms and conditions of this Section 19.E before entering into an agreement on such more favorable economic terms with a Third Party. In addition, if Landlord does not enter into a purchase agreement for the

sale or conveyance of the Offered Property to a prospective transferee within the two hundred seventy (270) day period described in this paragraph above, or if all purchase agreements entered into by Landlord with a prospective transferee during the two hundred seventy (270) day period described in this paragraph above terminate without transfer of the Offered Property having occurred, then Landlord must offer Tenant the opportunity to purchase the Offered Property in accordance with the terms and conditions of this Section 19.E before entering into an agreement after such two hundred seventy (270) day period with a Third Party for the sale or conveyance of the Offered Property to such Third Party, provided that the portion of the Offered Property which Landlord desires to sell includes the Building Site. In addition, if Landlord and Tenant enter into a purchase agreement for the Building Site, but that agreement terminates for any reason other than Landlord's default thereunder, then this Section 19.E shall terminate and shall not be subject to revival.

Notwithstanding the foregoing, this Section 19.E and Tenant's rights under this Section 19.E shall automatically terminate (i) upon the expiration or sooner termination of the Lease (not taking into consideration any holdover period), or (ii) in the event of a foreclosure, deed in lieu of foreclosure transaction or other involuntary transfer of Landlord's interest in all or any portion of the Project, including without limitation as the result of any condemnation proceeding, and shall not be binding upon any Holder or anyone taking title by foreclosure or deed in lieu of foreclosure. Tenant agrees that any subordination, nondisturbance or attornment agreement or any priority agreement pursuant to Section 20.T below shall confirm that Tenant's rights under this Section 19.E shall not be binding upon the Holder or anyone taking title to the Premises by foreclosure or deed in lieu of foreclosure, and that such rights terminate and are not subject to revival upon and foreclosure or deed in lieu of foreclosure. Further, this Section 19.E and Tenant's rights under this Section 19.E shall not apply to sales or other transfers of all or any portion of the Project or interest therein to (i) John A. Sobrato, John Michael Sobrato or any other Sobrato family member or their respective spouses (John A. Sobrato, John Michael Sobrato and other Sobrato family members, and their respective spouses, being the "**Sobrato Family Members**"), or (ii) any entity or entities directly or indirectly owned or controlled by, or under the common control with any of the Sobrato Family Members, or (iii) any trust established, in whole or in part, for the benefit of any of the Sobrato Family Members, or (iv) The Sobrato Family Foundation, The Sobrato Foundation, The Real Estate Trust at Silicon Valley Community Foundation, or any charitable organization of which a Sobrato Family Member or other person or entity described in (ii) or (iii) of this sentence above has a right to direct or vote to direct the disposition of funds or assets, including without limitation a donor advised fund or a support organization at a community foundation (each of the persons and entities described in (i), (ii), (iii) and (iv) of this sentence being individually a "**Sobrato Affiliate**"), or (v) any Landlord Affiliate. As used in this Lease "**Landlord Affiliate**" means any person or entity directly or indirectly owning or owned by, controlling or controlled by, or under common control with Landlord; except that if Landlord or such other person described in this sentence above is a publicly traded company, a Landlord Affiliate shall not include any person or entity solely by reason of such person or entity having an ownership interest in such publicly traded company. In addition, this Section 19.E shall not apply to any sale or other transfer of any portion of the Project which does not include the Building Site as part of such sale or transfer. Landlord shall be free to sell or transfer any portion of the Project, provided the sale or transfer does not include the Building Site, free and clear of Tenant's rights under this Section 19.E.

20. GENERAL PROVISIONS:

A. Attorney's Fees:

In the event a suit or alternative form of dispute resolution is brought for the possession of the Premises, for the recovery of any sum due hereunder, to interpret the Lease, or because of the breach of any other covenant herein; then the losing party shall pay to the prevailing party reasonable attorney's fees and costs incurred in connection with such proceeding, including the expense of expert witnesses, depositions and

court testimony. The prevailing party shall also be entitled to recover all costs and expenses including reasonable attorney's fees incurred in enforcing any judgment or award against the other party. The foregoing provision relating to post-judgment costs is severable from all other provisions of this Lease.

B. Authority of Parties:

If Tenant is a corporation, partnership or other entity, Tenant and each individual signing this Lease on behalf of Tenant represents and warrants that Tenant is duly formed and in good standing, that each individual signing this Lease is duly authorized to execute and deliver this Lease on behalf of Tenant and to bind Tenant to this Lease in accordance with Tenant's governing documents, and that this Lease is binding upon Tenant in accordance with its terms. At Landlord's request, Tenant shall provide Landlord with corporate resolutions or other proof in a form reasonably acceptable to Landlord, of the authorizations described in this Section 20.B. In lieu of a resolution, the Lease may be executed by (i) the president or vice president and (ii) the chief financial officer, corporate secretary or assistant secretary of Tenant as contemplated by California Corporations Code Section 313, provided that evidence reasonably acceptable to Landlord that the signers are in fact such officers of Tenant.

C. Brokers:

Landlord and Tenant each represents to the other it has not dealt with any real estate broker, agent or finder with respect to this Lease that would be entitled to a commission or other payment in connection with this Lease, other than Colliers International ("**Tenant's Broker**"), representing Tenant. Subject to this Section 20.C below, Landlord agrees to pay a commission to Tenant's Broker in connection with this Lease, pursuant to a separate written agreement between Landlord and Tenant's Broker. Each Party (the "**Indemnitor**") agrees to indemnify, defend with counsel reasonably acceptable to other Party (the "**Indemnified Party**") and hold the Indemnified Party harmless from and against all claims, liabilities, obligations, penalties, fines, actions, losses, damages, costs or expenses (including without limitation reasonable attorneys' fees) arising from the inaccuracy of the Indemnitor's representation set forth in this Section 20.C.

D. Choice of Law:

This Lease shall be governed by and construed in accordance with California law. Venue for all court proceedings or alternative forms of dispute resolution proceedings shall be Santa Clara County, California.

E. ARBITRATION OF DISPUTES:

LANDLORD AND TENANT AND ANY OTHER PARTY THAT MAY BECOME A PARTY TO THIS LEASE OR BE DEEMED A PARTY TO THIS LEASE, AND THEIR RESPECTIVE SUCCESSORS, ASSIGNS AND SUBTENANTS, AGREE THAT, EXCEPT FOR ANY CLAIM BY LANDLORD FOR (I) UNLAWFUL DETAINER, OR (II) TENANT'S FAILURE TO PAY THE BASE MONTHLY RENT, ANY CONTROVERSY, DISPUTE, OR CLAIM OF WHATEVER NATURE ARISING OUT OF, IN CONNECTION WITH OR IN RELATION TO THE INTERPRETATION, PERFORMANCE OR BREACH OF THIS LEASE, INCLUDING ANY CLAIM BASED ON CONTRACT, TORT, OR STATUTE, SHALL BE RESOLVED AT THE REQUEST OF ANY PARTY TO THIS LEASE, OR THEIR RESPECTIVE SUCCESSORS, ASSIGNS AND SUBTENANTS, THROUGH DISPUTE RESOLUTION PROCESS ADMINISTERED BY J.A.M.S., OR IF J.A.M.S. NO LONGER EXISTS THEN THROUGH SUCH OTHER DISPUTE RESOLUTION SERVICE REASONABLY SELECTED BY LANDLORD, OR IF THE PARTIES AGREE TO ANOTHER DISPUTE RESOLUTION SERVICE THEN PURSUANT TO SUCH OTHER DISPUTE RESOLUTION SERVICE MUTUALLY ACCEPTABLE TO THE PARTIES, LOCATED IN SANTA CLARA COUNTY, CALIFORNIA. THE DISPUTE RESOLUTION PROCESS SHALL CONSIST OF A FINAL AND BINDING ARBITRATION ADMINISTERED BY AND IN ACCORDANCE WITH THE THEN EXISTING RULES AND PRACTICES OF J.A.M.S. OR OTHER JUDICIAL MEDIATION SERVICE SELECTED AS

DESCRIBED ABOVE, AND JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED BY ANY STATE OR FEDERAL COURT HAVING JURISDICTION THEREOF AS PROVIDED BY CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET. SEQ, AS SAID STATUTES THEN APPEAR, INCLUDING ANY AMENDMENTS TO SAID STATUTES OR SUCCESSORS TO SAID STATUTES OR AMENDED STATUTES, EXCEPT THAT IN NO EVENT SHALL THE PARTIES BE ENTITLED TO PROPOUND INTERROGATORIES OR REQUESTS FOR ADMISSIONS DURING THE ARBITRATION PROCESS. THE ARBITRATOR SHALL BE A RETIRED JUDGE OR A LICENSED CALIFORNIA ATTORNEY. THE VENUE FOR ANY SUCH ARBITRATION SHALL BE IN SANTA CLARA COUNTY, CALIFORNIA.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

Landlord: _____ Tenant: DS DS

F. Entire Agreement:

This Lease and the exhibits attached hereto contain all of the agreements and conditions made between the Parties hereto and may not be modified orally or in any other manner other than by written agreement signed by all parties hereto or their respective successors in interest. This Lease supersedes and revokes all previous negotiations, letters of intent, lease proposals, brochures, agreements, representations, promises, warranties, and understandings, whether oral or in writing, between the parties or their respective representatives or any other person purporting to represent Landlord or Tenant.

G. Entry by Landlord:

Upon not less than one (1) business day's prior notice to Tenant (except in case of emergency, where no prior notice shall be required) and subject to Tenant's reasonable security regulations, Tenant shall permit Landlord and Landlord's agents to enter into and upon the Premises at all reasonable times, and without any rent abatement or reduction or any liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned, for the following purposes: (i) inspecting and maintaining the Premises; (ii) making repairs, alterations or additions to the Premises; (iii) erecting additional building(s) and improvements on the land where the Premises are situated or on adjacent land owned by Landlord; (iv) performing any obligations of Landlord under the Lease including remediation of Hazardous Materials if determined to be the responsibility of Landlord, (v) posting and keeping posted thereon notices of non responsibility for any construction, alteration or repair thereof, as required or permitted by any law, and (vi) placing "For Sale" signs, and showing the Premises to Landlord's existing or potential successors, purchasers and lenders. Tenant shall permit Landlord and Landlord's agents, at any time during the Lease Term that Tenant is in default under this Lease beyond applicable notice and cure periods granted in this Lease, to place upon the Premises "For Lease" signs, and at any time within nine (9) months prior to the Expiration Date, or at any time during

the Lease Term that Tenant is in default under this Lease beyond applicable notice and cure periods granted in this Lease, to exhibit the Premises to leasing real estate brokers and prospective tenants at reasonable hours.

H. **Estoppel Certificates:**

At any time during the Lease Term, Tenant shall, within seven (7) business days following written notice from Landlord, execute and deliver to Landlord a written statement certifying, if true, the following: (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification); (ii) the date to which rent and other charges are paid in advance, if any; (iii) acknowledging that there are not, to Tenant's current actual knowledge, any uncured defaults on Landlord's part hereunder (or specifying such defaults if they are claimed); and (iv) such other information as Landlord may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of Landlord's interest in the Premises. Tenant's failure to deliver such statement within such time shall be conclusive upon the Tenant that this Lease is in full force and effect without modification, except as may be represented by Landlord, and that there are no uncured defaults in Landlord's performance. Tenant agrees to provide, within seven (7) business days after Landlord's request, Tenant's most recent three (3) years of audited financial statements for Landlord's use in financing or sale of the Premises or Landlord's interest therein, except that as to any period during which Tenant is a public company Tenant shall not be required to provide such audited financial statements if audited financial statements (in English) are otherwise available to Landlord on the internet at the time Landlord desires such audited financial statements.

I. **Exhibits:**

All exhibits referred to are attached to this Lease and incorporated by reference.

J. **Interest:**

All rent due hereunder, if not paid when due, shall bear interest at the Agreed Interest Rate. This provision shall survive the expiration or sooner termination of the Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to Tenant by application of the amount of excess interest paid against any sums outstanding in any order that Landlord requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to Tenant by Landlord. To ascertain whether any interest payable exceeds the limits imposed, any non-principal payment (including late charges) shall be considered to the extent permitted by law to be an expense, fee or premium rather than interest.

K. **[Intentionally deleted]**

L. **No Presumption Against Drafter:**

Landlord and Tenant understand, agree and acknowledge that this Lease has been freely negotiated by both Parties; and that in any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Lease or any portion thereof.

M. **Notices:**

All notices, demands, requests, or consents required to be given under this Lease shall be sent in writing by U.S. certified mail, return receipt requested, by nationally recognized overnight courier, cost prepaid, or by personal delivery addressed to the Landlord at the address for Landlord specified in Paragraph 8 of the Basic Lease Information Sheet of this Lease, and addressed to Tenant at the address for Tenant specified in Paragraph 3 of the Basic Lease Information Sheet of this Lease, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days prior notice to the notifying party; provided that such other address shall not be a P.O Box or other address to which personal service or overnight

courier delivery cannot be effectuated. When this Lease requires service of a notice, that notice shall be deemed to constitute and satisfy the requirements of any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure Section 1161 or any similar or successor statute.

N. Property Management:

In addition, Tenant agrees to pay Landlord along with the expenses to be reimbursed by Tenant a monthly fee for management services rendered by either Landlord or a third party manager engaged by Landlord (which may be a party affiliated with Landlord), in the amount of one and one-half percent (1.5%) of the Base Monthly Rent.

O. Rent:

All monetary sums due from Tenant to Landlord under this Lease, including, without limitation those referred to as "additional rent", shall be deemed as rent.

P. Representations:

Except for the provisions of this Lease, Tenant acknowledges that neither Landlord nor any of its employees or agents have made any agreements, representations, warranties or promises with respect to the Premises or Project or with respect to present or future rents, expenses, operations, tenancies or any other matter. Except as herein expressly set forth herein, Tenant relied on no statement of Landlord or its employees or agents for that purpose.

Q. Rights and Remedies:

Subject to Section 14 above, all rights and remedies hereunder are cumulative and not alternative to the extent permitted by law, and are in addition to all other rights and remedies in law and in equity.

R. Severability:

If any term or provision of this Lease is held unenforceable or invalid by a court of competent jurisdiction, the remainder of the Lease shall not be invalidated thereby but shall be enforceable in accordance with its terms, omitting the invalid or unenforceable term.

S. Submission of Lease:

Submission of this document for examination or signature by the Parties does not constitute an option or offer to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

T. Subordination:

This Lease is subject and subordinate to ground and underlying leases, mortgages and deeds of trust (collectively "**Encumbrances**") which may now affect the Premises, to any covenants, conditions or restrictions of record, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the holder or holders of any such Encumbrance ("**Holder**") require that this Lease be prior and superior thereto, within seven (7) business days after written request of Landlord to Tenant, Tenant shall execute, have acknowledged and deliver all documents or instruments, in commercially reasonable form presented to Tenant, which Landlord or Holder deems necessary or desirable for such purposes. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all Encumbrances which are now or may hereafter be executed covering the Premises or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided only, that with respect to Encumbrances created after the Effective Date, in the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees to recognize Tenant's rights under this Lease as long as Tenant is not then in default beyond applicable notice and cure period. Within seven (7) business days after Landlord's written request, Tenant shall execute any commercially reasonable

documents required by Landlord or the Holder to make this Lease subordinate to any lien of the Encumbrance. If Tenant fails to do so, then in addition to such failure constituting a default by Tenant, it shall be deemed that this Lease is so subordinated to such Encumbrance. Notwithstanding anything to the contrary in this Section 20.T, Tenant hereby attorns and agrees to attorn to any entity purchasing or otherwise acquiring the Premises at any sale or other proceeding or pursuant to the exercise of any other rights, powers or remedies under such Encumbrance. Landlord represents that the Building is not subject to any Encumbrance as of the Effective Date. Notwithstanding anything to the contrary herein, the subordination of this Lease to any future Encumbrance shall be conditioned upon the delivery from any such future lenders or ground lessors of the Premises of a written agreement in commercially reasonable form which provides that in the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees to recognize Tenant's rights under this Lease as long as Tenant is not then in default beyond applicable notice and cure periods and containing such other provisions reasonably required by Landlord or such Holder.

U. Survival of Indemnities:

All indemnification, defense, and hold harmless obligations of Landlord and Tenant under this Lease shall survive the expiration or sooner termination of the Lease.

V. Time:

Time is of the essence hereunder.

W. Transportation Demand Management Programs:

Should a government agency or municipality require Landlord to institute TDM (Transportation Demand Management) facilities and/or programs, Tenant agrees that the cost of TDM imposed facilities and programs required specifically on the Premises (as opposed to for the Project generally), including but not limited to employee showers, lockers, cafe, or lunchroom facilities, shall be paid by Tenant. Further, any ongoing costs or expenses associated with a TDM program which are required specifically for the Premises and not provided by Tenant, such as an on-site TDM coordinator, shall be provided by Landlord with such costs being included as additional rent and reimbursed to Landlord by Tenant within thirty (30) days after demand. If TDM facilities and programs are instituted on a Project wide basis, Tenant shall pay Tenant's Allocable Share of such costs in accordance with Section 9.E above.

X. Waiver of Right to Jury Trial:

To the extent then authorized by law as of the time of any actual litigation between them and to the extent not already encompassed within the various agreements to arbitrate otherwise contained herein, and as an alternative to arbitration should arbitration for any reason not be enforced, Landlord and Tenant waive their respective rights to trial by jury of any contract or tort claim, counterclaim, cross-complaint, or cause of action in any action, proceeding, or hearing brought by either party against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises, including any claim of injury or damage or the enforcement of any remedy under any current or future law, statute, regulation, code, or ordinance.

Y. General:

The captions and section headings of this Lease are for convenience of reference only, and shall not be used to limit, extend or interpret the meaning of any part of this Lease. This Lease may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signatures and initials to this Lease created by the signer by electronic means and/or transmitted by telecopy or other electronic transmission shall be valid and effective to bind the party so signing. Each party agrees to promptly deliver an execution original to this Lease with its actual signature and initials to the other party, but a failure to do so shall not affect the enforceability of this Lease, it being expressly agreed that each party to this Lease shall be

bound by its own electronically created and/or telecopied or electronically transmitted signature and initials and shall accept the electronically created and/or telecopied or electronically transmitted signature and initials of the other party to this Lease. All agreements by Tenant contained in this Lease, whether expressed as covenants or conditions, shall be construed to be both covenants and conditions, conferring upon Landlord, in the event of a breach thereof, the right to terminate this Lease. As used in this Lease, the phrase "beyond applicable notice and cure periods" or similar phrases means and is limited to applicable notice and cure periods expressly granted in this Lease.

/// [Signature page follows]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year first set forth below their signatures below.

LANDLORD:

SI 55, LLC,
a California limited liability company
By: Sobrato Interests 3,
a California limited partnership
Its: Sole Member
By: Sobrato Development Companies, LLC,
a California limited liability company
Its: General Partner
By: /s/ Johh Michael Sobrato
John Michael Sobrato
Its:: Manager
Dated: May 3, 2018

TENANT:

ServiceNow, Inc., a Delaware corporation

By: /s/ Robert Teed
Robert Teed
Its: Vice President, Real Estate
Dated: May 1, 2018

By: /s/ Michael Scarpelli
Michael Scarpelli
Its: CFO
Dated: May 1, 2018

Exhibit A
Preliminary Site Plan

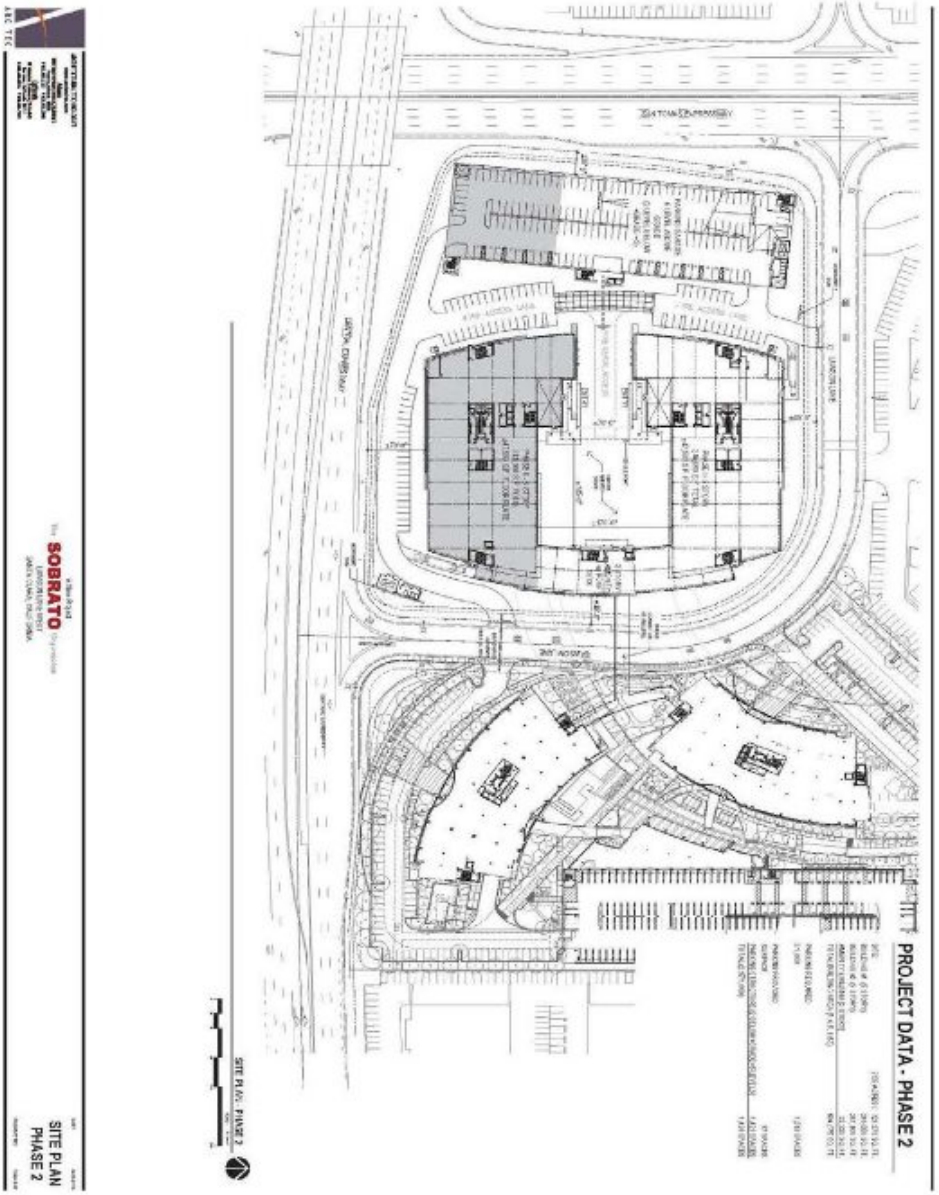


Exhibit B
[Intentionally Deleted]

4/30/18

EXHIBIT – Office Building and Garage Warm Shell Definition
2200 Lawson Lane (Building 2), Santa Clara, CA

- **Site and Shell:**
  All permits and fees required for approval, use, and government sign-off. All landscape, site work, lighting, paving, striping, code related signage, and utilities (power, storm, sewer, water, gas). Includes infrastructure for future phone, data communication, and cable TV requirements. Site landscape irrigation will be separately metered. Work includes all vaults, fees, backflow and monitoring devices. All parking lighting shall be LED and compliant with code.

- **IT Connectivity:**
  Landlord shall provide conduit between the Building and the Garage, between the Building and Expansion Building 1, and shall also provide conduit out to any monument signs.

- **Courtyard and Exterior:**
  Completion of the self-enclosed courtyard.
  There shall not be composite decking, beer kegs or water feature(s) in courtyard. Water wise landscaping similar to Phase 1 shall be installed.
  Any BBQ's, fire pits, etc. shall be plumbed for natural gas with pipe sizing sufficient for installation of a reasonable number of outdoor radiant heaters at future locations to be specified by Tenant (so long as Tenant timely provides a plan for heater locations). All exterior lighting installed, which shall be LED and code compliant.
  Landlord shall run a main electrical spine through the courtyard as part of its Expansion Building 1 obligation and Tenant shall distribute power and data from there. All patio gates shall be prepared to receive Tenant's card key access system. There will be a secure perimeter, similar to Phase 1. Provisions for Code blue emergency activation system will be included in site work as part of Landlord's Expansion Building 1 obligation.

- **Garage:**
  All work related to the construction of the addition to the parking garage including compliance to all codes including ADA and Title 24. Includes garage drainage system, electrical service including transformers and panels for lighting and convenience power. Includes finishes, signage, access and egress stairs, , hollow metal doors, secured bicycle storage (if necessary), and all lighting shall be LED and to code levels. Separate fire riser and fully monitored fire sprinkler system. Except as specifically provided herein, all work required for a garage final inspection. Power and data for future security requirements included, including driver side card reader islands on entries, but security system and card readers excluded. Landlord shall finish the garage surface areas with a high traction texture. A lift arm system shall be installed, with gates for after hour security. Speed bumps shall be included.

- **Shell:**
  Building will be a five story Type 1B construction fully sprinklered office building.

  All work required to obtain a shell permit final inspection. All work shall conform to local building codes, ADA, Title 24, and LEED Gold equivalent for the shell. Weather tight (air and

water infiltration) exterior precast or GFRC and glazed curtain wall system. Complete rain water distribution system. Exterior doors and utility room doors with manual exit panic hardware. There shall be double wide man doors leading in from the loading dock areas.

Includes building foundations and slab on grade. The floor structure will be constructed of concrete filled metal deck over wide flange beams. The floors will be designed for 80 PSF uniform live load plus an allowance of 20 pounds per square foot partition load. Floor level tolerance of +/- ¼ inch for every 10 feet.
The roof is designed for 20 pounds per square foot roof live load, including hvac pads and additional pad for future tenant equipment. Includes roof screen to conceal roof top equipment. Insulation at perimeter walls and columns is included. Includes single ply PVC roof system with required flashings.

- **Lobbies:**
  All exterior doors shall be prepped for tenant card access system. [Note: The current rear lobby doors are too hard to operate. Do not install them again]
  Underground conduit shall be placed to facilitate power and data to Tenant supplied turnstiles installed during tenant improvements, provided Tenant provides drawings to specify locations in a timely manner which does not delay Landlords core/shell delivery.

- **Fire Egress Staircases:**
  Standard pre-engineered stairs for floor access and egress with one stair extending to the roof.
  Fire riser and complete shell system, including "up heads" with capped tees for future tenant improvements at all floors. Framing at exterior walls and columns is excluded.

- **FLS**
  There shall not be proprietary FLS systems. Subject to code, the main and supervisory panels will be in a location that is not visible to customers/visitors, but still located adjacent to the lobby reception area.

- **Elevators:**
  Freight elevators will be no smaller than freight elevators in Phase 1. Freight elevator shall extend to the roof deck, be water tight and have no lip or threshold to allow pallet access in and out of the elevators.
  The elevator thresholds and exterior trim strips shall be ½" to ¾" max above slab.
  All elevators shall be set up for Tenant's card access system, details to follow during design, which includes conduit, back boxes, J boxes, etc. Passenger elevators shall be Otis "Gen 2", Kone "Monospace" or equivalent.

- **Electrical:**
  All primary and secondary electrical service from the street to a location in each building and garage, transformer pads, and house meter section.
  Building = 4000A @ 480/277V

  Garage = 2500A @ 480/277V (part of Landlord's Expansion Building 1 obligation)

- **Core and Other:**

All work related to construction of core bathrooms, stairs and stair shafts, HVAC shafts, main electrical rooms, janitor closets, elevators and elevator shafts, and elevator vestibules (elevator vestibule finishes by tenant.).

a) Core bathrooms shall include multiple stalls with one (1) handicap stall per floor to meet code requirement for occupancy load. Bathrooms will receive tile flooring and wall tiles up to wainscot height at wet walls only. All other bathroom interior walls and gypsum board ceilings will be taped, finished and painted. Toilet accessories and partitions are included. All plumbing fixtures including water closets, urinals, lavatory sinks and faucets will be sensor operated and low flow. Please refer to Restroom Standards Exhibit.

b) Main switchboard to be per Silicon Valley Power requirements. Meter main and transformer pad per Silicon Valley Power requirements, with separate section for metering.
There shall be a pad and enclosure for an emergency generator, which shall include a tap box and all associated wiring/conduit to allow for a temporary generator to be installed, which generator shall be supplied by Tenant.

c) Fully operational main electric service, serving Tenant lighting and power loads and base building mechanical equipment loads. Includes conduits and wire feeders for core mechanical units. Tenant panels and transformers not included.
Building MPOE will have three (3) four (4) inch conduit for utility and secondary rooms will have three (3) four (4) inch sleeves for future tenant distribution. Landlord shall provide vertical electrical feed with tenant distribution panels on each floor.

d) Primary heating, ventilation and air conditioning system supplied by package rooftop VAV unit(s). Units will be side discharge to centralized shaft locations where ducts will extend down shaft and connect to fire smoke dampers at ceiling level for each floor. Roof top ductwork will be internally lined with insulation. Risers and stubs provided at each floor for horizontal distribution by Tenant.

The system is designed for 0.85 watts/SF lighting load and 3.0 watts/sf non-core miscellaneous tenant load.

Controls system shall be compatible to system at Phase 1. [Landlord shall provide design day parameters so Tenant can comment on the unit/sizing.)

Exterior stairwells shall be ventilated or cooled.

e) Required egress stairwells will be constructed with metal stud framing and drywall assembly with fire rating in compliance with construction type. All interior walls facing the egress stairs will be taped, finished, and painted. Gypsum board ceiling will be constructed at the top level. No soffit on the underside of stairs, except for the interior stair nearest the lobby. Stair rails and stringers will be painted. All associated lighting and fire sprinklers are included.

f) DDC controls for base building system only (rooftop heating and cooling) with expansion capacity for future Tenant work. Controls system shall be compatible with Phase 1 to allow full campus monitoring and control from one system and master screen. The

programming will be the responsibility of Tenant. Electrical monitoring shall be included to meet Title 24. The controls shall not include proprietary systems.

g) Hot water boiler system, including hot water pump(s), water treatment and all necessary piping specialties, serving one riser extending from the roof to the lower floor. Supply and return valves to be located on each floor for future connection to hot water piping loops by Tenant.

h) A 24/7 riser is included in the shell with a stub for the future connection at the roof, and future stubs on each floor by Tenant.

i) Domestic cold water main branch piping with valves to each floor near the restroom cores for future Tenant break rooms and coffee stations.

j) Fire alarm system: Building is fully sprinklered and monitored as required by Code. Life safety system distribution (smoke detectors, annunciators, strobes, etc.) as required by Code for core and common areas. Fire alarm to be expandable for future Tenant improvement.

k) The office building will include passenger elevators, along with a service/freight elevator. The parking garage structure will include gearless traction passenger elevators. Standard "Class A" level elevator cab finish will be provided [Note: for all elevators, or just garage? Both]. Elevators shall be gearless traction elevators with call buttons to meet ADA and fire code requirements. Office building passenger elevator flooring is excluded, to be installed by Tenant. Elevator lobby walls will be fire taped ready for Tenant improvement.

Office Passenger Elevators - 3,500 lb. capacity, 350 fpm
Freight Elevator – 4,500 lb. capacity, 150 fpm (subject to confirmation)
Garage Elevator – 4,000 lb. capacity, 150 fpm (subject to confirmation)
(part of Landlord's Expansion Building 1 obligation)

l) All core walls will be constructed with metal stud framing and drywall assembly with fire rating in compliance to construction type. Wall facing tenant space will be fire taped. Wall finish by Tenant.

m) Elevator lobbies on the 1st through 5th floor are left unfinished. Smoke curtains are not included

n) Insulated roof and insulation at spandrel panels included.

o) All doors and lower portions of walls leading from dock to freight elevator shall be lined with stainless steel kick plates.

- **Security:**
  Building to be prepared for future perimeter security by Tenant. Preparations includes electrified hardware, conduit chases and back boxes.

- **Car Chargers:**
  Landlord shall supply electrical vehicle chargers (Chargepoint or similar dual charger stations) on 6% of the total parking stalls. An additional 9% of the parking stalls shall be pre-wired for Tenant to increase the total electrical vehicle parking percentage to 15%, at Tenant's election

and cost. The switchgear and transformers will be sized for Tenant's EV installation. The location of the EV stations will be determined at design phase and subject to code compliance.

- **Café and Amenities – all part of Landlord's Expansion Building 1 obligation**
- **Roof Deck – all part of Landlord's Expansion Building 1 obligation**

Restroom Standards Exhibit

FINISHES:

- **Restroom Paint:**
  - Manufacturer: Dunn Edwards
  - Sheen: Semigloss
  - Color Field (White): To be selected
- **Restroom Floor Tile:**
  - Manufacturer: Dal Tile *
  - Style: Unity or Portfolio
  - Color: T.B.S. - Only neutral colors accepted
  - Size: 24" x 24"
  - Grout: Hydroment, Color T.B.S. - Only neutral colors accepted
  - Grout Joints: 1/16"
- **Restroom Wall Tile:**
  - Manufacturer: Arizona Tile */ or Daltile
  - Style: Reside Semi-Polished / Unity or Portfolio Polished

- Color: T.B.S. - Only neutral colors accepted
- Size: 12" x 24"
- Grout: Hydroment, Color T.B.S. - Only neutral colors accepted
- Grout Joint: Minimize grout joints should align with floor tile grout joints

- **Restroom Vanity:**
  - Manufacturer: Caesarstone or Silestone
  - Type: Quartz solid surface
  - Color: T.B.S. - Only neutral colors accepted

- **Restroom Vanity Pipe Cover:**
  - Manufacturer: Nevamar, Wilsonart, or Pionite
  - Color: T.B.S. - Only neutral colors or wood grain accepted

- **Restroom Partitions:**
  - Brushed or satin stainless-steel or wood veneer partitions, floor mounted preferred, (overhead braced-where required)
  - Note: all partition accessories and hardware to also be brushed or satin stainless steel. No polished chrome

NOTE: Floor and wall tile to be same size module for grout line adjustment.

FIXTURES:

- **Urinal**
  - Manufacturer: Kohler
  - Model No.: K-4904-ET
  - Description: Bardon High Efficiency Urinal, ADA Compliant when mounted at 17" to rim, White. Sloan ECOS Electronic flushometer #8186 – 0.125 gpf.

- **Water Closet:**
  - Manufacturer: Kohler
  - Model No.: K-4325 (Replaced K-4330)
  - Description: Kingston bowl wall mounted, 1-1/2" top spud, elongated bowl, ADA compliant, with Sloan ECOS Electronic Flushometer #8111, 1.28 gpf, ADA compliant, with Bemis 1955SSCT open front less cover for elongated bowl plastic seat.
    - Regardless of the above, all water closets will be of consistent height, comfort height, toilets.

- **Lavatory:**
  - Manufacturer: Kohler
  - Model No.: K-2210 with overflow drain
  - Description: Caxton under-mount, honed white vitreous china, polished chrome accessories, ADA compliant
    - Sink counter shall be a design that does not promote ponding on the surface.

- **Faucets:**
  - Manufacturer: Sloan
  - Model No.: Solis EAF-275-ISM
  - Description: Electronic single supply faucet with integral spout temperature mixer, single-hole mounting, in polished chrome finish
    Faucets shall be 'fail closed' faucets, not fail open like was installed at Phase 1.

- **Drinking Fountains:**
  - Manufacturer: Haws
  - Model No.: 1011MS wall mounted drinking fountain
  - Description: Hi-Lo wall mounted barrier free drinking fountain with stainless steel finish.

Shelf Will be a brushed or satin stainless-steel shelf, approx. 12x18 in each restroom.

ACCESSORIES:

- **Soap Dispenser:**
  - Type: B-8226 - Counter mounted, 6" nozzle
- **Paper Towel Dispenser/Disposal:**
  - Type: B-3944 – Semi-recessed, 4" projection
- **Napkin Dispenser:**
  - Type: B-37063-25 – Recessed, Coin-operated, 25-cent
- **Grab Bars:**
  - Type: B-6806x42 – 1-1/2" Diameter, 42" long horizontal at side of w.c.
- **Grab Bars:**
  - Type: B-6806x36 – 1-1/2" Diameter, 36" long horizontal at rear of w.c
- **Toilet Paper/Seat Cover Dispenser:**
  - Type: B-3474 - Recess mounted, single sided, men's room, accessible
- **Toilet Paper/Seat Cover Dispenser:**
  - Type: B3471 – Double sided, partition mounted, men's room, one side accessible
- **Toilet Paper/Seat Cover Dispenser:**
  - Type: B347 – Double sided, partition mounted, men's room, non-accessible
- **Toilet Paper/Seat Cover Dispenser/Napkin Disposal:**
  - Type: B-3574 – Recess mounted, single sided, women's restroom, accessible
- **Toilet Paper/Seat Cover Dispenser/Napkin Disposal:**
  - Type: B-3571 – Double sided, partition mounted, women's room, one side accessible
- **Toilet Paper/Seat Cover Dispenser/Napkin Disposal:**
  - Type: B-357 – Double sided, partition mounted, women's room, non-accessible
- **Grab Bars:**
  - Type: B-68616 – Accessible shower, 24" W x 36" D

NOTE: Accessories are Satin by Bobrick, Stainless Steel finish, unless otherwise noted.

Exhibit D
Shell Plans Reference Sheets

(To Be Attached Subsequently In Accordance With Section 6.A)

Exhibit E
Premises Site Improvements Plans Reference Sheets

(To Be Attached Subsequently In Accordance With Section 6.A)

Exhibit F

ACKNOWLEDGMENT OF SUBSTANTIAL COMPLETION AND COMMENCEMENT DATE

This Acknowledgment of Substantial Completion and Commencement Date ("**Acknowledgment**") is entered into with respect to that certain Lease dated for reference purposes only as of ***[insert reference date of Lease:]*** _____, 2018 ("**Lease**"), between SI 55, LLC, a California limited liability company ("**Landlord**") and ServiceNow, Inc., a Delaware corporation ("**Tenant**") for certain space in the building commonly known as [_____] ("**Premises**"), as more particularly described in the Lease.

In accordance with Section 6.C of the Lease, by the Parties' signature to this Acknowledgment below, the Parties confirm and agree that **[e.g., revise as appropriate: (i) the Building Shell was Substantially Completed, and the Premises Site Improvements were completed to the stage at which Tenant and its contractors have sufficient access to the Building Shell and Project parking to construct the Tenant Improvements (as defined in the Lease), on *[insert date of Substantial Completion:]* _____, subject to those punch list items set forth on Exhibit A attached hereto and to the terms and conditions set forth in Section 6.C of the Lease ; (ii) the Phase 2B Delivery Date occurred on *[insert date of Phase 2B Delivery Date:]*_____, subject to those punch list items set forth on Exhibit A attached hereto and to the terms and conditions set forth in Section 6.C of the Lease; the Commencement Date of the Lease is *[insert Commencement Date:]*_____ ; and the parking allocable to the Building in the Phase 2 Parking Garage as of the Commencement Date is *[insert parking ratio number:]*_____ parking spaces per one thousand (1,000) Entitled Square Feet, not including roof deck, rounded down to the nearest whole parking space (which as of the Commencement Date amounts to a total of _____ parking spaces.]** Capitalized terms used in this letter shall have the meanings assigned in the Lease, if not otherwise defined in this Acknowledgment.

Landlord:

SI 55, LLC,
a California limited liability company

By: Sobrato Interests 3,
a California limited partnership
Its: Sole Member

By: Sobrato Development Companies, LLC,
a California limited liability company
Its: General Partner

By: _____
John Michael Sobrato
Its: Manager

Tenant:

ServiceNow, Inc., a Delaware corporation

By: _____

Its: _____

EXHIBIT A to Acceptance Acknowledgment

PUNCH LIST

Exhibit G
Tenant Improvements Plans Sheet References

(To Be Attached Subsequently In Accordance With Section 6.D)

Exhibit H
Environmental Reports

- Soil and Foundation Investigation, United Soil Engineering, Inc., March 1978
- Closure Report of the Integrated Silicon Solution, Inc. Facility, All Chemical Disposal, Inc., 2/14/07
- Phase I Environmental Site Assessment, PES Environmental, 5/16/07
- Non-Hazardous Waste Data Form, World Environmental & Energy, Inc., September 2007
- Work Plan/Repair of Previously Destroyed Agricultural Well, PES Environmental, 1/15/08
- Work Plan/Shallow Soil Sampling, PES Environmental, 4/18/08
- REVISED Work Plan/Shallow Soil Sampling, PES Environmental, 4/21/08
- Shallow Soil Sampling Report, PES Environmental, 5/1/08
- Well Destruction Report for Permit #78D0063, PES Environmental, 11/30/09
- Manifest Fee For 2009 Manifests, California Environmental Protection Agency, December 2009
- Dust Monitoring Survey, Sterling & Associates, Inc., 8/31/11
- Hazardous Materials Post-Closure Report, LMS Enterprises, cover letter dated 8/13/04, report dated 8/9/04
- Phase 1 Environmental Site Assessment, Nova Consulting Group, 3/17/06

Exhibit I
Competitor List

[List Of Five Competitors To Be Provided by Tenant At A Later Date]

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John J. Donahoe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ServiceNow, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2018

/s/ John J. Donahoe

John J. Donahoe
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael P. Scarpelli, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ServiceNow, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2018

/s/ Michael P. Scarpelli

Michael P. Scarpelli
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

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

I, John J. Donahoe, President and Chief Executive Officer of ServiceNow, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: May 8, 2018

/s/ John J. Donahoe

John J. Donahoe
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to ServiceNow, Inc. and will be retained by it and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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

I, Michael P. Scarpelli, Chief Financial Officer of ServiceNow, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: May 8, 2018

/s/ Michael P. Scarpelli

Michael P. Scarpelli
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to ServiceNow, Inc. and will be retained by it and furnished to the Securities and Exchange Commission or its staff upon request.