

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from _____ to _____

Commission File Number: 001-38678

UPWORK INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

46-4337682

(I.R.S. Employer Identification No.)

441 Logue Avenue

Mountain View, California

(Address of principal executive offices)

94043

(Zip Code)

(650) 316-7500

(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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.0001 par value per share	UPWK	The Nasdaq Stock Market LLC

As of April 30, 2019, there were 107,160,359 shares of the registrant's common stock outstanding.

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Unless otherwise expressly stated or the context otherwise requires, references in this Quarterly Report on Form 10-Q (this “Quarterly Report” or “report”) to “Upwork,” “Company,” “our,” “us,” and “we” and similar references refer to Upwork Inc. and its wholly-owned subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of the federal securities laws. All statements contained in this Quarterly Report, other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, potential growth or growth prospects, future research and development, sales and marketing and general and administrative expenses, and our objectives for future operations, are forward-looking statements. Words such as “believes,” “may,” “will,” “estimates,” “potential,” “continues,” “anticipates,” “intends,” “expects,” “could,” “would,” “projects,” “plans,” “targets,” and variations of such words and similar expressions are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections as of the date of this filing about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, “Risk Factors” in this Quarterly Report. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report and in other documents we file from time to time with the Securities and Exchange Commission (the “SEC”) that disclose risks and uncertainties that may affect our business. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and circumstances discussed in this Quarterly Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. In addition, the forward-looking statements in this Quarterly Report are made as of the date of this filing, and we do not undertake, and expressly disclaim any duty, to update such statements for any reason after the date of this Quarterly Report or to conform statements to actual results or revised expectations, except as required by law.

You should read this Quarterly Report and the documents that we reference herein and have filed with the SEC as exhibits to this Quarterly Report with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

UPWORK INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 49,220	\$ 129,128
Marketable securities	71,999	—
Funds held in escrow, including funds in transit	120,085	98,186
Trade and client receivables – net of allowance of \$2,406 and \$2,832 as of March 31, 2019 and December 31, 2018, respectively	48,265	22,315
Prepaid expenses and other current assets	6,681	6,253
Total current assets	296,250	255,882
Property and equipment, net	12,604	10,815
Goodwill	118,219	118,219
Intangible assets, net	5,337	6,004
Other assets, noncurrent	1,389	653
Total assets	\$ 433,799	\$ 391,573
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,542	\$ 2,073
Escrow funds payable	120,085	98,186
Debt, current	32,569	5,671
Accrued expenses and other current liabilities	15,606	20,948
Deferred revenue	891	722
Total current liabilities	170,693	127,600
Debt, noncurrent	16,354	18,239
Other liabilities, noncurrent	2,780	1,989
Total liabilities	189,827	147,828
Commitments and contingencies (Note 5)		
Stockholders' equity		
Common stock, \$0.0001 par value; 490,000,000 shares authorized as of March 31, 2019 and December 31, 2018; 106,729,758 and 106,454,321 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	11	11
Additional paid-in capital	392,188	387,233
Accumulated deficit	(148,227)	(143,499)
Total stockholders' equity	243,972	243,745
Total liabilities and stockholders' equity	\$ 433,799	\$ 391,573

The accompanying notes are an integral part of these condensed consolidated financial statements.

UPWORK INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Revenue	\$ 68,924	\$ 59,218
Cost of revenue	21,125	19,617
Gross profit	47,799	39,601
Operating expenses		
Research and development	15,800	13,491
Sales and marketing	20,518	19,673
General and administrative	15,677	11,176
Provision for transaction losses	637	1,270
Total operating expenses	52,632	45,610
Loss from operations	(4,833)	(6,009)
Interest expense	373	529
Other (income) expense, net	(479)	249
Loss before income taxes	(4,727)	(6,787)
Income tax benefit (provision)	(1)	3
Net loss	\$ (4,728)	\$ (6,784)
Net loss per share, basic and diluted	\$ (0.04)	\$ (0.20)
Weighted-average shares used to compute net loss per share, basic and diluted	106,639	34,193

The accompanying notes are an integral part of these condensed consolidated financial statements.

UPWORK INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK
AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share amounts)
(Unaudited)

	Three Months Ended March 31, 2019							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount				
December 31, 2018	—	\$ —	106,454,321	\$ 11	\$ 387,233	\$ (143,499)	\$ 243,745	
Issuance of common stock upon exercise of stock options	—	—	273,105	—	767	—	767	
Stock-based compensation expense	—	—	—	—	4,188	—	4,188	
Issuance of common stock for settlement of RSUs	—	—	2,332	—	—	—	—	
Net loss	—	—	—	—	—	(4,728)	(4,728)	
March 31, 2019	—	\$ —	106,729,758	\$ 11	\$ 392,188	\$ (148,227)	\$ 243,972	

	Three Months Ended March 31, 2018							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit	
	Shares	Amount	Shares	Amount				
December 31, 2017	61,279,079	\$ 166,486	33,740,323	\$ 3	\$ 92,222	\$ (123,592)	\$ (31,367)	
Issuance of common stock upon exercise of stock options	—	—	914,037	1	1,217	—	1,218	
Stock-based compensation expense	—	—	—	—	1,888	—	1,888	
Net loss	—	—	—	—	—	(6,784)	(6,784)	
March 31, 2018	61,279,079	\$ 166,486	34,654,360	\$ 4	\$ 95,327	\$ (130,376)	\$ (35,045)	

The accompanying notes are an integral part of these condensed consolidated financial statements.

UPWORK INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,728)	\$ (6,784)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for transaction losses	415	1,270
Depreciation and amortization	1,532	1,064
Amortization of debt issuance costs	13	39
Amortization of discount on purchases of marketable securities	(283)	—
Change in fair value of redeemable convertible preferred stock warrant liability	—	318
Change in fair value of Tides Foundation common stock warrant	252	—
Stock-based compensation expense	4,295	1,888
Loss on disposal of fixed assets	—	29
Changes in operating assets and liabilities:		
Trade and client receivables	(26,431)	(7,660)
Prepaid expenses and other assets	(991)	(1,111)
Accounts payable	(596)	51
Accrued expenses and other liabilities	(3,042)	15,805
Deferred revenue	169	91
Net cash provided by (used in) operating activities	(29,395)	5,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(71,713)	—
Decrease (increase) in restricted cash	250	(101)
Purchases of property and equipment	(3,604)	(462)
Internal-use software and platform development costs	(1,210)	(626)
Net cash used in investing activities	(76,277)	(1,189)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in funds held in escrow, including funds in transit	(21,899)	5,654
Changes in escrow funds payable	21,899	(5,654)
Proceeds from exercises of stock options and common stock warrants	764	1,218
Proceeds from borrowings on debt	25,000	—
Payments of costs related to the initial public offering	—	(163)
Net cash provided by financing activities	25,764	1,055
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(79,908)	4,866
Cash and cash equivalents, beginning of period	129,128	21,595
Cash and cash equivalents, end of period	\$ 49,220	\$ 26,461
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 357	\$ 511
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property and equipment purchased but not yet paid	\$ 1,210	\$ 1,149
Unpaid deferred offering costs	\$ —	\$ 1,057

The accompanying notes are an integral part of these condensed consolidated financial statements.

UPWORK INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1—Organization and Description of Business

Upwork Inc. (the “Company” or “Upwork”) operates an online marketplace that enables businesses (“clients”) to find and work with highly-skilled independent professionals (“freelancers,” and, together with clients, “users”). The Company was originally incorporated in the state of Delaware in December 2013 prior to and in connection with the combination (the “Elance-oDesk Combination”) of Elance, Inc. (“Elance”) and oDesk Corporation (“oDesk”). The Company changed its name to Elance-oDesk, Inc. shortly before the Elance-oDesk Combination in March 2014, and later to Upwork Inc. in May 2015. In 2015, the Company relaunched as Upwork and commenced consolidation of its two operating platforms. In 2016, following completion of the platform consolidation, the Company began operating under a single platform. The Company is currently headquartered in Mountain View, California.

Unless otherwise expressly stated or the context otherwise requires, the terms “Upwork” and the “Company” in these notes to the condensed consolidated financial statements refer to Upwork and its wholly-owned subsidiaries.

Initial Public Offering

In October 2018, the Company completed its initial public offering (“IPO”), in which the Company issued and sold an aggregate of 7,840,908 of the Company’s common stock, including 1,022,727 shares pursuant to the exercise of the underwriters’ option to purchase additional shares. The shares were sold to the underwriters at the IPO price of \$15.00 per share less an underwriting discount of \$1.05 per share. The Company received aggregate net proceeds of \$109.4 million from the IPO after deducting underwriting discounts and commissions but before deducting offering expenses payable by the Company.

Note 2—Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) and applicable rules and regulations of the SEC regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Quarterly Report should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 (the “Annual Report”), filed with the SEC on March 7, 2019.

The condensed consolidated balance sheet as of December 31, 2018 included herein was derived from the audited financial statements as of that date, but does not include all disclosures including notes required by U.S. GAAP.

The condensed consolidated financial statements include the accounts of Upwork Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

The accompanying condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, changes in stockholders’ equity and cash flows for the interim periods, but do not purport to be indicative of the results of operations or financial condition to be anticipated for the full year ending December 31, 2019.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the periods presented. Such estimates include, but are not limited to: the useful lives of assets; assessment of the recoverability of long-lived assets; goodwill impairment; allowance for doubtful accounts; liabilities relating to transaction losses; the valuation of warrants; stock-based compensation; and accounting for income taxes. Management bases its estimates on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. The Company evaluates its estimates, assumptions, and judgments on an ongoing basis using historical experience and other factors and revises them when facts and circumstances dictate. Actual results could materially differ from these estimates.

Significant Accounting Policies

The significant accounting policies applied in the Company’s audited consolidated financial statements, as disclosed in the Annual Report, are applied consistently in these unaudited interim condensed consolidated financial statements, except as noted below.

Marketable Securities

In the first quarter of 2019, the Company purchased various short-term, marketable securities consisting of commercial paper, treasury bills, and U.S. government securities, all of which have contractual maturities within 12 months from the date of purchase and are classified as available-for-sale marketable securities. These marketable securities are carried at estimated fair value with unrealized gains and losses, net of taxes, included within the stockholders’ equity section of the Company’s condensed consolidated balance sheet. The Company periodically reviews its available-for-sale marketable securities for other-than-temporary impairments. The Company considers factors such as the duration, severity, and the reason for any decline in value, the potential recovery period, and its intent to sell. For debt securities, the Company also considers whether (i) it is more likely than not that the Company will be required to sell the debt securities before recovery of their amortized cost basis and (ii) the amortized cost basis cannot be recovered as a result of credit losses. Unrealized losses are charged against other (income) expense, net when a decline in fair value is determined to be other-than-temporary. The Company determines realized gains or losses from the sale of marketable securities on a specific identification method and records such gains or losses as other (income) expense, net within the Company’s condensed consolidated statements of operations.

Income Taxes

The Company's income tax provision for interim periods is determined using an estimate of the Company's annual effective tax rate, adjusted for discrete items arising in the quarter. The Company's effective tax rate differs from the U.S. statutory tax rate primarily due to valuation allowances on the deferred tax assets as it is more likely than not that some or all of the Company's deferred tax assets will not be realized. The Company continues to maintain a full valuation allowance against its net deferred tax assets. Due to tax losses and the offsetting valuation allowance, the income tax benefit (provision) for the three months ended March 31, 2019 and 2018, respectively, was immaterial to the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

As an "emerging growth company," the Jumpstart Our Business Startups Act (the "JOBS Act") allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. Accounting Standards Codification 606—*Revenue from Contracts with Customers* ("ASC 606") supersedes the revenue recognition requirements in ASC 605—*Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 also includes Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers* ("Subtopic 340-40" and together with ASC 606, the "new revenue standard"), which requires the deferral of incremental costs of obtaining a contract with a customer. In August 2015, the FASB deferred the effective date for annual reporting periods beginning after December 15, 2017. In 2016, the FASB issued amendments on this guidance with the same effective date and transition guidance. The new revenue standard may be applied retrospectively to each prior period presented ("full retrospective method") or retrospectively with the cumulative effect recognized as of the date of adoption ("modified retrospective method").

The Company plans to adopt the new standard for the year ending December 31, 2019 during the fourth quarter of 2019, using the modified retrospective method. Interim reporting under the new standard will not be required until 2020. The Company is continuing to evaluate the potential impact that the implementation of this standard will have on its consolidated financial statements, specifically related to the following items:

- identification of performance obligations;
- principal agent considerations;
- whether costs to obtain a contract with a customer will be capitalized or expensed;
- timing of revenue recognition; and
- revenue disclosures which are expected to expand and may require judgment in certain areas.

The Company has concluded that the discounts offered under the Company's tiered pricing program for freelancer service fees result in a "material right" as that term is defined in ASC 606. However, the Company has not yet determined the potential adjustment amount. The Company currently does not expect significant changes to its systems and processes from the adoption of the new standard.

In January 2016, the FASB issued Accounting Standards Update 2016-01, *Financial Instruments (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 makes targeted improvements to GAAP regarding financial instruments. ASU 2016-01 eliminates the requirement to classify investments in equity securities with readily determinable fair values into trading or available-for-sale categories and requires those equity securities to be measured at fair value with changes in fair value recognized in net earnings rather than in other comprehensive income. ASU 2016-01 also revises certain presentation and disclosure requirements. Under ASU 2016-01, accounting for investments in debt securities remains essentially unchanged. The guidance is effective for the Company for fiscal year 2020 and interim periods beginning fiscal year 2021. Early adoption is not permitted. The Company has not yet evaluated the impact of adopting this guidance on its consolidated financial statements and related disclosures.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, related to how an entity should recognize lease assets and lease liabilities. The guidance specifies that an entity that is a lessee under lease agreements should recognize lease assets and lease liabilities for those leases classified as operating leases under previous FASB guidance. Accounting for leases by lessors is largely unchanged under the new guidance. In 2018, the FASB also approved an amendment that would permit the option to adopt the new standard prospectively as of the effective date, without adjusting comparative periods presented. The new standard becomes effective for the Company for the year ending on December 31, 2020. The Company anticipates the effect of adopting this update will be recognizing right-of-use assets and corresponding lease liabilities for leases where the Company is the lessee, primarily comprised of leases for facilities. The Company is continuing to assess all implications of this new guidance on its consolidated financial statements.

Note 3—Fair Value Measurements

The Company defines fair value as the exchange price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance describes three levels of inputs that may be used to measure fair value:

- Level I—Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets;
- Level II—Observable inputs other than Level I prices, such as unadjusted quoted prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level III—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs are based on the Company’s own assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

The categorization of a financial instrument within the fair value hierarchy is based upon the lowest level of input that is significant to its fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the assets or liability.

The Company’s financial instruments that are carried at fair value consist of Level I and Level II assets as of March 31, 2019 and December 31, 2018. The following tables set forth the fair value of the Company’s financial assets measured at fair value on a recurring basis based on the three-tier fair value hierarchy (in thousands):

	March 31, 2019			
	Level I	Level II	Level III	Total
Cash equivalents				
Money market funds	\$ 32,028	\$ —	\$ —	\$ 32,028
Commercial paper	—	3,097	—	3,097
Marketable securities				
Commercial paper	—	52,123	—	52,123
Treasury bills	4,960	—	—	4,960
U.S. government securities	14,916	—	—	14,916
Total financial assets	<u>\$ 51,904</u>	<u>\$ 55,220</u>	<u>\$ —</u>	<u>\$ 107,124</u>
December 31, 2018				
	Level I	Level II	Level III	Total
Cash equivalents—money market funds	\$ 117,138	\$ —	\$ —	\$ 117,138
Total financial assets	<u>\$ 117,138</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 117,138</u>

Prior to its IPO, the Company measured its redeemable convertible preferred stock warrant liability at fair value on a recurring basis, and it was classified within Level III because the warrants were valued using a Black-Scholes valuation model, for which some inputs were unobservable in the market. The Company recorded \$0.3 million related to the revaluation of its redeemable convertible preferred stock warrant liability, which is included in other (income) expense, net in the Company’s condensed consolidated statement of operations for the three months ended March 31, 2018.

Upon the closing of the IPO in October 2018, the redeemable convertible preferred stock warrant converted to a common stock warrant. As such, the Company reclassified its redeemable convertible preferred stock warrant liability to additional paid-in capital.

Note 4—Balance Sheet Components

Cash and Cash Equivalents

Cash and cash equivalents consisted of the following (in thousands):

	March 31, 2019	December 31, 2018
Cash	\$ 14,095	\$ 11,990
Money market funds	32,028	117,138
Commercial paper	3,097	—
Total cash and cash equivalents	<u>\$ 49,220</u>	<u>\$ 129,128</u>

Marketable Securities

Marketable securities consisted of the following (in thousands):

	March 31, 2019
Commercial paper	\$ 52,123
Treasury bills	4,960
U.S. government securities	14,916
Total marketable securities	<u>\$ 71,999</u>

For the three months ended March 31, 2019, the gross unrealized gains and losses on the Company's marketable securities were immaterial. As of March 31, 2019, the Company considered any decreases in market value to be temporary in nature and did not consider any of the Company's marketable securities to be other-than-temporarily impaired. As such, the Company did not record any impairment charges during the three months ended March 31, 2019.

Property and Equipment, Net

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

	March 31, 2019	December 31, 2018
Computer equipment and software	\$ 3,475	\$ 3,189
Internal-use software and platform development	7,390	6,287
Leasehold improvements	6,509	5,783
Office furniture and fixtures	2,524	2,545
Total property and equipment	19,898	17,804
Less: accumulated depreciation	(7,294)	(6,989)
Property and equipment, net	<u>\$ 12,604</u>	<u>\$ 10,815</u>

Depreciation expense related to property and equipment was \$0.8 million and \$0.4 million for the three months ended March 31, 2019 and 2018, respectively.

The Company capitalized \$1.1 million and \$0.6 million of internal-use software and platform development costs during the three months ended March 31, 2019 and 2018, respectively. Amortization expense related to the capitalized internal-use software and platform development costs was immaterial for the three months ended March 31, 2019. There was no amortization expense for the three months ended March 31, 2018 related to the internal-use software and platform development costs as the underlying assets had not been placed into service as of March 31, 2018.

Intangible Assets, Net

All of the Company's identifiable intangible assets were acquired in March 2014 from the Elance-oDesk Combination. Intangible assets, net consisted of the following (in thousands):

	March 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	\$ 2,293	\$ 2,293	\$ —
User relationships	18,678	13,341	5,337
Developed technology	10,356	10,356	—
Domain names	529	529	—
Total	\$ 31,856	\$ 26,519	\$ 5,337

	December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	\$ 2,293	\$ 2,293	\$ —
User relationships	18,678	12,674	6,004
Developed technology	10,356	10,356	—
Domain names	529	529	—
Total	\$ 31,856	\$ 25,852	\$ 6,004

Total amortization expense of intangible assets was \$0.7 million for each of the three months ended March 31, 2019 and 2018. Amortization expense was included in general and administrative expenses. As of March 31, 2019, the remaining useful life for user relationships was 2.0 years. As of December 31, 2018, the remaining useful life for user relationships was 2.3 years.

As of March 31, 2019, the estimated future amortization expense for the acquired intangible assets was as follows (in thousands):

	March 31, 2019
Remainder of 2019	\$ 2,001
2020	2,668
2021	668
Total estimated future amortization expense	\$ 5,337

Accrued Expenses and Other Current Liabilities

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

	March 31, 2019	December 31, 2018
Accrued compensation and related benefits	\$ 5,419	\$ 9,314
Accrued freelancer costs	823	2,465
Accrued indirect taxes	1,888	1,630
Accrued vendor expenses	5,993	6,002
Accrued payment processing fees	811	715
Other	672	822
Total accrued expenses and other current liabilities	\$ 15,606	\$ 20,948

Note 5—Commitments and Contingencies

Operating Leases

The Company leases office space under five non-cancellable operating lease agreements, which expire from 2019 through 2028. The terms of the office leases contain rent escalation clauses, rent holidays, and/or tenant improvement allowances. The Company recognizes rent expense on a straight-line basis over the non-cancellable lease term and records the difference between cash payments and the recognition of rent expense as a deferred rent liability. Where leases contain escalation clauses, rent holidays, and/or tenant improvement allowances, the Company applies them in the determination of straight-line rent expense over the lease term.

In February 2019, the Company entered into an agreement for a non-cancellable operating lease for new office space in Santa Clara, California. The Company took possession of the Santa Clara office space for its corporate headquarters during the first quarter of 2019 and plans to move its corporate headquarters and related operations in the second quarter of 2019 shortly after the termination of its Mountain View, California office lease. From June 1, 2019 through October 15, 2028, total minimum lease payments under the lease agreement are \$14.3 million, with lease payments ranging from \$1.4 million to \$1.8 million per year.

In 2018, the Company entered into an agreement to extend its non-cancellable operating lease for its San Francisco office through 2024. From September 1, 2019 through August 31, 2024, total minimum lease payments under the lease agreement are \$15.7 million, with lease payments ranging from \$1.0 million to \$2.2 million per year from 2019 to 2024.

Also in 2018, the Company entered into an agreement for a non-cancellable operating lease for new office space in Chicago through October 2024. In December 2018, the Company amended this agreement (the "First Amendment") to extend the term of the original lease from October 2024 to April 2025 and to lease additional office space to accommodate continued headcount growth. From June 1, 2019 through April 30, 2025, total minimum lease payments under the original lease agreement and the First Amendment are \$10.3 million, with lease payments ranging from \$0.5 million to \$2.0 million per year from 2019 to 2025. The Company moved its Chicago-based operations to this new office space in January 2019. In connection with this move, the Company entered into two sublease agreements that provided for the sublease of the two office spaces the Company occupied prior to its execution of the new operating lease. The Company exited the two spaces in December 2018 and January 2019, respectively. As a result, the Company accelerated the depreciation expense of its leasehold improvements and furniture and fixtures on the cease-use date for the space exited in January 2019 and accordingly recorded \$0.3 million of accelerated depreciation expense during the three months ended March 31, 2019. The expected sublease income from the two sublease agreements is reflected in the future aggregate minimum lease payment table below.

As of March 31, 2019, future aggregate minimum lease payments under the non-cancellable operating leases, net of sublease income, were as follows (in thousands):

	March 31, 2019
Remainder of 2019	\$ 2,728
2020	5,861
2021	6,342
2022	6,588
2023	6,776
Thereafter	13,137
Less: sublease income	(706)
Total	<u>\$ 40,726</u>

Rent expense was \$1.2 million and \$1.0 million for the three months ended March 31, 2019 and 2018, respectively.

Letters of Credit

In conjunction with the operating lease agreements, as of March 31, 2019 and December 31, 2018, the Company had four and three irrevocable letters of credit outstanding in the aggregate amount of \$1.1 million and \$0.8 million,

respectively. The letters of credit are collateralized by restricted cash in the same respective amounts and begin to expire in 2019. No amounts had been drawn against these letters of credit as of March 31, 2019 and December 31, 2018.

Contingencies

The Company accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. From time to time in the normal course of business, various claims and litigation have been asserted or commenced. Due to uncertainties inherent in litigation and other claims the Company can give no assurance that it will prevail in any such matters, which could subject the Company to significant liability or damages. Any claims or litigation could have an adverse effect on the Company's business, financial position, results of operations, or cash flows in or following the period that claims or litigation are resolved.

As of March 31, 2019 and December 31, 2018, the Company was not a party to any material legal proceedings or claims, nor is the Company aware of any pending or threatened litigation or claims that could reasonably be expected to have a material adverse effect on its business, operating results, cash flows, or financial condition. Accordingly, the Company has determined that the existence of a material loss as of this date is neither probable nor reasonably possible.

Indemnification

The Company has indemnification agreements with its officers, directors, and certain key employees to indemnify them while they are serving in good faith in their respective positions. In the ordinary course of business, the Company enters into contractual arrangements under which it agrees to provide indemnification of varying scope and terms to vendors and other parties, including, but not limited to, losses arising out of the Company's breach of such agreements. In addition, subject to the terms of the applicable agreement, as part of the Company's Upwork Enterprise offering, the Company indemnifies clients that subscribe to worker classification services for losses arising from worker misclassification and intellectual property claims made by third parties relating to the use of the Company's platform. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company's limited history of prior indemnification claims and the facts and circumstances involved in each particular provision.

Note 6—Debt

The following table presents the carrying value of the Company’s debt obligations as of March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019	December 31, 2018
First Term Loan—18 months of interest-only payments ending in March 2019 followed by 36 equal monthly installments of principal plus interest, maturing March 2022; interest at prime plus 0.25% per annum	\$ 15,000	\$ 15,000
Second Term Loan—11 months of interest-only payments ending in October 2018 followed by 47 equal monthly installments of principal plus interest, maturing September 2022. As of September 30, 2018, the Company achieved trailing six-month EBITDA of at least \$1.0 million; as a result, the interest-only repayment period extended to March 2019, followed by 42 equal monthly installments of principal plus interest; bears interest at prime plus 5.25% per annum. As a result of the IPO, the interest rate was reduced to prime plus 0.25% per annum	9,000	9,000
Line of credit—interest at prime with accrued interest due monthly; matures September 2020	25,000	—
Total debt	49,000	24,000
Less: unamortized debt discount issuance costs	(77)	(90)
Balance	48,923	23,910
Debt, current	(32,569)	(5,671)
Debt, noncurrent	\$ 16,354	\$ 18,239
Weighted-average interest rate	5.81%	6.89%

Under the Company’s Loan and Security Agreement, as amended (the “Loan Agreement”), the aggregate amount of the facility is up to \$49.0 million, consisting of an outstanding \$15.0 million term loan (the “First Term Loan”), an outstanding \$9.0 million term loan (the “Second Term Loan” and, together with the First Term Loan, the “Term Loans”) and a revolving line of credit, which permits borrowings of up to \$25.0 million subject to customary conditions. Among other things, the Company may only borrow funds under the revolving line of credit if, after giving effect thereto, total borrowings under the line of credit do not exceed a specified percentage of eligible trade and client accounts receivable.

In September 2018, the Company entered into a second amendment (the “Second Amendment”) to the Loan Agreement, which expanded the types of eligible trade and client accounts receivable considered for the determination of the borrowing base of the revolving line of credit. The Second Amendment also provided for a reduction in the interest rate for the Second Term Loan, from the prime rate plus 5.25% per annum to the prime rate plus 0.25% per annum, from and after the occurrence of an initial public offering by the Company with net proceeds of more than \$50.0 million. This reduction became effective following the completion of the IPO in October 2018.

In March 2019, the Company entered into a third amendment (the “Third Amendment”) to the Loan Agreement, which, among other changes, (i) amended the adjusted quick ratio financial covenant to provide that the Company will maintain an adjusted quick ratio of 1.75 to 1.00 (previously 1.30 to 1.00), (ii) reduced the frequency with which the Company is required to provide certain financial information to the lender during periods in which it maintains an adjusted quick ratio of 2.50 to 1.00, and (iii) eliminated the minimum EBITDA covenant with which the Company was required to comply. The Company was in compliance with its covenants under the Loan Agreement as of March 31, 2019 and December 31, 2018.

To the extent the Company has not yet collected funds for hourly billings from clients that are in-transit due to timing differences in receipt of cash from clients, the Company may utilize the revolving line of credit to satisfy customary escrow funding requirements. In March 2019, the Company drew down \$25.0 million under the revolving line of credit for such purpose, which the Company subsequently repaid in April 2019. See Note 14—Subsequent Events.

As of March 31, 2019, the Company had \$24.0 million outstanding pursuant to the Term Loans and \$25.0 million outstanding under the revolving line of credit. As of December 31, 2018, the Company had \$24.0 million outstanding pursuant to the Term Loans and no borrowings outstanding under the revolving line of credit.

Amortization expense related to the debt discount was immaterial for the three months ended March 31, 2019 and 2018.

Note 7—Redeemable Convertible Preferred Stock

Prior to the IPO, the Company financed its operations and capital expenditures primarily through sales of convertible preferred stock, bank borrowings, and utilization of cash generated from operations in the periods in which the Company generated cash flows from operations.

As a result of the IPO, all of the Company's 61,279,079 shares of then-outstanding redeemable convertible preferred stock automatically converted into shares of common stock on a one-for-one basis. Therefore, there were no issued or outstanding shares of redeemable convertible preferred stock as of March 31, 2019 and December 31, 2018.

Note 8—Preferred and Common Stock Warrants

Redeemable Convertible Preferred Stock Warrants

As a result of the Elance-oDesk Combination, a redeemable convertible preferred stock warrant that was originally issued by Elance prior to the Elance-oDesk Combination became exercisable to purchase up to 124,506 and 273,825 shares of the Company's Series A-1 and Series A-2 redeemable convertible preferred stock, respectively, at an exercise price of \$3.13 per share.

Prior to its IPO, the Company estimated the fair value of its redeemable convertible preferred stock warrant using the Black-Scholes valuation model. The Company recorded \$0.3 million related to the revaluation of its redeemable convertible preferred stock warrant liability, which is included in other (income) expense, net in the Company's condensed consolidated statement of operations for the three months ended March 31, 2018.

Upon completion of the IPO, this warrant converted to a common stock warrant exercisable for the same number of shares and was reclassified to additional paid-in capital. The common stock warrant was outstanding and exercisable as of March 31, 2019 and December 31, 2018. In April 2019, this common stock warrant was exercised in full. See Note 14—Subsequent Events.

Common Stock Warrant

In 2018, the Company established The Upwork Foundation initiative. The program includes a donor-advised fund created through the Tides Foundation. In May 2018, the Company issued a warrant to purchase 500,000 shares of its common stock at an exercise price of \$0.01 per share to the Tides Foundation. The vesting and exercisability provisions of the warrant became effective upon the IPO in October 2018.

This warrant is exercisable as to 1/10th of the shares on each anniversary of the IPO, with proceeds from the sale of such shares to be donated in accordance with the Company's directive. For the three months ended March 31, 2019, the Company recorded \$0.2 million of expense related to the revaluation of this warrant, which is included in general and administrative expense in the Company's condensed consolidated statement of operations.

Note 9—Common Stock

Holders of common stock are entitled to one vote per share and are entitled to receive dividends, if any, on a pro rata basis whenever funds are legally available and when, as, and if declared by the Company's board of directors.

As of March 31, 2019 and December 31, 2018, the Company was authorized to issue 490,000,000 shares of common stock. As of March 31, 2019 and December 31, 2018, the Company had reserved shares of common stock for future issuance as follows:

	March 31, 2019	December 31, 2018
Options issued and outstanding	23,304,831	23,774,279
RSUs issued and outstanding	1,087,759	288,460
Warrant to purchase common stock	898,331	898,331
Remaining shares reserved for future issuances under 2018 Equity Incentive Plan	15,277,301	10,558,306
Remaining shares reserved for futures issuances under 2018 Employee Stock Purchase Plan	2,551,634	1,700,000
Total	<u>43,119,856</u>	<u>37,219,376</u>

Note 10—Stock-Based Compensation

Equity Incentive Plans

The following table summarizes activity under the Company’s stock option plans:

	Number of Shares Underlying Outstanding Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Balances at December 31, 2018	23,774,279	\$ 3.71	7.10	\$ 342,262
Exercised	(273,105)	2.81		
Forfeited and canceled	(196,343)	4.63		
Balances at March 31, 2019	<u>23,304,831</u>	\$ 3.72	6.86	\$ 359,444

In 2018, the Company’s board of directors and stockholders each adopted the 2018 Equity Incentive Plan (“2018 EIP”), which became effective on the date immediately prior to the date of the IPO. Awards granted under the 2018 EIP may be (i) incentive stock options, (ii) nonqualified stock options, (iii) RSUs, (iv) restricted stock awards, or (v) stock appreciation rights, as determined by the Company’s board of directors at the time of grant.

The following table summarizes the RSU activity and related information under the 2018 EIP:

	Number of RSUs Outstanding	Weighted-Average Grant Date Fair Value
Unvested balance at December 31, 2018	288,460	\$ 15.00
Granted	825,320	19.34
Vested	(2,332)	15.00
Forfeited and canceled	(23,689)	18.85
Unvested balance at March 31, 2019	<u>1,087,759</u>	\$ 18.21

Pursuant to the terms of the 2018 EIP, in January 2019, the number of shares available for grant was increased by 5,322,716 shares. As of March 31, 2019, 15,277,301 shares were reserved for future issuance under the 2018 EIP.

In July 2018, the Company’s board of directors granted an option exercisable for up to 1,860,000 shares of common stock to the Company’s Chief Executive Officer under the 2018 EIP (the “CEO Award”). The vesting and exercisability of the CEO Award is contingent upon the recipient’s continuous service as the Chief Executive Officer and the achievement of certain measurement objectives during three separate measurement periods within the period of time beginning on January 1, 2019 and ending on December 31, 2023. Each reporting period, the Company assesses the probability that the performance criteria will be met and records expense for those shares that are probable of vesting. For the three months ended March 31, 2019, the Company recorded \$0.5 million related to the CEO Award.

In February 2019, the Company’s board of directors approved the omnibus Performance Bonus Plan along with the performance criteria and bonus pool for 2019 (the “Bonus Plan”), which provides for the payment of bonus compensation to selected employees of the Company, including the Company’s executive officers, upon the achievement of certain performance criteria. In lieu of a cash payment, bonus payments to certain of the Company’s management team will be paid in the form of fully vested RSUs issued from the 2018 EIP. The ultimate number of fully vested RSUs to be granted will be determined by dividing (A) the total dollar value of the bonus that would be delivered in cash by (B) the closing stock price on the day prior to the award grant date, which is expected to occur in the first quarter of 2020. The payment of the bonus in fully vested RSUs requires accounting as a stock-based award under U.S. GAAP. Because the number of fully vested RSUs to be granted is dependent upon the future closing price of the Company’s common stock, the Company has classified this award as a liability within its condensed consolidated balance sheet as of March 31, 2019. Each reporting period, the Company assesses the probability that the performance criteria will be met and records expense for those shares that are probable of vesting.

Employee Stock Purchase Plan

In 2018, the Company's board of directors and stockholders each adopted the 2018 Employee Stock Purchase Plan ("2018 ESPP"), which became effective upon the completion of the IPO. Pursuant to the terms of the 2018 ESPP, in January 2019, the number of shares available for issuance was increased by 851,634 shares. As of March 31, 2019, 2,551,634 shares were reserved for future issuance under the 2018 ESPP.

Stock-Based Compensation

The following table summarizes the components of stock-based compensation expense recognized in the condensed consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2019	2018
Cost of revenue	\$ 144	\$ 52
Research and development	1,380	550
Sales and marketing	642	340
General and administrative	2,129	946
Total stock-based compensation	\$ 4,295	\$ 1,888

Stock-based compensation expense related to non-employee stock option grants was immaterial for the three months ended March 31, 2019 and 2018. The amount of stock-based compensation capitalized to internal-use software and platform development costs for the three months ended March 31, 2019 and 2018 was immaterial.

Prior to the IPO, certain common stockholders (who were employees or former employees of the Company) sold the Company's common stock in secondary market transactions. The incremental value between the sale price and the fair value of the common stock at the date of sale aggregated to an immaterial amount of stock-based compensation expense for the three months ended March 31, 2018.

Note 11—Net Loss per Share

The following table sets forth the computation of the Company's basic and diluted net loss per share for the periods presented (in thousands, except share and per share data):

	Three Months Ended March 31,	
	2019	2018
Numerator:		
Net loss	\$ (4,728)	\$ (6,784)
Denominator:		
Weighted-average shares used to compute net loss per share, basic and diluted	106,639,079	34,192,856
Net loss per share, basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.20)</u>

The following potentially dilutive shares were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive:

	As of March 31,	
	2019	2018
Options to purchase common stock	23,304,831	23,799,710
Common stock issuable upon conversion of redeemable convertible preferred stock	—	61,279,079
Common stock issuable upon exercise of common stock warrants	898,331	45,286
Common stock issuable upon exercise and redeemable conversion of preferred stock warrants	—	398,331
Common stock issuable upon vesting of restricted stock units	1,087,759	—
Total	<u>25,290,921</u>	<u>85,522,406</u>

Note 12—Segment and Geographical Information

The Company operates as one operating and reportable segment for purposes of allocating resources and evaluating financial performance.

The following table sets forth total revenue by type of service for the periods presented (in thousands):

	Three Months Ended March 31,	
	2019	2018
Marketplace	\$ 60,903	\$ 51,959
Managed services	8,021	7,259
Total revenue	\$ 68,924	\$ 59,218

The Company generates its revenue from freelancers and clients. The following table sets forth total revenue by geographic area based on the billing address of its freelancers and clients for the periods presented (in thousands):

	Three Months Ended March 31,	
	2019	2018
Freelancers		
United States	\$ 11,888	\$ 9,103
India	6,630	6,106
Philippines	4,577	3,955
Rest of world	21,695	19,025
Total freelancers	44,790	38,189
Clients		
United States	17,674	15,462
Rest of world	6,460	5,567
Total clients	24,134	21,029
Total revenue	\$ 68,924	\$ 59,218

Substantially all of the Company's long-lived assets were located in the United States as of March 31, 2019 and December 31, 2018.

Note 13—401(k) Plan

The Company offers the Upwork Retirement Savings Plan (the “Retirement Plan”), a defined contribution plan that allows employees to contribute a portion of their salary, subject to the annual limits. Under the Retirement Plan, eligible employees may defer a portion of their pretax salaries, but not more than the statutory limits. The Retirement Plan provides for a discretionary employer matching contribution. The Company makes matching contributions equal to 50% of each dollar contributed, subject to a maximum contribution of \$5,000 annually per participant. The Company’s total expense for the matching contributions was \$0.9 million and \$0.8 million for the three months ended March 31, 2019 and 2018, respectively.

Note 14—Subsequent Events

In April 2019, the Company repaid \$25.0 million outstanding under the Company’s line of credit that was drawn down in March in order to satisfy the Company’s escrow funding requirements as of March 31, 2019.

Also in April 2019, a warrant to purchase 398,331 shares of the Company’s common stock was exercised in full at a total cost of \$1.2 million. In lieu of a cash payment, the holder of the warrant surrendered 64,646 shares to cover the exercise price. The Company issued 333,685 shares as a result of this exercise.

In May 2019, the Compensation Committee of the Board of Directors granted 61,760 RSUs to Hayden Brown in connection with her promotion to Chief Marketing and Product Officer. The RSUs vest in equal quarterly installments over 16 quarters of continuous service with the first vesting date to occur June 18, 2019. Each subsequent vest date will occur on the 18th day of the third month of each quarter.

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

You should read the following discussion and analysis of our financial condition and results of operations together with the section titled “Risk Factors” and the condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, as well as assumptions that they may never materialize or that may be proven incorrect. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in the sections titled “Special Note Regarding Forward-Looking Statements” and “Risk Factors” and in other parts of this Quarterly Report.

Overview

We operate the largest online marketplace that enables businesses to find and work with highly-skilled freelancers, as measured by gross services volume (“GSV”). GSV represents the total amount that clients spend on both our marketplace offerings and our managed services offering as well as additional fees we charge to both clients and freelancers for other services. Freelancers are an increasingly sought-after, critical, and expanding segment of the global workforce. We define freelancers as users of our platform that advertise and provide services to clients through our platform, and we define clients as users of our platform that work with freelancers through our platform. The freelancers on our platform include independent professionals and agencies of varying sizes. The clients on our platform range in size from small businesses to Fortune 500 companies. For the three months ended March 31, 2019 and 2018, our platform enabled \$0.5 billion and \$0.4 billion of GSV, respectively, in over 180 countries. For purposes of determining countries where we enable GSV, we include both the countries in which the clients that paid for the applicable services are located, as well as the countries in which the freelancers that provided those services are located.

We generate a majority of our revenue from fees charged to freelancers. We also generate revenue through fees charged to clients for transacting payments through our platform, as well as foreign currency exchange fees, Upwork Payroll service fees, and fees for premium offerings. In addition, we provide a managed services offering where we engage freelancers to complete projects, directly invoice the client, and assume responsibility for work performed by the freelancers. We generated revenue of \$68.9 million and \$59.2 million for the three months ended March 31, 2019 and 2018, respectively, representing a period-over-period increase of 16%.

For the three months ended March 31, 2019, we generated a net loss of \$4.7 million and our adjusted EBITDA was \$1.2 million, compared to a net loss of \$6.8 million and negative adjusted EBITDA of \$3.1 million for the three months ended March 31, 2018. Adjusted EBITDA is a financial measure that is not prepared in accordance with, and is not an alternative to, financial measures prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). See the section titled “Key Financial and Operational Metrics—Non-GAAP Financial Measures” below for a definition of adjusted EBITDA and information regarding our use of adjusted EBITDA and a reconciliation of net loss to adjusted EBITDA.

Key Financial and Operational Metrics

We monitor the following key financial and operational metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions. Our key metrics were as follows as of or for the periods presented:

	Three Months Ended March 31,	
	2019	2018
	<i>(in thousands)</i>	
GSV	\$ 486,929	\$ 402,248
Marketplace revenue	60,903	51,959
Adjusted EBITDA ⁽¹⁾	1,246	(3,057)

⁽¹⁾ Adjusted EBITDA is not prepared in accordance with, and is not an alternative to, financial measures prepared in accordance with U.S. GAAP. See “— Non-GAAP Financial Measures” below for a definition of adjusted EBITDA and for information regarding our use of adjusted EBITDA and a reconciliation of adjusted EBITDA to net loss, the most directly comparable financial measure prepared under U.S. GAAP.

	As of March 31,	
	2019	2018
	<i>(in thousands, except percentages)</i>	
Core clients	111	91
Client spend retention	107%	103%

We believe these key financial and operational metrics are useful to evaluate period-over-period comparisons of our business and in understanding our operating results. The number of core clients in any given period drives both GSV, which represents the amount of business transacted through our platform, and client spend retention. Client spend retention impacts the growth rate of GSV. We believe our marketplace revenue, which represents a majority of our revenue, will grow as GSV grows, although they could grow at different rates. For a discussion of limitations in the measurement of core clients, GSV, and client spend retention, see “Risk Factors—We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business” in Part II of this Quarterly Report.

Core Clients

We define a core client as a client that has spent in the aggregate at least \$5,000 since it began using our platform and also had spend-activity on our platform during the twelve months preceding the date of measurement. This includes the total amount spent by the client on both the Elance and oDesk platforms for the periods prior to the consolidation of the two platforms as described in “Note 1—Organization and Description of Business” of our condensed consolidated financial statements and related notes included elsewhere in this report. We believe \$5,000 is an important spend milestone as it indicates that the client is actively using our platform. Historically, these core clients have been more likely to continue using our platform. We believe that the number of core clients is a key indicator of our growth and the overall health of our business because core clients are a primary driver of GSV, and, therefore, marketplace revenue.

Gross Services Volume

GSV includes both client spend and additional fees charged for other services. Client spend, which we define as the total amount that clients spend on both our marketplace offerings and our managed services offering, is the primary component of GSV. GSV also includes additional fees charged to both clients and freelancers for other services, such as freelancer withdrawals and foreign currency exchange.

GSV is an important metric because it represents the amount of business transacted through our platform. Growth in the number of core clients and increased client spend retention are the primary drivers of GSV growth. In addition, our marketplace revenue is primarily comprised of the service fees paid by freelancers as a percentage of the total amount

freelancers charge clients for services accessed through our platform. Therefore, marketplace revenue is correlated to GSV, and we believe that our marketplace revenue will grow as GSV grows, although they could grow at different rates. We expect our GSV to fluctuate between periods due to a number of factors, including the volume and characteristics of projects that are posted by clients on our platform, such as size, duration, pricing, and other factors.

Client Spend Retention

We calculate client spend retention by dividing our recurring client spend by our base client spend. We define base client spend as the aggregate client spend from all clients during the four quarters ended one year prior to the date of measurement. We define our recurring client spend as the aggregate client spend during the four quarters ended on the date of measurement from the same clients included in our measure of base client spend. Our business is recurring in nature even though clients are not contractually required to spend on a recurring basis. We believe that client spend retention is a key indicator of the value of our platform and the overall health of our business because it impacts the growth rate of GSV, and, therefore, marketplace revenue. As of March 31, 2019, client spend retention was 107%, up from 103% as of March 31, 2018, but lower than it was as of September 30, 2018 and December 31, 2018, and may vary from period to period due to client behavior.

The growth in our marketplace is driven primarily by long-term and recurring use by freelancers and clients, which leads to increased revenue visibility for us. While continued use of our platform by freelancers is a factor that impacts our ability to attract and retain clients, our platform currently has a significant surplus of freelancers in relation to the number of clients actively engaging freelancers. As a result of this surplus of freelancers relative to clients, we primarily focus our efforts on retaining client spend and acquiring new clients as opposed to acquiring new freelancers and retaining existing freelancers. Moreover, we generate revenue when clients engage and pay freelancers and therefore our key metrics and operating results are directly impacted by client spend. On the other hand, the number of freelancers retained between periods is merely one of many factors that may impact client spend in a particular period and is not a primary driver of our key metrics and operating results. For these reasons, we do not calculate or track freelancer retention metrics in order to manage our business.

Marketplace Revenue

Marketplace revenue, which represents the majority of our revenue, consists of revenue derived from our Upwork Basic, Plus, Business and Enterprise and other premium offerings. We generate marketplace revenue from both freelancers and clients. Our marketplace revenue is primarily comprised of the service fees paid by freelancers as a percentage of the total amount freelancers charge clients for services accessed through our platform, and to a lesser extent, payment processing and administration fees charged to clients. We also generate marketplace revenue for other services, such as foreign currency exchange fees, Upwork Payroll service fees, and fees for premium offerings. Marketplace revenue is an important metric because it is the primary driver of our business model, and we believe it provides greater comparability to other online marketplaces. The growth rate of marketplace revenue fluctuates in relation to the growth rate of GSV. Therefore, marketplace revenue is correlated to GSV, and we believe that our marketplace revenue will grow as GSV grows, although they could grow at different rates.

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. GAAP, adjusted EBITDA is a non-GAAP measure that we believe is useful in evaluating our operating performance.

We define adjusted EBITDA as net income (loss) adjusted for stock-based compensation expense, depreciation and amortization, interest expense, other (income) expense, net, income tax (benefit) provision, the change in fair value of our Tides Foundation common stock warrant, and, if applicable, other non-cash transactions. Adjusted EBITDA is not prepared in accordance with, and is not an alternative to, financial measures prepared in accordance with U.S. GAAP.

The following table presents a reconciliation of net loss, the most directly comparable financial measure prepared in accordance with U.S. GAAP, to adjusted EBITDA for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2019	2018
Net Loss	\$ (4,728)	\$ (6,784)
Add back (deduct):		
Stock-based compensation expense	4,295	1,888
Depreciation and amortization	1,532	1,064
Interest expense	373	529
Other (income) expense, net	(479)	249
Income tax (benefit) provision	1	(3)
Change in fair value of Tides Foundation common stock warrant	252	—
Adjusted EBITDA	<u>\$ 1,246</u>	<u>\$ (3,057)</u>

We use adjusted EBITDA as a measure of operational efficiency. We believe that this non-GAAP financial measure is useful to investors for period-to-period comparisons of our business and in understanding and evaluating our operating results for the following reasons:

- adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items such as stock-based compensation expense, depreciation and amortization, interest expense, other (income) expense, net, income tax (benefit) provision, the change in fair value of our Tides Foundation common stock warrant, and, if applicable, other non-cash transactions that can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired;
- our management uses adjusted EBITDA in conjunction with financial measures prepared in accordance with U.S. GAAP for planning purposes, including the preparation of our annual operating budget, as a measure of our core operating results and the effectiveness of our business strategy, and in evaluating our financial performance; and
- adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our core operating results, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their U.S. GAAP results.

Our use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. Some of these limitations are as follows:

- adjusted EBITDA excludes stock-based compensation expense, which has recently been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect: (a) changes in, or cash requirements for, our working capital needs; (b) interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces cash available to us; or (c) tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of this measure for comparative purposes.

Because of these and other limitations, you should consider adjusted EBITDA along with other financial performance measures, including net loss and our other financial results prepared in accordance with U.S. GAAP.

Components of Our Results of Operations

Revenue

Marketplace Revenue. Marketplace revenue is generated from our Upwork Basic, Upwork Plus, Upwork Business, Upwork Enterprise and other premium offerings. Under these marketplace offerings, we generate revenue from both freelancers and clients. Marketplace revenue, which represents the majority of our total revenue, is primarily comprised of the service fees paid by freelancers as a percentage of the total amount that freelancers charge clients for services accessed through our platform and, to a lesser extent, payment processing and administration fees paid by clients.

Our Upwork Basic and Plus offerings provide clients with access to freelance talent with verified work history on our platform and client feedback, the ability to instantly match with the right freelancers, and built-in collaboration features. For our Upwork Basic and Plus offerings, we have a tiered freelancer service fee schedule based on cumulative lifetime billings by the freelancer to each client. Freelancers on our Upwork Basic and Plus offerings typically pay us 20% of the first \$500, 10% for the next \$9,500, and then 5% for any amount over \$10,000 they bill to each client through our platform. We also generate revenue from freelancers through withdrawal and other fees, which are currently immaterial.

In addition, we generate marketplace revenue from our Upwork Basic offering by charging clients a payment processing and administration fee. Clients using our Upwork Basic offering pay a fee equal to 3% of their client spend. Clients using Upwork Plus pay a flat fee of about \$50 per month for unlimited payment transactions with qualifying payment methods. We also generate revenue from foreign currency exchange fees from clients, which are currently immaterial.

Our Upwork Business and Enterprise offerings and other premium offerings, which are designed for larger clients, include access to additional product features, premium access to top talent, professional services, custom reporting, and invoicing on a monthly basis. For our Upwork Business and Upwork Enterprise offerings, we charge clients a monthly or annual subscription fee and a service fee calculated as a percentage of the client's spend on freelancer services, in addition to the service fees paid by freelancers. Additionally, Upwork Enterprise clients can also subscribe to a compliance offering that includes worker classification services for an additional fee. Upwork Enterprise clients may also choose to use our platform to engage freelancers that were not sourced through our platform for a lower fee percentage.

One of our premium offerings, Upwork Payroll, is available to clients when freelancers are classified as employees for engagements on our online marketplace. The client enters into an Upwork Payroll agreement with us, and we separately contract with unrelated third-party staffing providers who provide employment services to such clients. Revenue from Upwork Payroll is currently immaterial.

Managed Services Revenue. Through our managed services offering, we are responsible for providing services and engaging freelancers directly or as employees of third-party staffing providers to perform services for clients on our behalf. The freelancers delivering managed services include independent professionals and agencies of varying sizes. Under U.S. GAAP, we are deemed to be the principal in these managed services arrangements and therefore recognize the entire GSV of managed services projects as managed services revenue, as compared to recognizing only the percentage of the client spend that we receive, as we do with our marketplace offerings.

Cost of Revenue and Gross Profit

Cost of Revenue. Cost of revenue consists primarily of the cost of payment processing fees, amounts paid to freelancers to deliver services for clients under our managed services offering, personnel-related costs for our services and support personnel, third-party hosting fees for our use of Amazon Web Services (“AWS”) and the amortization expense associated with acquired intangibles and capitalized internal-use software and platform development. We define personnel-related costs as salaries, bonuses, benefits, travel and entertainment, and stock-based compensation costs for employees and the costs related to other service providers we engage.

We expect cost of revenue to increase in absolute dollars in future periods due to higher payment processing fees, third-party hosting fees, and personnel-related costs in order to support growth on our platform. Amounts paid to freelancers to deliver services under our managed services offering are tied to the volume of managed services used by our clients. The level and timing of all of these items could fluctuate and affect our cost of revenue in the future.

Gross Profit and Gross Margin. Our gross profit and gross margin may fluctuate from period-to-period. Such fluctuations may be influenced by our revenue, the mix of payment methods that our clients choose, the timing and amount of investments to expand hosting capacity, our continued investments in our services and support teams, the timing and amount of services freelancers deliver for clients under our managed services offering, and the amortization expense associated with acquired intangibles and capitalized internal-use software and platform development cost. In addition, gross margin will be impacted by fluctuations in our revenue mix between marketplace revenue and our managed services revenue.

Operating Expenses

Research and Development. Research and development expense primarily consists of personnel-related costs and third-party hosting costs related to development. Research and development costs are expensed as incurred, except to the extent that such costs are associated with internal-use software and platform development that qualifies for capitalization. We believe continued investments in research and development are important to attain our strategic objectives and expect research and development expense to increase in absolute dollars for the foreseeable future, although this expense, expressed as a percentage of total revenue, may vary from period to period.

Sales and Marketing. Sales and marketing expense consists primarily of expenses related to personnel-related costs, including sales commissions, which we expense as they are incurred, and advertising and marketing activities. We continue to invest in our sales and marketing capabilities and expect this expense to increase in absolute dollars in future periods, although this expense expressed as a percentage of total revenue may vary from period-to-period.

General and Administrative. General and administrative expense consists primarily of personnel-related costs for our executive, finance, legal, human resources, and operations functions, and also includes outside consulting, legal and accounting services, insurance, and the change in fair market value of our outstanding Tides Foundation common stock warrant. For further information regarding this charitable donation, see “Note 8—Preferred and Common Stock Warrants” of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report. We expect to continue to invest in corporate infrastructure and incur additional expenses associated with operating as a public company, including increased legal and accounting costs, investor relations costs, higher insurance premiums, and compliance costs, including costs to comply with the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). As a result, we expect general and administrative expense to increase in absolute dollars in future periods, although this expense, expressed as a percentage of total revenue, may vary from period to period.

Provision for Transaction Losses. Provision for transaction losses consists primarily of losses resulting from fraud and bad debt expense associated with our trade and client receivables balance and transaction losses associated with chargebacks. Provisions for these items represent estimates of losses based on our actual historical incurred losses and other factors. As a result, we expect provision for transaction losses to increase in absolute dollars in future periods although this expense expressed as a percentage of total revenue may vary from period to period.

Interest Expense

Interest expense consists of interest on our outstanding borrowings.

Other (Income) Expense, Net

Other (income) expense, net consists primarily of gains and losses from foreign currency exchange transactions, interest income that we earn from our deposits in money market funds and investments in marketable securities, and, prior to October 2018, expenses resulting from the revaluation of our redeemable convertible preferred stock warrant liability. Our redeemable convertible preferred stock warrant was converted to a common stock warrant exercisable for the same number of shares, and our redeemable convertible preferred stock warrant liability was reclassified to additional paid-in capital upon the completion of our IPO, which occurred in October 2018.

Income Tax Benefit (Provision)

We account for income taxes in accordance with the liability method. Under the liability method, deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. The provision for income taxes is comprised of the current tax liability and the change in deferred tax assets and liabilities. We establish a valuation allowance to the extent that it is more likely than not that deferred tax assets will not be recoverable against future taxable income.

Deferred tax assets and liabilities are measured using the enacted tax rates that will be in effect for the years in which those tax assets are expected to be realized or settled. We regularly assess the likelihood that deferred tax assets will be realized from recoverable income taxes or recovered from future taxable income based on the realization criteria set forth in the relevant authoritative guidance. To the extent that we believe any amounts are less likely than not to be realized, we record a valuation allowance to reduce our deferred tax assets. The realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. If we subsequently realize deferred tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in an adjustment to earnings in the period such determination is made.

In addition, the calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize potential liabilities based on an estimate of whether, and the extent to which, additional taxes will be due. We account for uncertain tax positions in accordance with the relevant guidance, which prescribes a recognition threshold and measurement approach for uncertain tax positions taken or expected to be taken in our income tax return, and also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The guidance utilizes a two-step approach for evaluation of uncertain tax positions. The first step is to determine if the weight of available evidence indicates a tax position is more likely than not to be sustained upon audit. The second step is to measure the tax benefit as the largest amount, which is more likely than not to be realized on ultimate settlement. A liability is reported for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Any interest and penalties related to unrecognized tax benefits are recorded as income tax expense.

Results of Operations

The following table sets forth our consolidated results of operations for the periods presented (in thousands):

	Three Months Ended March 31,	
	2019	2018
Revenue		
Marketplace	\$ 60,903	\$ 51,959
Managed services	8,021	7,259
Total revenue	68,924	59,218
Cost of revenue ⁽¹⁾	21,125	19,617
Gross profit	47,799	39,601
Operating expenses		
Research and development ⁽¹⁾	15,800	13,491
Sales and marketing ⁽¹⁾	20,518	19,673
General and administrative ⁽¹⁾	15,677	11,176
Provision for transaction losses	637	1,270
Total operating expenses	52,632	45,610
Loss from operations	(4,833)	(6,009)
Interest expense	373	529
Other (income) expense, net	(479)	249
Loss before income taxes	(4,727)	(6,787)
Income tax benefit (provision)	(1)	3
Net loss	\$ (4,728)	\$ (6,784)

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

	Three Months Ended March 31,	
	2019	2018
Cost of revenue	\$ 144	\$ 52
Research and development	1,380	550
Sales and marketing	642	340
General and administrative	2,129	946
Total stock-based compensation	\$ 4,295	\$ 1,888

Comparison of the Three Months Ended March 31, 2019 and 2018

Revenue

(in thousands, except percentages)

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
Marketplace	\$ 60,903	\$ 51,959	\$ 8,944	17%
Percentage of total revenue	88%	88%		
Managed services	\$ 8,021	\$ 7,259	762	10%
Percentage of total revenue	12%	12%		
Total revenue	\$ 68,924	\$ 59,218	\$ 9,706	16%

For the three months ended March 31, 2019, total revenue was \$68.9 million, an increase of \$9.7 million, or 16%, as compared to the same period in 2018.

Marketplace revenue represented 88% of total revenue for the three months ended March 31, 2019, an increase of \$8.9 million, or 17%, compared to the same period in 2018. Marketplace revenue increased primarily due to an increase in GSV. GSV grew by 21% in the three months ended March 31, 2019, as compared to the same period in 2018, primarily driven by a 22% increase in the number of core clients and higher client spend retention, which increased to 107% as of March 31, 2019 from 103% as of March 31, 2018. We believe these increases were primarily due to investments in sales and marketing to acquire new clients and drive brand awareness and research and development to build new product features. Freelancer service fees generated \$41.1 million and \$35.2 million of marketplace revenue during the three months ended March 31, 2019 and 2018, respectively. Client payment processing and administration fees generated \$9.3 million and \$8.1 million of marketplace revenue during the three months ended March 31, 2019 and 2018, respectively.

Managed services revenue represented 12% of total revenue for both the three months ended March 31, 2019 and 2018. Managed services revenue increased \$0.8 million, or 10%, for the three months ended March 31, 2019 compared to the same period in 2018, primarily due to an increase in the amount of freelancer services engaged by a client through our managed services offering. As we expected, managed services revenue grew at a slower rate than our marketplace revenue in the three months ended March 31, 2019 compared to the same period in 2018, and we anticipate this trend to continue.

Cost of Revenue and Gross Margin

(in thousands, except percentages)

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
Cost of revenue	\$ 21,125	\$ 19,617	\$ 1,508	8%
Components of cost of revenue:				
Cost of freelancer services to deliver managed services	6,763	5,996	767	13%
Other components of cost of revenue	14,362	13,621	741	5%
Total gross margin	69%	67%		

For the three months ended March 31, 2019, cost of revenue increased by \$1.5 million, or 8%, compared to the same period in 2018. The increase was partially due to a \$0.8 million, or 13%, increase in cost of freelancer services to deliver managed services, which was driven by a corresponding increase of \$0.8 million in managed services revenue and the use of more costly freelancers to deliver the managed service for the three months ended March 31, 2019 compared to the same period in 2018. In general, the cost of freelancer services to deliver managed services is directly correlated to our managed services revenue. Other components of cost of revenue increased by \$0.7 million, which included increases of \$1.3 million in payment processing fees due to an increase in client spend on our platform and \$0.1 million attributed to normal operating costs that increased due to the increase in revenue, partially offset by a \$0.7 million reduction in third-party hosting costs due to additional expense in the first quarter of 2018 related to our migration to AWS.

Research and Development

(in thousands, except percentages)

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
Research and development	\$ 15,800	\$ 13,491	\$ 2,309	17%
Percentage of total revenue	23%	23%		

For the three months ended March 31, 2019, research and development expense increased by \$2.3 million, or 17%, as compared to the same period in 2018. The increase was primarily due to an increase in personnel-related costs of \$2.1 million, an increase of \$0.5 million in amortization of licensed software, and an increase of \$0.2 million in facilities-related and other costs, partially offset by the capitalization of \$0.5 million of additional internal-use software and platform development costs during the three months ended March 31, 2019.

Sales and Marketing

(in thousands, except percentages)

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
Sales and marketing	\$ 20,518	\$ 19,673	\$ 845	4%
Percentage of total revenue	30%	33%		

For the three months ended March 31, 2019, sales and marketing expense increased by \$0.8 million, or 4%, as compared to the same period in 2018. This increase was primarily due to period over period increases of \$0.8 million in personnel-related costs to build out our enterprise sales team, including sales commissions that we expense as incurred, and \$0.6 million of facilities-related and other costs resulting from ongoing business growth, partially offset by a reduction in marketing and advertising costs of \$0.6 million due to efforts to spend more evenly throughout the year compared to 2018 where a disproportionate amount of the spend was in the first quarter.

General and Administrative

(in thousands, except percentages)

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
General and administrative	\$ 15,677	\$ 11,176	\$ 4,501	40%
Percentage of total revenue	23%	19%		

For the three months ended March 31, 2019, general and administrative expense increased by \$4.5 million, or 40%, as compared to the same period in 2018. This increase was primarily due to increases of \$2.6 million in personnel-related costs, which included adding additional personnel primarily within our finance and accounting organization to support our being a public company, \$0.9 million related to increased rent, insurance, and other costs associated with our new office leases, \$0.7 million in legal services and other professional expenses, \$0.5 million in indirect taxes, and \$0.2 million related to the revaluation of the shares that are expected to vest and become exercisable under our Tides Foundation common stock warrant, partially offset by a \$0.4 million reduction in facilities-related and other costs.

Provision for Transaction Losses

(in thousands, except percentages)

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
Provision for transaction losses	\$ 637	\$ 1,270	\$ (633)	(50)%
Percentage of total revenue	1%	2%		

For the three months ended March 31, 2019, provision for transaction losses decreased by \$0.6 million, or 50%, as compared to the same period in 2018. This decrease was due to improvements in increasing payment collections and reducing fraudulent activity on the platform.

Interest Expense and Other (Income) Expense, Net

(in thousands, except percentages)

	Three Months Ended March 31,		Change	
	2019	2018	\$	%
Interest expense	\$ 373	\$ 529	\$ (156)	(29)%
Other (income) expense, net	(479)	249	(728)	(292)%

For the three months ended March 31, 2019, interest expense decreased \$0.2 million, as compared to the same period in 2018. This resulted from a decrease in the interest rate on our Second Term Loan referred to below under “—Term and Revolving Loans,” which was the prime rate plus 5.25% per annum for most of 2018 and was reduced to the prime rate plus 0.25% per annum in October 2018 as a result of our IPO, resulting in a corresponding reduction in interest expense.

For the three months ended March 31, 2019, other income, net was \$0.5 million, as compared to other expense, net of \$0.2 million for the same period in 2018, which was primarily due to \$0.7 million in interest income we received in the three months ended March 31, 2019 related to our cash equivalents and marketable securities. Additionally, for the three months ended March 31, 2018, we incurred expense of \$0.3 million related to the mark-to-market revaluation of our redeemable convertible preferred stock warrant liability. Our redeemable convertible preferred stock warrant converted to a common stock warrant exercisable for the same number of shares, and our redeemable convertible preferred stock warrant liability was reclassified to additional paid-in capital upon completion of our IPO. Accordingly, we did not incur this expense in the three months ended March 31, 2019, nor will this expense recur in future periods. The increase in other income, net in the three months ended March 31, 2019 was partially offset by \$0.3 million in foreign currency losses incurred in that period.

Liquidity and Capital Resources

Prior to our IPO, we financed our operations and capital expenditures primarily through sales of convertible preferred stock, bank borrowings, and utilization of cash generated from operations in the periods in which we generated cash flows from operations. In October 2018, we completed our IPO, from which we received aggregate net proceeds of \$109.4 million after deducting underwriting discounts and commissions but before deducting offering expenses payable by us. At the end of 2018, we invested a portion of the net proceeds from our IPO in money market funds with maturities of 90 days or less from the date of purchase. As of March 31, 2019 and December 31, 2018, we had \$49.2 million and \$129.1 million in cash and cash equivalents, respectively.

In the first quarter of 2019, we purchased various short-term, marketable securities consisting of commercial paper, treasury bills, and U.S. government securities, all of which have contractual maturities within twelve months from the date of purchase and are classified as available-for-sale marketable securities within our condensed consolidated balance sheet. As of March 31, 2019, we had \$72.0 million in marketable securities.

We believe our existing cash and cash equivalents, marketable securities, cash flow from operations (in periods in which we generate cash flow from operations), and amounts available for borrowing under the Loan Agreement referred to below under “—Term and Revolving Loans” will be sufficient to meet our working capital requirements for at least the next twelve months. To the extent existing cash and cash equivalents, cash from marketable securities, cash from operations, and amounts available for borrowing under the Loan Agreement are insufficient to fund our working capital requirements, or should we require additional cash for other purposes, we will need to raise additional funds. In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership and economic interests of our existing stockholders will be diluted. If we raise additional financing by the incurrence of additional indebtedness, we will be subject to additional debt service requirements and could also be subject to additional restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could also be unfavorable to our equity investors. There can be no assurances that we will be able to raise additional capital on terms we deem acceptable, or at all. The inability to raise additional capital as and when required would have an adverse effect, which could be material, on our results of operations, financial condition and ability to achieve our business objectives.

Escrow Funding Requirements

We offer escrow services to users of our platform. As such, we are licensed as an internet escrow agent and are therefore required to hold our users' escrowed cash and in-transit cash in trust as an asset and record a corresponding liability for escrow funds held on behalf of freelancers and clients on our balance sheet. Escrow regulations require us to fund the trust with our operating cash to cover shortages due to the timing of cash receipts from clients for completed hourly billings. Freelancers submit their billings for hourly contracts to their clients on a weekly basis every Sunday and the aggregate amount of such billings is added to escrow funds payable to freelancers on the same day. As of Sunday each week, we have not yet collected funds for hourly billings from clients as these funds are in transit. Therefore, in order to satisfy escrow funding requirements, every Sunday we fund the shortage of cash in trust with our own operating cash and typically collect this cash shortage from clients within the next several days. As a result, we expect our total cash and cash flows from operating activities to be impacted when a quarter ends on a Sunday, as occurred on March 31, 2019 and will occur on June 30, 2019. As of March 31, 2019 and December 31, 2018, funds held in escrow, including funds in transit, were \$120.1 million and \$98.2 million, respectively. To the extent we have not yet collected funds for hourly billings from clients which are in-transit due to timing differences in receipt of cash from clients and payments of cash to freelancers, we may, from time to time, utilize the revolving line of credit under our Loan Agreement to satisfy escrow funding requirements. To fund the shortage of cash in trust that occurred on March 31, 2019, we drew down \$25.0 million pursuant to the revolving line of credit under the Loan Agreement in March 2019, which we repaid in April 2019.

Term and Revolving Loans

In 2017, we entered into a loan and security agreement, which was subsequently amended in November 2017, September 2018, and March 2019 (the "Loan Agreement"). The aggregate amount of the facility is up to \$49.0 million, consisting of an outstanding \$15.0 million term loan (the "First Term Loan"), an outstanding \$9.0 million term loan (the "Second Term Loan"), and a revolving line of credit, which permits borrowings of up to \$25.0 million subject to customary conditions. Among other things, we may only borrow funds under the revolving line of credit if, after giving effect thereto, our total borrowings under the line of credit do not exceed a specified percentage of eligible trade and client accounts receivable. The First Term Loan, Second Term Loan, and revolving line of credit mature in March 2022, September 2022, and September 2020, respectively. All borrowings under the Loan Agreement bear interest at floating rates, and, therefore, our borrowing costs are affected by changes in market interest rates.

Specifically, the First Term Loan bears interest at the prime rate plus 0.25% per annum and has a repayment term of 18 months of interest-only payments that ended in March 2019, followed by equal monthly installments of principal plus interest until the maturity in March 2022.

In September 2018, we entered into the second amendment (the "Second Amendment") to the Loan Agreement, which, among other changes, provided for a reduction in the interest rate for the Second Term Loan, from the prime rate plus 5.25% per annum to the prime rate plus 0.25% per annum, from and after the occurrence of an initial public offering by us with net proceeds of more than \$50.0 million. This reduction became effective following the completion of our IPO in October 2018. See "Note 6—Debt" in the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report for further information regarding the Second Amendment. The Second Term Loan has a repayment term of 17 months of interest-only payments that ended in March 2019, followed by equal monthly installments of principal plus interest until the maturity in September 2022.

The revolving line of credit bears interest at the prime rate with accrued interest due monthly. As described above under "—Escrow Funding Requirements," to the extent we have not yet collected funds for hourly billings from clients that are in-transit due to timing differences in receipt of cash from clients, we may utilize the revolving line of credit to satisfy escrow funding requirements. In March 2019, we drew down \$25.0 million under the revolving line of credit for such purpose, which we subsequently repaid in April 2019. For further information, see "Note 14—Subsequent Events" in the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report.

Our obligations under the Loan Agreement are secured by first priority liens on substantially all of our assets excluding our intellectual property (but including proceeds therefrom) and the funds and assets held by our subsidiary Upwork Escrow Inc. ("Upwork Escrow"). The Loan Agreement prohibits us from pledging our intellectual property. The Loan Agreement also includes a restrictions on dividend payments, other than dividends payable solely in common stock.

The Loan Agreement contains affirmative covenants, including a covenant requiring that we maintain an adjusted quick ratio, and also contains certain non-financial covenants.

In March 2019, we entered into the third amendment to the Loan Agreement, which, among other changes, (i) amended the adjusted quick ratio financial covenant to provide that we will maintain an adjusted quick ratio of 1.75 to 1.00 (previously 1.30 to 1.00), (ii) reduced the frequency with which we are required to provide certain financial information to the lender during periods in which we maintain an adjusted quick ratio of 2.50 to 1.00, and (iii) eliminated the minimum EBITDA covenant with which we were required to comply. We were in compliance with our covenants under the Loan Agreement as of March 31, 2019 and December 31, 2018.

As of March 31, 2019, we had \$24.0 million outstanding pursuant to the Term Loans and \$25.0 million outstanding under the revolving line of credit. As of December 31, 2018, we had \$24.0 million outstanding pursuant to the Term Loans and no borrowings outstanding under the revolving line of credit.

Cash Flows

The following table summarizes our cash flows for the periods presented (in thousands):

	Three Months Ended March 31,	
	2019	2018
Net cash provided by (used in) operating activities	\$ (29,395)	\$ 5,000
Net cash used in investing activities	(76,277)	(1,189)
Net cash provided by financing activities	25,764	1,055
Net increase (decrease) in cash and cash equivalents	\$ (79,908)	\$ 4,866

Operating Activities

Our largest source of operating cash is revenue generated from our platform. Our primary uses of cash from operating activities are for personnel-related expenditures, marketing activities, including advertising, payment processing fees, amounts paid to freelancers to deliver services for clients under our managed services offering, and third-party hosting costs. In addition, because we are licensed as an internet escrow agent, our total cash and cash provided by (used in) operating activities may be impacted by the timing of the end of our fiscal quarter as discussed in the section titled “—Liquidity and Capital Resources—Escrow Funding Requirements.”

For the three months ended March 31, 2019, net cash used in operating activities was \$29.4 million, which resulted primarily from a net loss of \$4.7 million and net cash outflows of \$30.9 million from changes in operating assets and liabilities, partially offset by non-cash charges of \$6.2 million. The end of the first quarter of 2019 fell on a Sunday, which directly impacted our trade and client receivables balance as of March 31, 2019. The change in operating assets and liabilities primarily resulted from the increase in trade and client receivables of \$26.4 million. Due to fluctuations in revenue and the number of transactions on our platform, coupled with fluctuations of the timing of cash receipts from clients, our trade and client receivables will likely continue to fluctuate in the future. Additionally, changes in accrued expenses and other liabilities generated net cash outflows of \$3.0 million primarily related to the payment of fixed asset purchases that we accrued for at December 31, 2018.

For the three months ended March 31, 2018, net cash provided by operating activities was \$5.0 million, which resulted from a net loss for the period of \$6.8 million, offset by net cash inflows of \$7.2 million from changes in operating assets and liabilities and non-cash charges of \$4.6 million. The net cash inflows from changes in operating assets and liabilities were primarily due to an increase in accrued expenses and other liabilities of \$15.8 million, offset by an increase in trade and client receivables of \$7.7 million and an increase in prepaid expenses and other assets of \$1.1 million.

Investing Activities

For the three months ended March 31, 2019, net cash used in investing activities was \$76.3 million, which was primarily a result of investing a portion of our IPO proceeds of \$71.7 million in various marketable securities during the first quarter of 2019, as well as \$1.2 million of internal-use software and platform development costs that we paid during the period and purchases of property and equipment of \$3.6 million primarily for leasehold improvements and furniture

related to our new office leases. These uses of cash were partially offset by a net change in restricted cash of \$0.2 million primarily due to cash that was restricted at December 31, 2018 but was relieved in the first quarter of 2019.

For the three months ended March 31, 2018, net cash used in investing activities was \$1.2 million, which resulted from \$0.6 million of internal-use software and platform development costs that we paid during the period, purchases of property and equipment of \$0.5 million, and \$0.1 million of cash that we restricted during the period related to cash reserve requirements under California escrow laws and regulations.

Financing Activities

For the three months ended March 31, 2019, net cash provided by financing activities was \$25.8 million, which resulted from the \$25.0 million draw on our revolving line of credit in order to satisfy our escrow funding requirements as of March 31, 2019, as well as cash received from stock option exercises during the quarter of \$0.8 million.

For the three months ended March 31, 2018, net cash provided by financing activities was \$1.0 million due to cash received from stock option exercises during the quarter of \$1.2 million partially offset by payments of costs incurred related to our IPO of \$0.2 million.

Obligations and Other Commitments

Our principal commitments consist of obligations under our non-cancellable operating leases for office space and the Loan Agreement. The following table summarizes our contractual obligations as of March 31, 2019 (in thousands):

	Payments Due by Period as of March 31, 2019				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Leases ⁽¹⁾	\$ 41,432	\$ 4,024	\$ 12,529	\$ 13,459	\$ 11,420
Debt principal	49,000	32,571	15,143	1,286	—
Total contractual obligations	\$ 90,432	\$ 36,595	\$ 27,672	\$ 14,745	\$ 11,420

⁽¹⁾ Represents minimum operating lease payments under operating leases for office facilities, excluding potential lease renewals, net of tenant improvement allowances.

In the ordinary course of business, we enter into contracts and agreements that contain a variety of representations and warranties and provide for indemnification. In addition, we have entered into indemnification agreements with our directors and executive officers and certain key employees that require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as our directors, executive officers, or employees. The terms of such obligations may vary. To date, we have not paid any material claims or been required to defend any actions related to our indemnification obligations.

As of March 31, 2019 and December 31, 2018, we had accrued liabilities related to uncertain non-income tax positions based on management's best estimate of its liability, which are reflected on our condensed consolidated balance sheets. We could be subject to examination in various jurisdictions related to income and non-income tax matters. The resolution of these types of matters, giving recognition to the recorded reserve, could have an adverse impact on our business.

Off-Balance Sheet Arrangements

As of March 31, 2019, we did not have any relationships with other entities or financial partnerships such as entities often referred to as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of the condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors and adjust those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from these estimates and assumptions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. We believe estimates and assumptions associated with the evaluation of revenue recognition criteria, including the determination of revenue reporting as gross versus net in our revenue arrangements, internal-use software and platform development costs, fair values of stock-based awards, and income taxes have the greatest potential impact on our condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Except as otherwise disclosed in "Note 2—Basis of Presentation and Summary of Significant Accounting Policies" of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report, there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the year ended December 31, 2018 (the "Annual Report").

Recent Accounting Pronouncements

See “Note 2—Basis of Presentation and Summary of Significant Accounting Policies” of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report for recently issued accounting pronouncements not yet adopted as of the date of this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate and foreign currency exchange rates.

Interest Rate Risk

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not make investments for trading or speculative purposes. Because our cash and cash equivalents have a relatively short maturity, our portfolio’s fair value is relatively insensitive to interest rate changes. Borrowings under our Loan Agreement have variable interest rates. We had \$49.0 million and \$24.0 million aggregate principal amount of borrowings outstanding under our Loan Agreement as of March 31, 2019 and December 31, 2018, respectively. We do not believe that a hypothetical increase or decrease in interest rates of 100 basis points would have a material impact on our operating results or financial condition.

Foreign Currency Risk

Our operating results and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. In addition to the U.S. dollar, we offer clients the option to settle the invoices denominated in the U.S. dollar in Euro, the British Pound, the Australian dollar, or the Canadian dollar. When clients make payments in one of these currencies, we are exposed to foreign currency risk during the period between when payment is made and when the payment amounts settle. To mitigate this risk, we have entered into forward contracts. As such, the impact of foreign currency exchange rate fluctuations to our operating results have been insignificant to date.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of March 31, 2019. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Because of the material weakness in our internal control over financial reporting previously disclosed in our Annual Report, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2019, our disclosure controls and procedures were not effective.

In light of this fact, our management, including our Chief Executive Officer and Chief Financial Officer, has performed additional analyses, reconciliations, and other post-closing procedures and has concluded that, notwithstanding the material weakness in our internal control over financial reporting, the condensed consolidated financial statements for the periods covered by and included in this Quarterly Report fairly present, in all material respects, our financial position, results of operations, our changes in stockholders’ equity and cash flows for the periods presented in conformity with U.S. GAAP.

Previously Reported Material Weakness

As disclosed in the section titled “Risk Factors” in Part II, Item 1A of this Quarterly Report, we previously identified a material weakness in our internal control over financial reporting related to the identification of a number of adjustments to our consolidated financial statements that resulted in a revision to previously issued financial statements. We identified the cause of these adjustments was due to growth in the business, which required additional qualified accounting personnel with an appropriate level of experience, and additional controls in the period-end financial reporting process commensurate with the complexity of the business. Accordingly, we have determined that this control deficiency constituted a material weakness in our internal control over financial reporting. A material weakness is a deficiency or

combination of deficiencies in our internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our consolidated financial statements would not be prevented or detected on a timely basis. This deficiency could result in additional misstatements to our consolidated financial statements that would be material and would not be prevented or detected on a timely basis.

Remediation Plans

We have implemented measures to remediate the identified material weakness. Those remediation measures are ongoing and include the hiring of additional accounting and finance employees with a requisite level of experience and the implementation of additional control activities related to the period-end financial reporting process.

While we believe that these efforts will improve our internal control over financial reporting, the implementation of our remediation is ongoing and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles.

We believe we are making progress toward achieving the effectiveness of our internal controls and disclosure controls. The actions that we are taking are subject to ongoing senior management review, as well as audit committee oversight. We will not be able to conclude whether the steps we are taking will fully remediate the material weakness in our internal control over financial reporting until we have completed our remediation efforts and subsequent evaluation of their effectiveness. We may also conclude that additional measures may be required to remediate the material weakness in our internal control over financial reporting, which may necessitate additional evaluation and implementation time. We will continue to assess the effectiveness of our internal control over financial reporting and take steps to remediate the known material weakness.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the periods covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not a party to any material pending legal proceedings. From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business.

Item 1A. Risk Factors.

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, as well as the other information in this Quarterly Report, including our condensed consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The occurrence of any of the events or developments described below, or of additional risks and uncertainties not presently known to us or that we currently deem immaterial, could materially and adversely affect our business, results of operations, financial condition and growth prospects. In such an event, the market price of our common stock could decline and you could lose all or part of your investment.

Risks Related to our Business and Industry

Our growth depends on our ability to attract and retain a community of freelancers and clients, and the loss of our users, or failure to attract new users, could adversely impact our business.

The size of our community of users, including both freelancers and clients, is critical to our success. Our ability to achieve significant growth in revenue in the future will depend, in large part, upon our ability to attract new users to, and retain existing users on, our platform. Achieving growth in, and retention of, our community of users may require us to increasingly engage in sophisticated, costly, and lengthy sales and marketing efforts that may not result in additional users or effectively retain our current users. We may also need to modify our pricing model or other services and features to attract and retain such users. If we fail to attract new users or fail to maintain or expand existing relationships in a cost-effective manner, our revenue will grow more slowly than expected or may decline and our business could be adversely impacted.

Freelancers have many different ways of marketing their services, securing clients, and obtaining payments from clients, including meeting and contacting prospective clients through other services, advertising to prospective clients online or offline through other methods, signing up for online or offline third-party agencies, using other online or offline platforms, signing up with staffing firms, using other payment services, or finding full-time or part-time employment through an agency or directly with a business. If we fail to attract new freelancers, freelancers decrease their use of or cease using our platform, the quality or types of services provided by freelancers that use our platform are not satisfactory to clients, or freelancers increase their fees for services more than clients are willing to pay, clients may decrease their use of, or cease using, our platform and our revenue may be adversely impacted.

Clients have similarly diverse options to find and pay service providers, such as engaging and paying service providers directly, finding service providers through other online or offline platforms or through staffing firms and agencies, using other payment services, or hiring temporary, full-time, or part-time employees. For the three months ended March 31, 2019 and the years ended December 31, 2018 and 2017, we generated significant revenue from one client, which accounted for more than 10% of revenue for each such period and, therefore, a decrease in revenue from this client could have an adverse effect on our operating results. Moreover, any decrease in the attractiveness of our platform or failure to retain clients could lead to decreased traffic on our platform, diminished network effects, or result in a drop in GSV on our platform, which could adversely affect our business, revenue, financial condition, and operating results. We expect our GSV to fluctuate between periods due to a number of factors, including the volume and characteristics of projects that are posted by clients on our platform, such as size, duration, pricing, and other factors.

Users can generally decide to cease using our platform at any time. Users may stop using our platform and related services if the quality of the user experience on our platform, including our support capabilities in the event of a problem, does not meet their expectations or keep pace with the quality of the user experience generally offered by competitive products and services. Users may also choose to cease using our platform if they perceive that our pricing model, including associated fees, is not in line with the value they derive from our platform or for other reasons. In addition, expenditures by clients may be cyclical and may reflect overall economic conditions or budgeting patterns.

If users stop using our platform and services for any reason, including the foregoing reasons, our revenue and business would be adversely affected.

We have a history of net losses, anticipate increasing our operating expenses in the future, and may not achieve or sustain profitability.

We have a history of incurring net losses, and we expect to incur net losses for the foreseeable future. For the three months ended March 31, 2019 and the years ended December 31, 2018 and 2017, we incurred net losses of \$4.7 million, \$19.9 million, and \$4.1 million, respectively. As of March 31, 2019, we had an accumulated deficit of \$148.2 million. We expect to make significant future expenditures related to the development and expansion of our business, including enhancing our Upwork Enterprise offering and our U.S.-to-U.S. domestic offering, expanding domestic-to-domestic offerings into new geographies, broadening and deepening the categories on our platform, enhancing our mobile product offering, and in connection with legal, accounting, and other administrative expenses related to operating as a public company. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently, or at all, to offset these higher expenses. While our revenue has grown in recent years, if our revenue declines or fails to grow at a rate faster than increases in our operating expenses, we will not be able to achieve and maintain profitability in future periods. As a result, we may continue to generate losses. We cannot ensure that we will achieve profitability in the future or that, if we do become profitable, we will be able to sustain profitability.

We have a limited operating history under our current platform and pricing model, which makes it difficult to evaluate our business and prospects and increases the risks associated with your investment.

We operated the Elance and oDesk platforms separately until we relaunched as Upwork in May 2015 and consolidated those platforms into a single platform. In recent years, we have also expanded our Upwork Enterprise offering, which helps enterprises and other larger businesses connect with freelancers and provides these larger clients with additional products and services. We also made significant changes to our pricing model in 2016. As a result, our platform and pricing model have not been fully proven, and we have only a limited operating history with our current platform and pricing model to evaluate our business and future prospects, which subjects us to a number of uncertainties, including our ability to plan for and model future growth. Our historical revenue growth should not be considered indicative of our future performance. We have encountered, and will continue to encounter, risks, difficulties, and uncertainties frequently experienced by growing companies in rapidly changing industries, including our ability to achieve market acceptance of our platform and attract and retain users, as well as increasing competition and increasing expenses as we continue to grow our business. We cannot ensure that we will be successful in addressing these and other challenges we may face in the future, and our business may be adversely affected if we do not manage these challenges successfully. In addition, we may not achieve sufficient revenue to achieve or maintain positive cash flow from operations or profitability in any given period, or at all.

If the market for freelancers and the services they offer develops more slowly than we expect, our growth may slow or stall, and our operating results could be adversely affected.

The market for freelancers and the services they offer is relatively new, rapidly evolving, and unproven. Our future success will depend in large part on the continued growth and expansion of this market and the willingness of businesses to engage freelancers to provide services. It is difficult to predict the size, growth rate, and expansion of this market, the entry of products and services that are competitive to ours, the success of existing competitive products and services, or technological or other developments that will impact the overall demand for freelancer services. Furthermore, many businesses may be unwilling to engage freelancers for a variety of reasons, including perceived negative connotations with outsourcing work, quality of work, or security concerns. If the market for freelancers and the services they offer does not achieve widespread adoption, or there is a reduction in demand for freelancer services, it could result in decreased revenue and our business could be adversely affected.

If we are not able to develop and release new products and services, or develop and release successful enhancements, new features, and modifications to our existing products and services, our business could be adversely affected.

The market for our platform is characterized by rapid technological change, frequent new product and service introductions and enhancements, changing user demands, and evolving industry standards. The introduction of products and services embodying new technologies can quickly make existing products and services obsolete and unmarketable. We invest substantial resources in researching and developing new products and services and enhancing

our platform by incorporating additional features, improving functionality, and adding other improvements to meet our users' evolving demands in our highly competitive industry. The success of any enhancements or improvements to, or new features of, our platform or any new products and services depends on several factors, including timely completion, competitive pricing, adequate quality testing, integration with new and existing technologies on our platform and third-party partners' technologies, and overall market acceptance. We cannot be sure that we will succeed, on a timely or cost-effective basis, in developing, marketing, and delivering enhancements or new features to our platform or any new products and services that respond to continued changes in the market for talent or business services, nor can we be sure that any enhancements or new features to our platform or any new products and services will achieve market acceptance. Because further development of our platform is complex, challenging, and dependent upon an array of factors, the timetable for the release of new products and services and enhancements to existing products and services is difficult to predict, and we may not offer new products and services as rapidly as users of our platform require or expect. Any new products or services that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, may not be properly integrated with new and existing technologies on our platform or third-party partners' technologies, or may not achieve the broad market acceptance necessary to generate sufficient revenue. Moreover, even if we introduce new products and services, we may experience a decline in revenue from our existing products and services that is not offset by revenue from the new products or services. In addition, we may lose existing users that choose to use competing products or services. This could result in a temporary or permanent decrease in revenue and adversely affect our business.

Our operating results may fluctuate from quarter to quarter, which makes our future results difficult to predict.

Our quarterly operating results have fluctuated in the past and may fluctuate in the future. Additionally, we have a limited operating history with our current platform and pricing model, which makes it difficult to forecast our future results. As a result, you should not rely upon our past quarterly operating results as indicators of future performance. You should take into account the risks, difficulties, and uncertainties frequently encountered by companies in rapidly evolving markets. Our operating results in any given quarter can be influenced by numerous factors, many of which are unpredictable or are outside of our control, including:

- our ability to generate significant revenue from our Upwork Basic, Upwork Plus, Upwork Business, and Upwork Enterprise offerings and other premium offerings;
- fluctuations in revenue from our managed services offering due to our recognition of the entire GSV as revenue, including the amounts paid to freelancers;
- our ability to maintain and grow our community of users;
- spending patterns of clients, including whether those clients that use our platform frequently, or for larger projects, reduce their spend, stop using our platform, or change their method of payment to us;
- due to our tiered-pricing model for freelancer service fees, the mix in any period between freelancers that have billed larger amounts to clients on our platform, where we charge a lower rate on billings, and freelancers that have billed clients less on our platform, where we charge a higher rate on billings;
- the demand for and types of skills and services that are offered on our platform by freelancers;
- the disbursement methods chosen by freelancers;
- seasonal spending patterns by clients or work patterns by freelancers and seasonality in the labor market, including the number of business days in any given quarter, the number of Mondays (i.e., the day we customarily bill our users) in any given quarter, as well as local, national, or international holidays;
- fluctuations in the prices that freelancers charge clients on our platform;
- fluctuations in the mix of payment provider costs;
- changes to our pricing model, including associated fees, and any resulting change to how we recognize revenue;
- our ability to introduce new products and services and enhance existing products and services;
- our ability to generate significant revenue from new products and services;

- our ability to respond to competitive developments, including new and emerging competitors, pricing changes, and the introduction of new products and services by our competitors;
- security or privacy breaches and associated remediation costs and reputational harm;
- the productivity of our sales force;
- changes in the mix of products and services that enterprise clients or other users demand;
- the length and complexity of our sales cycles;
- the episodic nature of freelance work generally;
- the cost and time needed to develop and upgrade our platform to incorporate new technologies;
- the impact of outages of our platform and associated reputational harm;
- changes to financial accounting standards and the interpretation of those standards that may affect the way we recognize and report our financial results, including changes in accounting rules governing recognition of revenue;
- potential costs to attract, onboard, retain, and motivate qualified talent to perform services for us;
- fluctuations in transaction losses;
- litigation and adverse judgments, settlements, or other litigation-related costs;
- increases in, and timing of, operating expenses that we may incur to grow and expand our operations and to remain competitive;
- costs related to the acquisition of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and possible write-downs;
- changes in the common law, statutory, legislative, or regulatory environment, such as with respect to privacy, wage and hour regulations, worker classification (including classification of independent contractors or similar service providers and classification of employees as exempt or non-exempt), internet regulation, payment processing, global trade, or tax requirements;
- operating lease expenses and other real estate expenses that will likely increase as we grow our operations;
- fluctuations in currency exchange rates;
- changes in the mix of countries in which our users are located, which impacts the amount of revenue we derive from foreign exchange;
- the impact of collecting indirect taxes on our user fees that we may introduce in new jurisdictions from time to time due to the applicability of sales, use, and other tax laws and regulations;
- the impact of new laws and regulations (or changes in interpretation of existing laws and regulations) on the products and services offered on our platform;
- the timing of stock-based compensation expense;
- expenses incurred in connection with The Upwork Foundation initiative; and
- general economic and political conditions and government regulations in the countries where we currently have significant numbers of users or where we currently operate or may expand in the future.

The impact of one or more of the foregoing and other factors may cause our operating results to vary significantly. As such, we believe that quarter-to-quarter comparisons of our operating results may not be meaningful and should not be relied upon as an indication of future performance. If we fail to meet or exceed the expectations of investors or securities analysts, the trading price of our common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

Because we derive the substantial majority of our revenue from our marketplace offerings, with most of our marketplace revenue derived from our Upwork Basic, Upwork Plus, and Upwork Business offerings, our inability

to generate revenue from our marketplace offerings would adversely affect our business operations, financial results, and growth prospects.

Currently, we derive and expect to continue to derive, in the near future, the substantial majority of our revenue from our marketplace offerings, with most of our marketplace revenue derived from our Upwork Basic, Upwork Plus, and Upwork Business offerings. As such, market acceptance of our marketplace offerings is critical to our continued success. Demand for our marketplace offerings is affected by a number of factors beyond our control, including the timing of development and release of new products and services by our competitors, our ability to respond to technological change and to innovate and grow, contraction in our market, and the other risks identified herein. If we are unable to continue to meet user demands, to expand the categories of services offered on our platform, or to achieve more widespread market acceptance of our marketplace offerings, our business operations, financial results, and growth prospects could be adversely affected.

We may be subject to new and existing laws and regulations, both in the United States and internationally.

We are subject to a wide variety of foreign and domestic laws. Laws, regulations, and standards governing issues that may affect us, such as worker classification, employment, payments, worker confidentiality obligations and whistleblowing, intellectual property, consumer protection, taxation, privacy, and data security are often complex and subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may change or develop over time through judicial decisions or as new guidance or interpretations are provided by regulatory and governing bodies, such as federal and state administrative agencies. Many of these laws were adopted prior to the advent of the internet, mobile, and related technologies and, as a result, do not contemplate or address the unique issues of the internet, mobile, and related technologies. Other laws and regulations may be adopted in response to internet, mobile, and related technologies. New and existing laws and regulations (or changes in interpretation of existing laws and regulations), including those concerning worker classification, independent contractors, employment, payments, whistleblowing and worker confidentiality obligations, intellectual property, consumer protection, taxation, privacy, data security, benefits, unionizing and collective action, arbitration agreements and class action waiver provisions, unfair competition, terms of service, website accessibility, background checks (such as the Fair Credit Reporting Act, 15 U.S.C. § 1681), escheatment, and federal contracting may also be adopted, implemented, or interpreted to apply to us and other online services marketplaces or our users. As our platform's geographical scope expands and as we expand the categories of services offered on our platform, regulatory agencies or courts may claim that we, or our users, are subject to additional requirements, or are prohibited from conducting our business or conducting business with us in or with certain jurisdictions, either generally or with respect to certain services. It is also possible that certain provisions in agreements with our service providers or between freelancers and clients, or the fees charged on our platform, may be found to be unenforceable or not compliant with applicable law.

Recent financial, political, and other events may increase the level of regulatory scrutiny on larger companies, technology companies in general, and companies engaged in dealings with independent contractors, payments, or personal information in particular. Regulatory agencies may enact new laws or promulgate new rules or regulations that are adverse to our business or the interests of our users, or they may view matters or interpret laws and regulations differently than they have in the past or in a manner adverse to our business or the interests of our users. Such regulatory scrutiny or action may create different or conflicting obligations on us from one jurisdiction to another.

Our success, or perceived success, and increased visibility may also drive some businesses that view our business model to be a threat to raise concerns about our business model to local policymakers and regulators. These businesses and their trade association groups or other organizations may take actions and employ significant resources to shape the legal and regulatory regimes in countries where we have, or may seek to have, a significant number of users in an effort to change such legal and regulatory regimes in ways intended to adversely affect or impede our business and the ability of users to utilize our platform.

As we look to expand our international footprint over time, we may become obligated to comply with additional laws and regulations of the countries or markets in which we operate or have users. If we are found to be subject to new or existing laws and regulations, contractual provisions that are designed to protect and mitigate against risks, including terms of service, arbitration and class action waiver provisions, disclaimers of warranties, limitations of liabilities and indemnification provisions, could be deemed unenforceable as to the application of these laws and regulations by a court, arbitrator or other decision-making body. If we are unable to comply with these laws and regulations or

manage the complexity of global operations and supporting an international user base successfully or in a cost-effective manner, our business, operating results, and financial condition could be adversely affected.

We face intense competition and could lose market share to our competitors, which could adversely affect our business, operating results and financial condition.

The market for freelancers and the clients that engage them is highly competitive, rapidly evolving, fragmented, and subject to changing technology, shifting needs, and frequent introductions of new competitors as well as new products and services. We compete with a number of online and offline platforms and services domestically and internationally to attract and retain users and expand our share of user spend. Our main competitors fall into the following categories:

- traditional contingent workforce and staffing service providers and other outsourcing providers, such as The Adecco Group, Randstad, Recruit, ManpowerGroup, and Robert Half International;
- online freelancer platforms that serve either a diverse range of skill categories, such as Fiverr and Freelancer.com, or specific skill categories;
- other online providers of products and services for individuals or businesses seeking work or to advertise their services, including personal and professional social networks, such as LinkedIn and GitHub (each owned by Microsoft), employment marketplaces, recruiting websites, and project-based deliverable providers;
- software and business services companies focused on talent acquisition, management, invoicing, or staffing management products and services;
- payment businesses, such as PayPal and Payoneer, that can facilitate payments to and from businesses and service providers;
- businesses that provide specialized, professional services, including consulting, accounting, marketing, and information technology services; and
- online and offline job boards, classified ads, and other traditional means of finding work and service providers, such as Craigslist, CareerBuilder, Indeed, Monster, and ZipRecruiter.

In addition, well-established internet companies, such as Google, LinkedIn, and Amazon, and social media platforms, such as Facebook, have entered or may decide to enter into our market segment, and some of these companies have launched products and services that directly compete with our platform. For example, in 2016, LinkedIn launched ProFinder, its service to connect LinkedIn members with one another for freelance service relationships. Many of these established internet companies and other competitors are considerably larger than we are and have considerably greater financial and other resources than we do.

Internationally, we compete against online and offline channels and products and services in most countries. Local competitors might have greater brand recognition than us in their local country and a stronger understanding of local culture and commerce. They may also offer their products and services in local languages and currencies that we do not offer. As our business grows internationally, we may increasingly compete with these international companies. We also compete against locally-sourced service providers and traditional, offline means of finding work and procuring services, such as personal and professional networks, classified ads, recruiters, and staffing businesses.

We also compete with companies that utilize emerging technologies, such as blockchain, artificial intelligence, augmented reality, and machine learning. Many of the companies and services that utilize these technologies in our market are still new and not yet fully mature in their capabilities or network scale. However, we may face increased competition should these companies and services succeed. These competitors may offer products and services that may, among other things, provide automated alternatives to the services that freelancers provide on our platform, use machine learning algorithms to connect businesses with service providers, or otherwise change the way that businesses engage or pay service providers so as to make our platform less attractive to users.

Many of our current and potential competitors, both online and offline, enjoy substantial competitive advantages, such as greater name recognition; longer operating histories; greater financial, technical, and other resources; and, in some cases, the ability to rapidly combine online platforms with traditional staffing and contingent worker solutions. Some of our current and potential competitors may also undertake an initial public offering, which could improve

their competitive position due to the enhanced brand recognition and additional working capital. These companies may use these advantages to offer products and services similar to ours at a lower price, develop different or superior products and services to compete with our platform, or respond more quickly and effectively than we do to new or changing opportunities, technologies, standards, regulatory conditions, user preferences or requirements. In addition, while we compete intensely in more established markets, we also compete in developing technology markets that are characterized by dynamic and rapid technological change, many and different business models, and frequent disruption of incumbents by innovative online and offline entrants. The barriers to entry into these markets can be low, and businesses easily can launch online or mobile platforms and applications quickly and at nominal cost by using commercially available software or partnering with various established companies in these markets. For all of these reasons, we may not be able to compete successfully against our current and future competitors.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others, including our current or future third-party partners. By doing so, these competitors may increase their ability to meet the needs of our existing or prospective users. These developments could limit our ability to obtain revenue from existing and new users. If we are unable to compete successfully against current and future competitors, our business, operating results, and financial condition would be adversely impacted.

If we fail to develop, maintain, and enhance our brand and reputation cost-effectively, our business and financial condition may be adversely affected.

The Upwork brand did not exist before 2015, but we believe that developing, maintaining, and enhancing awareness and integrity of our brand and reputation in a cost-effective manner are important to achieving widespread acceptance and use of our platform and are important elements in attracting new users and retaining existing users. Successful promotion of our brand and our business model depends on, among other things, the effectiveness of our marketing efforts, our ability to provide a reliable, trustworthy, and useful platform at competitive prices, the perceived value of our platform, and our ability to provide quality support. In order to reach brand awareness levels of our competitors, we will need to continuously invest in marketing programs that may not be successful in achieving meaningful awareness levels. Further, brand promotion activities may not yield increased revenue, and even if they do, the increased revenue may not offset the expenses we incur in building and maintaining our brand and reputation. For example, beginning in 2017, we increased investment in offline advertising in certain markets to increase our brand awareness, and it is not certain that these investments will have a positive impact on our brand or will be cost effective. In order to protect our brand, we also expend substantial resources to register and defend our trademarks and to prevent others from using the same or substantially similar marks. Despite these efforts, we may not always be successful in registering and preventing misappropriation of our own marks and other intellectual property or preventing registration of confusingly similar marks, and we may suffer dilution, loss of reputation, genericization, or other harm to our brand. We also rely on our community of users in a variety of ways, including their willingness to give us feedback regarding our platform, and failure of our users to provide feedback on their experience on our platform or our failure to adequately address these concerns could negatively impact the willingness of prospective users to use our platform. If we fail to promote and maintain our brand successfully or to maintain loyalty among our users, or if we incur substantial expenses in unsuccessful attempts to promote and maintain our brand, we may fail to attract new users or retain our existing users and our business and financial condition may be adversely affected.

There may be adverse tax, legal, and other consequences if the contractor classification or employment status of freelancers that use our platform is challenged.

Clients are generally responsible for properly classifying the freelancers they engage through our platform under the terms of our user agreement. Some clients opt to classify freelancers as employees for certain work, while many freelancers are classified as independent contractors.

We offer an optional service to our Upwork Enterprise clients, for which we help classify freelancers as employees of third-party staffing providers or independent contractors. For clients that subscribe to this service, subject to applicable law and the terms of our agreement with the client, we indemnify clients from misclassification risk and make warranties to the client (e.g., as to compliance with applicable laws). In addition, we offer a number of other premium services where we provide increased assistance to enable users to find and contract with one another. Third-party staffing providers employ freelancers classified as employees for clients, and failure of these staffing providers to comply with all legal and tax requirements could adversely affect our business. We also use our platform to find, classify, and engage freelancers to provide services for us or for our managed services offering. In general, were a

court or administrative agency to determine that we or clients that use our platform have misclassified a freelancer as an independent contractor, we and/or our users could incur tax and other liabilities for failing to properly withhold or pay taxes on the freelancer's compensation as well as potential wage and hour and other liabilities depending on the circumstances and jurisdiction. Although we maintain insurance policies covering liability for certain claims, we cannot be certain that our coverage will extend to or be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all.

There is often uncertainty in the application of worker classification laws, and consequently there is risk to us and to users, both freelancers and clients, that independent contractors could be deemed to be misclassified under applicable law. The tests governing whether a service provider is an independent contractor or an employee are typically highly fact sensitive and vary by governing law. Laws and regulations that govern the status and misclassification of independent contractors are also subject to change as well as to divergent interpretations by various authorities, which can create uncertainty and unpredictability. A misclassification determination or allegation creates potential exposure for users and for us, including but not limited to monetary exposure arising from or relating to failure to withhold and remit taxes, unpaid wages, and wage and hour laws and requirements (such as those pertaining to minimum wage and overtime); claims for employee benefits, social security contributions, and workers' compensation and unemployment insurance; claims of discrimination, harassment, and retaliation under civil rights laws; claims under laws pertaining to unionizing, collective bargaining, and other concerted activity; and other claims, charges, or other proceedings under laws and regulations applicable to employers and employees, including risks relating to allegations of joint employer liability. Such claims could result in monetary damages (including but not limited to wage-based damages or restitution, compensatory damages, liquidated damages, and punitive damages), interest, fines, penalties, costs, fees (including but not limited to attorneys' fees), criminal and other liability, assessment, injunctive relief, or settlement. Such an allegation, claim, or adverse determination, including but not limited to with respect to the freelancers that provide services to us, or the requirement for us to indemnify a client, could also harm our brand and reputation, which could adversely impact our business. While these risks are mitigated, in part, by our contractual rights of indemnification against third-party claims, such indemnification agreements could be determined to be unenforceable, could be costly to enforce or ineffective, or indemnification may otherwise prove inadequate.

Users may circumvent our platform, which could adversely impact our business.

Our business depends on users transacting through our platform. Despite our efforts to prevent them from doing so, users may circumvent our platform and engage with or pay each other through other means to avoid the fees that we charge on our platform. The loss of revenue associated with circumvention of our platform could have an adverse impact on our business, cash flows, operating results, and financial condition.

Adverse or changing economic conditions may negatively impact our business.

Our business depends on the overall demand for labor and on the economic health of current and prospective clients that use our platform. Any significant weakening of the economy in the United States or Europe or of the global economy, more limited availability of credit, a reduction in business confidence and activity, decreased government spending, economic uncertainty, financial turmoil affecting the banking system or financial markets, a more limited market for independent professional service providers or information technology services, and other adverse economic or market conditions may adversely impact our business and operating results. Global economic and political events or uncertainty may cause some of our current or potential clients to curtail spending on our platform, and may ultimately result in new regulatory and cost challenges to our operations. These adverse conditions could result in reductions in revenue, increased operating expenses, longer sales cycles, slower adoption of new technologies, and increased competition. There is also risk that when overall global economic conditions are positive, our business could be negatively impacted by a decreased demand for freelancers. We cannot predict the timing, strength, or duration of any economic slowdown or any subsequent recovery generally. If the conditions in the general economy significantly deviate from present levels, our business, financial condition, and operating results could be adversely affected.

Because a substantial portion of the services offered on our platform is information technology services, a decline in the market for information technology service providers could adversely affect our business.

A significant portion of the services offered by freelancers on our platform relate to information technology. If, for any reason, the market for information technology services declines, including as a result of global economic conditions, automation, increased use of artificial intelligence, or otherwise, or if the need for these services slows

or businesses satisfy their needs for these services through alternative means, the growth in the number of users of our platform may slow or decline and as a result our revenue and business may be adversely impacted.

Future changes to our pricing model could adversely affect our business.

We implemented a significant change to our pricing model in 2016, which has contributed to GSV having grown at a faster rate than revenue in recent periods, and from time to time we have made and will make further changes to our pricing model due to a variety of reasons, including changes to the market for our products and services, and as competitors introduce new products and services. Changes to any components of our pricing model may, among other things, result in user dissatisfaction, lead to a loss of users on our platform, result in a change to the way we recognize revenue, or otherwise negatively impact our operating results, financial condition, and cash flows.

We face payment and fraud risks that could adversely impact our business.

Requirements on our platform relating to user authentication and fraud detection are complex. If our security measures do not succeed, our platform may be perceived as not being secure, our reputation may be harmed, and our business may be adversely impacted. In addition, bad actors around the world use increasingly sophisticated methods to engage in illegal activities involving personal information, such as unauthorized use of another's identity or payment information, unauthorized acquisition or use of credit or debit card details and bank account information, and other fraudulent use of another's identity or information. This could result in any of the following, each of which could adversely impact our business:

- we may be, and we historically have been, held liable for the unauthorized use of an account holder's credit card or bank account number and required by card issuers or banks to return the funds at issue and pay a chargeback or return fee, and if our chargeback or return rate becomes excessive, credit card networks may also require us to pay fines or other fees and the California Department of Business Oversight ("DBO") may require us to hold larger cash reserves;
- we may be subject to additional risk and liability exposure, including for negligence, fraud, or other claims, if employees or third-party service providers, including freelancers that provide services to us, misappropriate our banking or other information or user information for their own gain or facilitate the fraudulent use of such information;
- bad actors may use our platform, including our payment processing and disbursement methods, to engage in unlawful or fraudulent conduct, such as money laundering, terrorist financing, fraudulent sale of services, bribery, breaches of security, leakage of data, piracy or misuse of software and other copyrighted or trademarked content, and other misconduct;
- users that are subjected or exposed to the unlawful or improper conduct of other users or other third parties, including law enforcement, may seek to hold us responsible for the conduct of users and may lose confidence in our platform, decrease or cease use of our platform, seek to obtain damages and costs, or impose fines and penalties;
- we may be subject to additional risk if clients fail to pay freelancers for services rendered, as freelancers may seek to hold us responsible for the clients' conduct and may lose confidence in our platform, may decrease or cease use of our platform, or seek to obtain damages and costs;
- if freelancers misstate their qualifications or location, provide misinformation, perform services they are not qualified or authorized to provide, produce insufficient or defective work product, or work product with a viral or other harmful effect, clients or other third parties may seek to hold us responsible for the freelancers' acts or omissions and may lose confidence in our platform, decrease or cease use of our platform, or seek to obtain damages and costs; and
- we may suffer reputational damage as a result of the occurrence of any of the above.

Despite measures we have taken to detect and reduce the risk of this kind of conduct, we do not have control over users of our platform and cannot ensure that any of our measures will stop the use of our platform for, or to further, illegal or improper purposes. We have received in the past, and may receive in the future, complaints from clients, freelancers, and other third parties concerning misuse of our platform and wrongful conduct of other users. We have also brought claims against clients and other third parties for their misuse of our platform, and may be required to

bring similar claims in the future. Even if these claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

We may be subject to escrow, payment services, and money transmitter regulations that may adversely affect our business.

Our subsidiary, Upwork Escrow, is licensed as an internet escrow agent under California's Escrow Law and is subject to regulations applicable to internet escrow agents promulgated by the DBO. While we have received two inquiries, each prior to 2014, from regulatory authorities inquiring whether we are engaging in payment activities through Upwork Escrow or oDesk (which is now Upwork Global Inc. ("Upwork Global")), these inquiries were resolved in our favor and did not require us to obtain a license in the applicable jurisdiction.

Although we believe that our operations comply with existing U.S. federal, state, and international laws and regulatory requirements related to escrow, money transmission, and the handling or moving of money, the laws or regulations may change, and interpretations of existing laws and regulations may also change. As a result, Upwork Escrow or Upwork Global could be required to be licensed as an escrow agent or a money transmitter (or other similar licensee) in U.S. states or other jurisdictions or may choose to obtain such a license even if not required. Such a decision could also require Upwork Escrow or Upwork Global to register as a money services business under federal laws and regulations. It is also possible that Upwork Escrow or Upwork Global could become subject to regulatory enforcement or other proceedings in those states or other jurisdictions with escrow, money transmission, or other similar statutes or regulatory requirements related to the handling or moving of money, which could in turn have a significant impact on our business, even if we were to ultimately prevail in such proceedings. Upwork Escrow or Upwork Global may also be required to become licensed as a payment institution (or obtain a similar license) under the European Payment Services Directive or other international laws and regulations. Any developments in the laws or regulations related to escrow, money transmission, or the handling or moving of money, or increased scrutiny of our business may lead to additional compliance costs and administrative overhead.

The application of laws and regulations related to escrow, money transmission, and the handling or moving of money is subject to significant complexity and uncertainty, particularly as those laws relate to new and evolving business models. If Upwork Escrow or Upwork Global is ultimately deemed to be in violation of one or more escrow or money transmitter or other similar statutes or regulatory requirements related to the handling or moving of money in any U.S. state or other jurisdiction, we may be subject to the imposition of fines or restrictions on our business, our ability to offer some or all of our services in the relevant jurisdiction may be suspended, and we may be subject to civil or criminal liability and our business, operating results, and financial condition could be adversely affected.

Having an international community of users and engaging freelancers internationally exposes us to risks that could have an adverse effect on our business, operating results, and financial condition.

Even though we currently have a limited physical presence outside of the United States, our users have a global footprint that subjects us to the risks of being found to do business internationally. We have users on our platform located in over 180 countries, including some emerging markets where we have limited experience, where challenges can be significantly different from those we have faced in more developed markets, and where business practices may create greater internal control risks. Further, certain skills and services are offered by freelancers concentrated in countries with higher risks of instability and geopolitical uncertainty, like Russia and Ukraine. In addition, we engage freelancers located in many countries to provide services for our managed services offering and to us for internal projects. Because our website is generally accessible by users worldwide, one or more jurisdictions may claim that we or our users are required to comply with their laws. Laws outside of the United States regulating internet, payments, escrow, data protection, data residency, privacy, taxation, terms of service, website accessibility, consumer protection, intellectual property ownership, services intermediaries, labor and employment, wage and hour, worker classification, background checks, and recruiting and staffing companies, among others, which could be interpreted to apply to us, are often less favorable to us than those in the United States, giving greater rights to competitors, users, and other third parties. Compliance with international laws and regulations may be more costly than expected, may require us to change our business practices or restrict our service offerings, and the imposition of any such laws or regulations on us, our users, or third parties that we or our users utilize to provide or use our services, may adversely impact our revenue and business. In addition, we may be subject to multiple overlapping legal or regulatory regimes that impose conflicting requirements which could lead to additional compliance costs and enhanced legal risks.

Risks inherent in conducting business with an international user base and engaging freelancers globally include, but are not limited to:

- being deemed to conduct business or have operations in the jurisdictions where users, including freelancers that provide services to us, are resident and being subject to their laws and regulatory requirements;
- new or changed regulatory requirements;
- varying worker classification standards and regulations;
- the cost and burden of complying with a wide variety of laws that may be deemed to apply to us, including those relating to labor and employment matters (including but not limited to requirements with respect to works councils or similar labor organizations), consumer and data protection, privacy, network security, encryption, data residency, and taxes, as well as securing expertise in local law and related practices;
- tariffs, export and import restrictions, restrictions on foreign investments, sanctions, and other trade barriers or protection measures;
- costs of localizing services, including adding the ability for clients to pay in local currencies;
- lack of acceptance of localized services;
- difficulties in, and costs of, staffing, managing, and operating international operations or support functions;
- tax issues;
- weaker intellectual property protection;
- economic weakness or currency related challenges or crises;
- fluctuations in foreign currency exchange rates;
- compliance with U.S. and foreign laws designed to combat money laundering and the financing of terrorist activities;
- organizing or similar activity by local unions, works councils, or other labor organizations;
- our ability to adapt to business practices and client requirements in different cultures;
- corporate or state-sponsored espionage or cyberterrorism;
- macroeconomic and political conditions in certain foreign jurisdictions; and
- geopolitical instability and security risks, such as armed conflict and civil or military unrest, political instability, human rights concerns, and terrorist activity in countries where we have users.

The risks described above may also make it difficult for us to expand our operations internationally. Analysis of, and compliance with, global laws and regulations may substantially increase our cost of doing business. We may be unable to keep current with changes in laws and regulations as they develop. Although we have implemented policies and procedures designed to analyze whether these laws apply and, if applicable, support compliance with these laws and regulations, there can be no assurance that we will always maintain compliance or that all of our employees, contractors, partners, users, and agents will comply. Any violations could result in enforcement actions or other proceedings, fines, civil and criminal penalties, damages, interest, costs and fees (including but not limited to legal fees), injunctions, loss of intellectual property rights, or reputational harm. If we are unable to comply with these laws and regulations or manage the complexity of global operations and supporting an international user base successfully and in a cost-effective manner, our business, operating results, and financial condition could be adversely affected.

If we or our third-party partners experience a security breach, other hacking or phishing attack, or other data privacy or security incident, whether intentionally or unintentionally caused by us or by third parties, our platform may be perceived as not being secure, our reputation may be harmed, demand for our platform may be reduced, our operations may be disrupted, we may incur significant legal liabilities, and our business could be adversely affected.

Our business involves the storage, processing, and transmission of users' proprietary, confidential, and personal information as well as the use of third-party partners who store, process, and transmit users' proprietary, confidential, and personal information. We also maintain certain other proprietary and confidential information relating to our business and personal information of our personnel. Any security breach, other hacking or phishing attack, or other data privacy or security incident, whether intentionally or unintentionally caused by us or by third parties, that we experience could result in unauthorized access to, misuse of, or unauthorized acquisition of our, our personnel's, or our users' data; the loss, corruption, or alteration of this data; interruptions in our operations; or damage to our computers or systems or those of our users. Any of these could expose us to claims, litigation, fines, other potential liability, and reputational harm. An increasing number of online services have disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their services. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not foreseeable or recognized until launched against a target, we and our third-party partners may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our or our third-party partners' security or privacy or other data privacy or security incident occurs, public perception of the effectiveness of our security measures and brand could be harmed, and we could lose users and business. Data security breaches and other data privacy and security incidents may also result from non-technical means, for example, actions taken by employees or contractors, such as freelancers that we engage on our platform to perform services for us. Any compromise of our or our third-party partners' security could result in a violation of applicable privacy and other laws, regulatory or other governmental investigations, enforcement actions, and legal and financial exposure, including potential contractual liability that is not always limited to the amounts covered by our insurance. Any such compromise could also result in damage to our reputation and a loss of confidence in our security measures. Any of these effects could adversely impact our business.

Our and our third-party partners' systems may be vulnerable to computer viruses and other malicious software, physical or electronic break-ins, or weakness resulting from intentional or unintentional service provider actions, and similar disruptions that could make all or portions of our website or applications unavailable for periods of time. We may need to expend significant resources to protect against, and to address issues created by, security breaches and other privacy and security incidents. Security breaches and other privacy and security incidents, including any breaches of our security measures or those of parties with which we have commercial relationships (including freelancers or other third-party service providers who provide development or other services to us and other partners) that result in the unauthorized access of users' confidential, proprietary or personal information, or the belief that any of these have occurred, could damage our reputation and expose us to a risk of loss or litigation and possible liability. Furthermore, if our network or computer systems are breached or unauthorized access to customer data is otherwise obtained, we may be held responsible for damages for contract breach, indemnity obligations, penalties for violation of applicable laws or regulations, and significant costs for remediation that may include liability for stolen assets or information and repair of system damage that may have been caused, incentives offered to customers or other business partners in an effort to maintain business relationships after a breach or other incident, and other liabilities. In addition, significant unavailability of our platform due to security breaches and other privacy and security incidents could cause users to decrease their use of or cease using our platform and adversely affect our business. Although we maintain cyber liability insurance, we cannot be certain our coverage will extend to or be adequate for liabilities actually incurred or will continue to be available to us on reasonable terms, or at all.

Errors, defects, or disruptions in our platform could diminish demand, adversely impact our financial results, and subject us to liability.

Our users utilize our platform for important aspects of their businesses, and any errors, defects, or disruptions in our platform, or other performance problems with our platform or infrastructure could harm our brand and reputation and may damage the businesses of users. As the usage of our platform grows, we will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to operate our platform. It is possible that we may fail to continue to effectively scale and grow our technical infrastructure to accommodate these

increased demands, which may adversely affect our user experience. We are also reliant on third-party software and infrastructure, including the infrastructure of the internet, to provide our platform. Any failure of or disruption to this software and infrastructure could also make our platform unavailable to our users. Our platform is constantly changing with new updates, which may contain undetected errors when first introduced or released. Any errors, defects, disruptions in service, or other performance or stability problems with our platform, or the inadequacy of our efforts to adequately prevent or timely remedy errors or defects, could result in negative publicity, loss of or delay in market acceptance of our platform, loss of competitive position, our inability to timely and accurately maintain our financial records, inaccurate or delayed invoicing of clients, delay of payment to us or freelancers, or claims by users for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help resolve the issue. Accordingly, any errors, defects, or disruptions in our platform could adversely impact our brand and reputation, revenue, and operating results.

Changes in laws or regulations relating to privacy or the protection or transfer of personal data, or any actual or perceived failure by us to comply with such laws and regulations or our privacy policies, could adversely affect our business.

We receive, collect, store, process, transfer, and use personal information and other user data. There are numerous federal, state, local, and international laws and regulations regarding privacy, data protection, information security, and the collection, storing, sharing, use, processing, transfer, disclosure, and protection of personal information and other content, the scope of which are changing, subject to differing interpretations, and may be inconsistent among countries, or conflict with other laws and regulations. We are also subject to the terms of our privacy policies and obligations to third parties related to privacy, data protection, and information security. We strive to comply with applicable laws, regulations, policies, and other legal obligations relating to privacy, data protection, and information security to the extent possible. However, the regulatory framework for privacy and data protection worldwide is, and is likely to remain for the foreseeable future, uncertain and complex, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that we do not anticipate or that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Further, any significant change to applicable laws, regulations, or industry practices regarding the collection, use, retention, security, or disclosure of our users' data, or their interpretation, or any changes regarding the manner in which the express or implied consent of users for the collection, use, retention, or disclosure of such data must be obtained, could increase our costs and require us to modify our services and features, possibly in a material manner, which we may be unable to complete in a cost-effective manner, or at all, and may limit our ability to store and process user data or develop new services and features.

We also expect that there will continue to be new laws, regulations, and industry standards concerning privacy, data protection, and information security proposed and enacted in various jurisdictions. For example, European legislators adopted the General Data Protection Regulation ("GDPR"), which became effective in May 2018, superseded existing European Union data protection legislation, imposes more stringent European Union data protection requirements, and provides for significant penalties for noncompliance. The GDPR creates new compliance obligations applicable to our business, users and third-party partners, which could cause us to change our business practices, and increases financial penalties for noncompliance, including possible fines of up to 4% of global annual turnover for the preceding financial year or €20 million, whichever is higher, for the most serious violations. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. Compliance with the GDPR has been and will be a rigorous and time-intensive process that may increase our cost of doing business or require us to change our business practices, and despite those efforts, there is a risk that we may be subject to governmental investigations or enforcement actions, fines and penalties, claims, litigation, and reputational harm in connection with any European activities. Additionally, in June 2018, California passed the California Consumer Privacy Act ("CCPA"), which provides new data privacy rights for consumers and new operational requirements for companies, effective in 2020. Fines for noncompliance may be up to \$7,500 per violation. The costs of compliance with, and other burdens imposed by, the GDPR and CCPA may limit the use and adoption of our products and services and could have an adverse impact on our business. As a result, we may need to modify the way we treat such information. Further, the United Kingdom has initiated a process to leave the European Union that has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, although the United Kingdom has proposed a Data Protection Bill that would be substantially consistent with the GDPR, this bill remains

in the legislative process in the United Kingdom and it remains unclear whether it will be enacted or what it will provide for if enacted.

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

Additionally, if third parties we work with violate applicable laws, regulations, or agreements, such violations may put our users' data at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us, and otherwise have an adverse effect on our reputation and business. Further, public scrutiny of or complaints about technology companies or their data handling or data protection practices, even if unrelated to our business, industry, or operations, may lead to increased scrutiny of technology companies, including us, and may cause government agencies to enact additional regulatory requirements, or to modify their enforcement or investigation activities, which may disrupt the conduct of our business and increase our costs and risks.

We have experienced growth in recent periods and expect to continue to invest in our growth for the foreseeable future. If we are unable to manage our growth effectively, our business, revenue and profits, and financial condition could be adversely affected.

We have experienced growth in a relatively short period of time. For example, our total revenue for the three months ended March 31, 2019 was \$68.9 million, representing a period-over-period growth rate of 16% over the same period in 2018. We plan to continue to expand our operations and personnel significantly. Sustaining our growth will place significant demands on our management as well as on our administrative, operational, and financial resources. To manage our growth, we must continue to improve our operational, financial, and management information systems; expand, motivate, and effectively manage our workforce; and effectively collaborate with our third-party partners. If we are unable to manage our growth successfully without compromising our quality of service or our profit margins, or if new systems that we implement to assist in managing our growth do not produce the expected benefits, our business, operating results, financial condition, and ability to successfully market our platform and serve our users could be adversely affected.

Our recent and historical growth should not be considered indicative of our future performance. We have encountered in the past, and will encounter in the future, risks, challenges, and uncertainties frequently experienced by growing companies in rapidly changing industries. If our assumptions regarding these risks, challenges, and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our financial condition and operating results could differ materially from our expectations, our growth rates may slow, and our business would be adversely impacted.

Our sales efforts are increasingly targeted at large enterprise clients, and as a result we may encounter greater pricing, implementation, and customization challenges, and we may have to delay revenue recognition for more complicated transactions, each of which could adversely impact our business and operating results.

Our sales efforts are increasingly targeted at large enterprise clients, and as a result, we face greater costs, longer sales cycles, and less predictability in completing some of our sales and in increasing spend by existing clients. For larger clients, use of our platform may require approvals by multiple departments and executive-level personnel and require us to provide greater levels of services and client education regarding the uses, benefits, security, privacy, worker classification, payments, and compliance services offered on our platform. Larger enterprises typically have longer decision-making and implementation cycles and may demand more customization, higher levels of support, a broader range of services, and greater payment flexibility. In addition, larger enterprises may require greater functionality and scalability and acceptance provisions that can lead to a delay in revenue recognition. We are often required to spend time and resources to better familiarize potential enterprise clients with the value propositions of our platform generally. Despite our efforts in familiarizing potential enterprise clients with the benefits of our platform, some potential enterprise clients may decide not to use our platform if, among other reasons, they do not feel that

their procurement or compliance needs are or will be met. It is difficult to find sales personnel with the specific skills and technical knowledge needed to sell our Upwork Business, Upwork Enterprise, and other premium offerings. Even if we are able to hire qualified personnel, doing so may be costly and lengthy, as new sales personnel require significant training and can take a number of months to achieve full productivity. As a result of these factors, sales opportunities with large enterprises may require us to devote greater sales and administrative support and professional services resources to individual clients, which could increase our costs, lengthen our sales cycle, and divert our own sales and professional services resources to a smaller number of larger clients. We may spend substantial time, effort, and money in our sales efforts without being successful in producing sales or growing client spend.

Even if we reach agreement with an enterprise client to use our platform, the agreement may not be on pricing or other terms that are favorable to us. Moreover, a significant portion of the fees we typically receive from enterprise clients is contingent on the level of spend by the client. If an enterprise client negotiates pricing terms that are not favorable to us, does not engage freelancers on our platform, or uses freelancers for projects of nominal value, our revenue from the relationship may be minimal.

We also have in the past agreed, and may in the future agree, to take on additional risk for worker classification, privacy, security, work product, payments, or other matters for larger clients, or to other terms that are unfavorable to us in order to secure a client's business or increase their spend. All these factors can add further risk to business conducted with these clients even after a successful sale.

Our revenue growth and ability to achieve and sustain profitability will depend in part on being able to expand our sales force and increase the productivity of our sales force.

We have only recently begun generating revenue from our Upwork Enterprise offering and other premium offerings. In order to increase our revenue from these offerings and achieve and sustain profitability, we must increase the size of our sales force and generate additional revenue from new and existing users.

There is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, and retaining sufficient numbers of sales and sales support personnel to support our growth. New sales personnel require significant training and can take a number of months to achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect and if our new sales personnel do not become fully productive on the timelines that we have projected, or at all, our revenue will not increase at anticipated rates, or at all, and our ability to achieve long-term projections may be negatively impacted. We may also be unable to hire or retain a sufficient number of qualified sales personnel. Furthermore, hiring sales personnel, particularly in new markets, requires additional costs that we may not recover if the sales personnel fail to achieve full productivity. If we are unable to hire and train a sufficient number of effective sales personnel, or if our sales personnel are not successful in obtaining new business or increasing sales to our existing user base, our business will be adversely affected.

Our user growth and engagement on mobile devices depend upon third parties maintaining open application marketplaces and effective operation with mobile operating systems, networks, and standards that we do not control.

Mobile devices are increasingly used for marketplace transactions. A significant and growing portion of our users access our platform through mobile devices, including through the use of mobile applications. Our mobile applications rely on third parties maintaining open application marketplaces, including the Apple App Store and Google Play, which make applications available for download and use on mobile devices. We cannot assure you that the marketplaces through which we distribute our applications will maintain their current structures or that such marketplaces will not charge us fees to list our applications for download. Additionally, there is no guarantee that popular mobile devices will continue to support our platform, that the use of mobile devices for marketplace transactions will be available on commercially reasonable terms, or that mobile device users will use our platform rather than competing products. We are dependent on the interoperability of our platform with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade the functionality of our website or applications or give preferential treatment to competitors could adversely affect our platform's usage on mobile devices. Additionally, in order to deliver high-quality mobile products, it is important that our products are designed effectively and work well with a range of mobile devices, technologies, systems, networks, and standards that we do not control. We may not be successful in developing relationships with key participants in

the mobile industry or in developing products that operate effectively with these devices, technologies, systems, networks, or standards. In the event that it is more difficult for our users to access and use our platform on their mobile devices or users find our mobile offering does not meet their needs, our competitors develop products and services that are perceived to operate more effectively on mobile devices, or if our users choose not to access or use our platform on their mobile devices or use mobile products that do not offer access to our platform, our user growth, user engagement, and business could be adversely impacted.

If internet search engines' methodologies or other channels that we utilize to direct traffic to our website are modified, or our search result page rankings decline for other reasons, our user growth could decline.

We depend in part on various internet search engines, such as Google and Bing, as well as other channels to direct a significant amount of traffic to our website. Our ability to maintain the number of visitors directed to our website is not entirely within our control. For example, our competitors' search engine optimization and other efforts may result in their websites receiving a higher search result page ranking than ours, internet search engines or other channels that we utilize to direct traffic to our website could revise their methodologies in a manner that adversely impacts traffic to our website, or we may make changes to our website that adversely impact our search engine optimization rankings and traffic. As a result, links to our website may not be prominent enough to drive sufficient traffic to our website, and we may not be able to influence the results.

We may experience a decline in traffic to our website if third-party browser technologies are changed or search engine or other channels that we utilize to direct traffic to our website change their methodologies or rules to our disadvantage. We expect the search engines and other channels that we utilize to drive users to our website to continue to periodically change their algorithms, policies, and technologies. These changes may result in an interruption in users' ability to access our website or impair our ability to maintain and grow the number of users that visit our website. We may also be forced to significantly increase marketing expenditures in the event that market prices for online advertising and paid listings escalate or our organic ranking decreases. Any of these changes could have an adverse impact on our business and operating results.

If we are unable to maintain our payment partner relationships on favorable terms, or at all, or if our payment partners cease providing services to us, our business could be adversely affected.

Our payment partners consist of payment processors and disbursement partners. We rely on banks and card processors to provide clearing, processing, and settlement functions for the funding of all transactions on our platform. We also rely on a network of disbursement partners to disburse funds to users.

Our payment partners are critical to our business. In order to maintain these relationships, we have in the past been, and may in the future be, forced to agree to terms that are unfavorable to us. If we are unable to maintain our agreements with current payment partners on favorable terms or at all, or we are unable to enter into new agreements with new payment partners on favorable terms or at all, our ability to disburse transactions and our revenue and business may be adversely affected. This could occur for a number of reasons, including the following:

- our payment partners may be unable to effectively accommodate changing service needs, such as those which could result from rapid growth or higher volume;
- our payment partners could choose to terminate or not renew their agreements with us, or only be willing to renew on different or less advantageous terms;
- our payment partners could reduce the services provided to us, cease doing business with us, or cease doing business altogether;
- our payment partners could be subject to delays, limitations, or closures of their own businesses, networks, or systems, causing them to be unable to process payments or disburse funds for certain periods of time;
- our payment partners may be subject to investigation, regulatory enforcement or other proceedings that result in their inability or unwillingness to provide services to us; or
- we may be forced to cease doing business with payment processors if card association operating rules, certification requirements and laws, regulations, or rules governing electronic funds transfers to which we are subject change or are interpreted to make it difficult or impossible for us to comply.

We rely on AWS to deliver our platform to our users, and any disruption of service from AWS or material change to our arrangement with AWS could adversely affect our business. We are also subject to litigation relating to our use of AWS.

We currently host our platform, serve our users, and support our operations using AWS, a provider of cloud infrastructure services. We do not have control over the operations of the facilities of AWS that we use. AWS's facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cyber security attacks, terrorist attacks, power losses, telecommunications failures, and similar events. The occurrence of any of these events, a decision to close the facilities without adequate notice, or other unanticipated problems could result in lengthy interruptions to our platform. The facilities also could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism, and other misconduct. Our platform's continuing and uninterrupted performance is critical to our success and users may become dissatisfied by any system failure that interrupts our ability to provide our platform to them. We may not be able to easily switch our AWS operations to another cloud or other data center provider if there are disruptions or interference with our use of AWS, and, even if we do switch our operations, other cloud and data center providers are subject to the same risks. Sustained or repeated system failures could reduce the attractiveness of our platform to users, cause users to decrease their use of or cease using our platform, and adversely affect our business. Moreover, negative publicity arising from these types of disruptions could damage our reputation and may adversely impact use of our platform. We may not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any events that cause interruptions in our service.

AWS does not have an obligation to renew its agreements with us on commercially reasonable terms, or at all. If we are unable to renew our agreements or unable to renew on commercially reasonable terms, our agreements are prematurely terminated, or we add additional infrastructure providers, we may experience costs or downtime in connection with the transfer to, or the addition of, new data center providers. If these providers increase the cost of their services, we may have to increase the fees to use our platform and our operating results may be adversely impacted.

In addition, we and other customers of AWS have been subject to litigation by third parties claiming that AWS and basic HTTP functions infringe their patents. Although we expect Amazon to indemnify us with respect to at least a portion of such claims, the litigation may be time consuming, it may divert management's attention, and, if Amazon fails to fully indemnify us, it may adversely impact our operating results.

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

We have voluntarily implemented an anti-money laundering program designed to address the risk of our platform being used to facilitate money laundering, terrorist financing, and other illicit activity. We also have policies, procedures, and sophisticated technology designed to allow us to comply with U.S. economic sanctions laws and prevent our platform from being used to facilitate business in countries, or with persons or entities, included on designated lists promulgated by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") and equivalent foreign authorities. Although we have a program that we believe is reasonably designed to allow us to comply with applicable laws, rules, and regulations, we may still be subject to fines or other penalties in one or more jurisdictions levied by federal or state or local regulators, including state attorneys general, as well as those levied by foreign regulators in the event that we engage in any conduct, intentionally or not, that facilitates money laundering, terrorist financing, or other illicit activity, or that violates sanctions or otherwise constitutes sanctionable activity. Moreover, while we have implemented policies and procedures for compliance with OFAC regulations, including, among others, internet protocol-blocking logic designed to prevent users from using our services within the OFAC-sanctioned countries of North Korea, Syria, Iran, and the Crimea region of Ukraine, given the technical limitations in developing controls to prevent, among other things, the ability of users to place on our platform false or deliberately misleading information or to develop sanctions evasion methods, it is possible that we may inadvertently and without our knowledge provide services to individuals or entities that have been designated by OFAC or are located in a country subject to an embargo by the United States that may not be in compliance with the economic sanctions regulations administered by OFAC. A State Department advisory issued in July 2018 stated that "there are cases where North Korean companies exploit the anonymity provided by freelancing websites to sell their IT services to unwitting buyers." Additionally, recent press reports have stated that North Korean operatives have

used various social media applications and freelancing websites, including ours. Accordingly, although we have controls in place to detect and prevent such OFAC violations and our systems show no access from persons in North Korea, nor from any other OFAC-sanctioned jurisdictions, we may face higher levels of scrutiny by users, partners, and regulators due to the publishing of this advisory and such press reports. In addition to fines, penalties for failing to comply with applicable rules and regulations could include criminal and civil lawsuits, forfeiture of significant assets, or other enforcement actions. We could also be required to make changes to our business practices or compliance programs as a result of regulatory scrutiny. In addition, any perceived or actual breach of compliance by us with respect to applicable laws, rules, and regulations could have a significant impact on our reputation and could cause us to lose existing users, prevent us from obtaining new users, cause payment partners to terminate or not renew their agreements with us, negatively impact investor sentiment about our company, require us to expend significant funds to remedy problems caused by violations and to avert further violations, and expose us to legal risk and potential liability, all of which may adversely affect our business, operating results, and financial condition and may cause the price of our common stock to decline. Further, even if we maintain proper controls and remain in compliance with OFAC regulations, should any of our competitors not implement sufficient OFAC controls and be found to have violated OFAC regulations, user perception of online freelance marketplaces in general may decrease and our business, brand, and reputation may be adversely affected.

We are also subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, and the United Kingdom Bribery Act 2010, and may be subject to other anti-bribery, anti-money laundering, and sanctions laws in countries in which we conduct activities or have users. We face significant risks if we fail to comply with the FCPA and other anti-corruption laws that prohibit companies and their agents and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties, and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person, or securing any advantage. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. We may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we may be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. We have implemented an anti-corruption compliance policy, but we cannot ensure that all of our employees, users, and agents, as well as those contractors to which we outsource certain of our business operations, will not take actions in violation of our policies or agreements and applicable law, for which we may be ultimately held responsible.

Any violation of the FCPA, other applicable anti-corruption laws, and other applicable laws could result in investigations and actions by federal or state attorneys general or foreign regulators, loss of export privileges, severe criminal or civil fines and penalties or other sanctions, forfeiture of significant assets, whistleblower complaints, and adverse media coverage, which could have an adverse effect on our reputation, business, operating results, and prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and resources and significant defense costs and other professional fees.

The applicability of sales, use, and other tax laws or regulations on our business is uncertain. Adverse tax laws or regulations could be enacted or existing laws could be interpreted as applying or otherwise applied to us or users of our platform, which could subject us or our users to additional tax liability and related interest and penalties, and adversely impact our business.

The application of federal, state, local, and international tax laws to services provided over the internet is evolving. Many of the fundamental statutes and regulations that impose these taxes were established before the adoption and growth of the internet and ecommerce. In addition, governments are increasingly looking for ways to increase revenue, which has resulted in discussions about tax reform and other legislative action to increase tax revenue, including through indirect taxes. New income, sales, use, value-added, goods and services, or other tax laws, statutes, rules, regulations, or ordinances could be enacted at any time (possibly with retroactive effect), and could be applied solely or disproportionately to services provided over the internet, could target certain products and services offered on our platform, or could otherwise affect our financial position and operating results. Many countries in the European Union, as well as the United Kingdom and a number of other countries and organizations, such as the Organization for Economic Cooperation and Development, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could impact our tax obligations. In addition, the Tax Cuts and Jobs Act was enacted in the United States in December 2017 (the “Tax Act”). We continue to review the impact of these tax reforms on our business. There are many transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain.

We may also be subject to non-income taxes, such as payroll, sales, use, value-added, and goods and services taxes (including the “digital service tax”) in the United States and various foreign jurisdictions. In certain jurisdictions, we collect and remit indirect taxes on our fees. Our collection of indirect taxes on our fees in these jurisdictions may cause our users to use other platforms or other alternatives that do not collect indirect taxes on their fees, which may in turn affect our financial results. In addition, tax authorities may raise questions about, challenge or disagree with our calculation, reporting, or collection of taxes and may require us to remit additional taxes and interest, and could impose associated penalties and fees. Should any new taxes become applicable, or if the taxes we pay are found to be deficient, our business could be adversely impacted. We have in the past been, and may in the future be, audited by tax authorities with respect to non-income taxes, and we may have exposure to additional non-income tax liabilities, which could have an adverse effect on our operating results and financial condition. In addition, our future effective tax rates could be favorably or unfavorably affected by changes in tax rates, changes in the valuation of our deferred tax assets or liabilities, the effectiveness of our tax planning strategies, or changes in tax laws or their interpretation. Such changes could have an adverse impact on our operating results and financial condition.

Moreover, state, local, and foreign tax jurisdictions have differing rules and regulations governing sales, use, value-added, and other taxes, and these rules and regulations can be complex and are subject to varying interpretations and enforcement positions that may change over time. Existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us (possibly with retroactive effect), which could require us or our users to pay additional tax amounts on prior sales and going forward, as well as require us or our users to pay fines, penalties, and interest for past amounts. Although our terms of service require our users to pay all applicable sales and other taxes and to indemnify us for any requirement that we pay any withholding amount to the appropriate authorities, our users may be unwilling or unable to pay back taxes and associated interest or penalties and may fail to indemnify us, we may determine that it would not be commercially feasible or cost-effective to seek reimbursement, or the indemnification obligation may be deemed unenforceable. If we are required to collect and pay back taxes and associated interest and penalties, or we are unsuccessful in collecting such amounts from our users, we could incur potentially substantial unplanned expenses, thereby adversely impacting our operating results and cash flows. In addition, tax laws and regulations may subject us to audit by tax regulators and require us to provide certain data and information, including user information, from our platform to tax regulators in certain jurisdictions, namely outside the United States. If we are obligated to provide such information to tax regulators in any jurisdiction, users may choose to use other platforms or other alternatives, which may in turn adversely affect our operating results and financial condition.

As a result of these and other factors, the ultimate amount of tax obligations owed may differ from the amounts recorded in our financial statements and any such difference may adversely impact our operating results in future periods in which we change our estimates of our tax obligations or in which the ultimate tax outcome is determined.

We may be adversely affected by the withdrawal of the United Kingdom from the European Union.

In March 2017, the United Kingdom announced its decision to exit the European Union (“Brexit”). The United Kingdom’s withdrawal is currently scheduled to take effect in the second half of 2019, unless a further extension is agreed to; however, uncertainty remains as to what kind of post-Brexit agreement between the United Kingdom and the European Union (the “EU”), if any, may be approved by the UK Parliament. The ongoing uncertainty on the status of such an agreement sustains the possibility of the United Kingdom leaving the EU without any agreement in place, a so-called “hard Brexit,” which would likely cause significant economic disruption and further depress consumer confidence and the economy of the United Kingdom. Our results of operations derived from revenue earned from clients and freelancers in the United Kingdom may be adversely affected by the uncertainty surrounding the timing of the withdrawal and the future relationship between the United Kingdom and the EU, and those effects would be increased in the event of a hard Brexit. Brexit could also contribute to instability in global financial and foreign exchange markets, including volatility in the value of the Euro and the British Pound, which are currencies in which we transact business. In addition, we could be adversely impacted by changes in trade policies, labor, tax or other laws and regulations, and intellectual property rights and supply chain logistics. All or any one of these factors could adversely affect our business, revenue, financial condition and results of operations.

Failure to protect our intellectual property could adversely affect our business.

Our success depends in large part on our proprietary technology and data. We rely on various intellectual property rights, including patents, copyrights, trademarks, and trade secrets, as well as confidentiality provisions and contractual arrangements, to protect our proprietary rights. If we do not protect and enforce our intellectual property rights successfully or cost-effectively, our competitive position may suffer, which could adversely impact our operating results.

Our pending patent or trademark applications may not be approved, or competitors or others may challenge the validity, enforceability, or scope of our patents, the registrability of our trademarks, or the trade secret status of our proprietary information. There can be no assurance that additional patents will be issued or that any patents that are issued will provide significant protection for our intellectual property. In addition, our patents, copyrights, trademarks, trade secrets, and other intellectual property rights may not provide us a significant competitive advantage. There is no assurance that the particular forms of intellectual property protection that we seek, including business decisions about when to file patents or register or renew trademarks and when and how to maintain and protect trade secrets, will be adequate to protect our business.

Moreover, recent amendments to, developing jurisprudence regarding, and possible changes to intellectual property laws and regulations, including U.S. and foreign patent law, may affect our ability to protect and enforce our intellectual property rights. In addition, the laws of some countries do not provide the same level of protection for our intellectual property as do the laws of the United States. As our global reputation grows and/or we expand our international activities, our exposure to unauthorized copying and use of our platform and proprietary information will likely increase. Despite our precautions, our intellectual property is vulnerable to unauthorized access through employee or third-party error or actions, theft, cyber security incidents, and other security breaches and incidents. It is possible for third parties to infringe upon or misappropriate our intellectual property, to copy our platform, and to use information that we regard as proprietary to create products and services that compete with ours. Effective intellectual property protection may not be available to us in every country in which our platform is available. In addition, many countries limit the enforceability of patents against certain third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. Further, certain countries impose additional conditions on the transfer of intellectual property rights from individuals to companies, which may make it more difficult for us to secure and maintain intellectual property protection in those countries. We may need to expend additional resources to defend our intellectual property rights domestically or internationally, which could be costly, time consuming, and distracting to management and could impair our business or adversely affect our domestic or international expansion. Moreover, we may not pursue or file patent applications or apply for registration of copyrights or trademarks in the United States and foreign jurisdictions in which we have a presence with respect to our potentially patentable inventions, works of authorship, and marks and logos for a variety of reasons, including the cost of procuring such rights and the uncertainty involved in obtaining adequate protection from such applications and registrations. If we cannot adequately protect and defend our intellectual property, we may not remain competitive, and our business, operating results, and financial condition may be adversely affected.

We enter into confidentiality and invention assignment or intellectual property ownership agreements with our employees and contractors and enter into confidentiality agreements with other parties. In addition, for employees of third-party staffing providers or other contractors, the employer enters into these agreements with individual workers. We cannot ensure that these agreements, or all the terms thereof, will be enforceable or compliant with applicable law, or otherwise effective in controlling access to, use of, and distribution of our proprietary information or in effectively securing exclusive ownership of intellectual property developed by our current or former employees and contractors. For example, when working with contractors, particularly those who are off-site, it may be more difficult to control use of confidential materials, increasing the risk that our source code or other confidential or trade secret information may be exposed. Further, these agreements with our employees, contractors, and other parties may not prevent other parties from independently developing technologies that are substantially equivalent or superior to our platform.

We may need to spend significant time and resources securing and monitoring our intellectual property rights, and we may or may not be able to detect infringement by third parties. Our competitive position may be adversely impacted if we cannot detect infringement or enforce our intellectual property rights quickly or at all. In some circumstances, we may choose not to pursue enforcement because an infringer has a dominant intellectual property position or for other business reasons. In addition, competitors might avoid infringement by designing around our intellectual property rights or by developing non-infringing competing technologies. We have in the past been forced to rely on litigation, opposition, and cancellation actions, and other claims and enforcement actions to protect our intellectual property, including to dispute registration or use of marks that may be confusingly similar to our own marks. Similar claims and other litigation may be necessary in the future to enforce and protect our intellectual property rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses; counterclaims attacking the scope, validity, and enforceability of our intellectual property rights; or counterclaims and countersuits asserting infringement by us of third-party intellectual property rights. Our failure to secure, protect, and enforce our intellectual property rights could adversely affect our brand and our business, and we could lose the right to use certain intellectual property or lose the opportunity to license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property against others.

We are vulnerable to intellectual property infringement claims and challenges to our intellectual property rights brought against us by third parties.

We operate in a highly competitive industry, and there has been considerable activity in our industry to develop and enforce intellectual property rights. Successful intellectual property infringement claims against us or our users or third-party partners could result in monetary liability or a material disruption in the conduct of our business. We cannot be certain that aspects of our platform, content, and brand names do not or will not infringe valid patents, trademarks, copyrights, or other intellectual property rights held by third parties. We have in the past been, and may in the future be, subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. Our competitors have in the past challenged, and may in the future challenge, our registration or use of our trademarks, including “Upwork,” and, if successful, such a challenge could adversely affect our business. Any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to cease selling or using products and services that incorporate the intellectual property that we allegedly infringe; make substantial payments for legal fees, settlement payments, or other costs or damages; obtain a license to sell or use the relevant technology, which may not be available on reasonable terms or at all; or redesign the allegedly infringing products and services to avoid infringement, which could be costly, time-consuming, or impossible. Any claims or litigation, regardless of merit, could divert management’s attention and cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering aspects of our platform, or require that we comply with other unfavorable terms. Our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. We may also be obligated to indemnify certain clients on our platform or strategic partners or others in connection with such infringement claims, or to obtain licenses from third parties or modify our platform, and each such obligation could further exhaust our resources. Some of our infringement indemnification obligations related to intellectual property are contractually capped at a very high amount or not capped at all.

Any disputes resulting from allegations of intellectual property infringement could subject us to significant legal costs and liability for damages and invalidate our proprietary rights. Any potential future intellectual property disputes or litigation also could force us to do one or more of the following:

- cease conducting certain operations in some or all jurisdictions, or stop using technology that contains the allegedly infringing intellectual property;
- stop using the name “Upwork” or other trademarks in some or all jurisdictions;
- incur significant legal expenses;
- pay substantial damages to the party whose intellectual property rights we may be found to be infringing;
- make expensive changes in our methods of doing business; or
- attempt to obtain a license to the relevant intellectual property from third parties, which may not be available on reasonable terms or at all.

Even if intellectual property claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results. We expect that the occurrence of infringement claims is likely to grow as the market for freelancers and the clients that engage them grows. Accordingly, our exposure to damages resulting from infringement claims could increase and this could further exhaust our financial and management resources.

Our revenue growth depends in part on the success of our strategic relationships with third parties and their continued performance.

To grow our business, we anticipate that we will need to continue to establish and maintain relationships with third parties, such as staffing providers, banks, and payment processing and disbursement providers. For example, we work with third-party staffing providers that support our employment offering for our marketplace, Upwork Payroll, and premium offerings. As our agreements with third-party partners terminate or expire, we may be unable to renew or replace these agreements on favorable terms, or at all. Moreover, we cannot guarantee that the parties with which we have strategic relationships will continue to devote the resources necessary to expand our reach, increase our distribution or support an increased number of users and associated use cases. Further, some of our strategic partners offer, or could offer, competing products and services or also work with our competitors. As a result of these factors, many of our third-party partners may choose to develop alternative products and services in addition to, or in lieu of, our platform, either on their own or in collaboration with others, including our competitors. If we are unsuccessful in establishing or maintaining our relationships with third parties on favorable terms, our ability to compete or to grow our total revenue could be impaired and our operating results may be adversely impacted. Even if we are successful in establishing and maintaining these relationships with third parties on comparable terms, we cannot ensure that these relationships will result in increased usage of our platform or increased revenue.

Our ability to attract and retain users is dependent in part on ease of use and reliability of our platform and the quality of our support, and any failure to offer high-quality support could adversely impact our business, operating results, and financial condition.

Our ability to attract and retain users is dependent in part on the ease of use and reliability of our platform, including our ability to provide high-quality support. Our users depend on our support organization to resolve any issues relating to our platform. Our ability to provide effective support is largely dependent on our ability to attract, resource, and retain service providers who are not only qualified to support users of our platform, but are also well versed in our platform. As we seek to continue to grow our international user base, our support organization will face additional challenges, including those associated with delivering support and documentation in languages other than English. Any failure to maintain high-quality support, or a market perception that we do not maintain high-quality support, could harm our reputation, adversely affect our ability to sell our platform to existing and prospective users, and could adversely impact our business, operating results, and financial condition.

Our business model may subject us to disputes with or between users of our platform.

Our business model involves enabling connections between freelancers and clients that contract directly through our platform. Freelancers and clients are free to negotiate any contract terms they choose, but we also provide optional

service contract terms that they can elect to use. It is possible that disputes may arise between freelancers and clients with regard to their contract terms, work relationship, or otherwise, including with respect to service standards, payment, confidentiality, work product, and intellectual property ownership and infringement. If either party believes the contract terms were not met, our standard terms provide a mechanism for the parties to request assistance from us, and, for some contracts, if that is unsuccessful, they may choose to resolve the dispute with the help of a third-party arbitrator. Whether or not freelancers and clients decide to seek assistance from us, if these disputes are not resolved amicably, the parties might escalate to formal proceedings, such as by filing claims with a court or arbitral authority. Given our role in facilitating and supporting these arrangements, it is possible that claims will be brought against us directly as a result of these disputes, or that freelancers or clients may bring us into any claims filed against each other. Through our user agreements we disclaim responsibility and liability for any disputes between users (except with respect to the specified dispute assistance program); however, we cannot guarantee that these terms will, in all circumstances, be effective in preventing or limiting our involvement in user disputes. In addition, users may assert claims against us regarding their experience on our platform, including related to their search ranking results, their feedback ratings, our dispute resolution process, or admission or non-admission to the platform or other programs, including those designed to highlight successful freelancers. Even if these claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could result in legal, settlement, or other financial costs; divert the resources of our management; harm our reputation; and adversely affect our business and operating results.

Our business depends largely on our ability to attract and retain talented employees, including senior management and key personnel. If we lose the services of Stephane Kasriel, our President and Chief Executive Officer, or other members of our senior management team, we may not be able to execute on our business strategy.

Our future success depends on our continuing ability to attract, train, assimilate, and retain highly-skilled personnel, including software engineers and sales personnel. We face intense competition for qualified personnel from numerous software and other technology companies. In addition, competition for qualified personnel, particularly software engineers, is particularly intense in the San Francisco Bay Area, where our headquarters are located. We may not be able to retain our current key employees or attract, train, assimilate, or retain other highly-skilled personnel in the future. We may incur significant costs to attract and retain highly-skilled personnel, and we may lose new employees to our competitors or other technology companies before we realize the benefit of our investment in recruiting and training them. To the extent we move into new geographies, we would need to attract and recruit skilled personnel in those areas. If we are unable to attract and retain suitably qualified individuals who are capable of meeting our growing technical, operational, and managerial requirements, on a timely basis or at all, our business may be adversely affected.

Our future success also depends in large part on the continued services of senior management and other key personnel. In particular, we are dependent on the services of Stephane Kasriel, our President and Chief Executive Officer, and our technology, platform, future vision, and strategic direction could be compromised if he were to take another position, become ill or incapacitated, or otherwise become unable to serve as our President and Chief Executive Officer. We rely on our leadership team in the areas of product, engineering, operations, security, marketing, sales, support, and general and administrative functions. Our senior management and other key personnel are all employed on an at-will basis, which means that they could terminate their employment with us at any time, for any reason, and without notice. Historically, we have maintained, and currently we maintain, a key-person life insurance policy only on our President and Chief Executive Officer. If we lose the services of senior management or other key personnel, or if we are unable to attract, train, assimilate, and retain the highly-skilled personnel we need, our business, operating results, and financial condition could be adversely affected.

Volatility or lack of appreciation in our stock price may also affect our ability to attract new talent and retain our key employees. Many of our senior personnel and other key employees have become, or will soon become, vested in a substantial amount of stock or stock options. Employees may be more likely to leave us if the shares they own, or the shares underlying their vested options, have significantly appreciated in value relative to the original purchase price of the shares or the exercise price of the options, or conversely, if the exercise price of the options that they hold are significantly above the market price of our common stock. If we are unable to retain our employees, or if we need to increase our compensation expenses to retain our employees, our business, operating results, financial condition, and cash flows could be adversely affected.

Our management team has limited experience managing a public company.

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

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

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of The Nasdaq Global Select Market, and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources, particularly after we are no longer an emerging growth company. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire more employees in the future or engage outside consultants, which would increase our costs and expenses.

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

As a result of disclosure of information in filings required of a public company, our business and financial condition has become more visible, which may result in threatened or actual litigation, including by competitors. If such claims are successful, our business and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

In addition, as a result of our disclosure obligations as a public company, we could face pressure to focus on short-term results, which may adversely affect our ability to achieve long-term profitability.

As a result of becoming a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting. We have identified a material weakness in our internal control over financial reporting and if our remediation of this material weakness is not effective, or if we fail to develop and maintain

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

As a public company, we will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting commencing with our annual report on Form 10-K for the year ending December 31, 2019. Effective internal control over financial reporting is necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on the effectiveness of our internal control over financial reporting, provided that our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first Annual Report required to be filed with the SEC following the later of the date we are deemed to be an “accelerated filer” or a “large accelerated filer,” each as defined in the Exchange Act, or the date we are no longer an emerging growth company, as defined in the JOBS Act. We could be an emerging growth company for up to five years following our IPO. An independent assessment of the effectiveness of our internal controls could detect problems that our management’s assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation. We are required to disclose changes made in our internal control and procedures on a quarterly basis. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff.

In connection with the preparation of our consolidated financial statements as of and for the year ended December 31, 2017, we identified a number of adjustments relating to previously issued consolidated financial statements that resulted in a revision to our consolidated financial statements as of and for the year ended December 31, 2016. As a result of these adjustments, for the year ended December 31, 2016, net loss increased by \$0.3 million and cash flows from operations decreased by \$0.3 million. There was no impact to cash flows from investing or financing activities for the year ended December 31, 2016. Moreover, total assets decreased by \$0.5 million and total liabilities increased by \$0.7 million as of December 31, 2016. These adjustments were related to complexities involving the accounting for financial instruments and treasury activities. We identified the cause of these adjustments was due to growth in the business, which required additional qualified accounting personnel with an appropriate level of experience, and additional controls in the period-end financial reporting process commensurate with the complexity of the business. Accordingly, we have determined that this control deficiency constituted a material weakness in our internal control over financial reporting. A material weakness is a deficiency or combination of deficiencies in our internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our consolidated financial statements would not be prevented or detected on a timely basis. This deficiency could result in additional misstatements to our consolidated financial statements that would be material and would not be prevented or detected on a timely basis.

We are evaluating and implementing additional procedures in order to remediate this material weakness, however, we cannot assure you that these or other measures will fully remediate the material weakness in a timely manner. At the beginning of 2016, we had 15 accounting and finance employees. As part of our remediation plan to address the material weakness identified above, we hired a new Chief Financial Officer in October 2017 and subsequently hired additional accounting and finance employees with the specific technical accounting and financial reporting experience necessary for a public company, including a senior director of technical accounting and reporting, a manager of technical accounting and reporting, a senior director of Sarbanes-Oxley compliance, a manager of revenue recognition, a senior manager of accounting operations, and additional treasury analysts. We have hired these personnel after considering the appropriateness of each individual’s experience and believe that these personnel are qualified to serve in their current respective roles. As of March 31, 2019, we had 28 accounting and finance employees. We believe the current staffing in our accounting and finance department is sufficient to meet our requirements as a public company. However, we will continue to assess the adequacy of our accounting and finance personnel and resources, and will add additional personnel, as well as adjust our resources, as necessary, commensurate with any increase in the size

and complexity of our business. We also increased the depth and level of review procedures with regard to financial reporting and internal control procedures. Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating. If we are unable to remediate the material weakness, or otherwise maintain effective internal control over financial reporting, we may not be able to report our financial results accurately, prevent fraud or file our periodic reports in a timely manner. If our remediation of this material weakness is not effective, or if we experience additional material weaknesses or otherwise fail to maintain an effective system of internal controls in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock. We cannot assure you that all of our existing material weaknesses have been identified, or that we will not in the future identify additional material weaknesses. Any failure to maintain effective disclosure controls and internal control over financial reporting could have an adverse effect on our business and results of operations and could adversely impact our business, operating results and financial condition.

We are in the early stages of the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing, and any required remediation in a timely fashion. During the evaluation and testing process, if we identify material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control, including as a result of the material weakness described above, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on The Nasdaq Global Select Market.

We may be unable to integrate acquired businesses and technologies successfully or to achieve the expected benefits of such acquisitions. We may acquire or invest in additional companies, which may divert our management’s attention, result in additional dilution to our stockholders, and consume resources that are necessary to sustain our business.

Our business strategy may, from time to time, include acquiring other complementary products, technologies, or businesses. At any given time we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any acquisition, investment, or business relationship may result in unforeseen or additional operating difficulties, risks, and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, services, personnel, or operations of the acquired companies particularly if the key personnel of the acquired companies choose not to work for us, if an acquired company’s software is not easily adapted to work with ours, or otherwise. Acquisitions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for the development of our business. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized or we may be exposed to unknown or additional risks and liabilities.

We may in the future seek to acquire or invest in additional businesses, products, technologies, or other assets. We also may enter into relationships with other businesses to expand our platform or our ability to provide our platform in foreign jurisdictions, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing, or investments in other companies. Negotiating these transactions can be time consuming, difficult, and expensive, and our ability to close these transactions may often be subject to approvals that are beyond our control. Consequently, these transactions, even if undertaken and announced, may not close. For one or more of those transactions, we may:

- issue additional equity securities that would dilute our stockholders’ ownership interest;
- use cash that we may need in the future to operate our business;
- incur debt on terms unfavorable to us or that we are unable to repay;

- incur expenses or substantial liabilities;
- encounter difficulties retaining key employees of the acquired company or integrating diverse software codes or business cultures;
- encounter difficulties in assimilating acquired operations and development cultures;
- encounter diversion of management’s attention to other business concerns; and
- become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges.

Any of these risks could adversely impact our business and operating results.

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

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity as of the date of the financial statements, and the amount of revenue and expenses, during the periods presented, that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our condensed consolidated financial statements include those related to determination of revenue recognition, the useful lives of assets, assessment of the recoverability of long-lived assets, goodwill impairment, allowance for doubtful accounts, reserves relating to transaction losses, the valuation of warrants, stock-based compensation, and accounting for income taxes. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of industry or financial analysts and investors, resulting in a decline in the trading price of our common stock.

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

Our corporate structure and intercompany arrangements are subject to the tax laws of various jurisdictions, and we could be obligated to pay additional taxes, which could adversely impact our operating results.

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

Federal income tax reform could adversely affect us.

Legislation or other changes in tax laws could increase our liability and adversely affect our after-tax profitability. For example, the Tax Act could have a significant impact on our effective tax rate, cash tax expenses and net deferred tax assets. The Tax Act reduces the U.S. corporate statutory tax rate, eliminates or limits the deduction of several expenses that were previously deductible, imposes a mandatory deemed repatriation tax on undistributed historic earnings of foreign subsidiaries, requires a minimum tax on earnings generated by foreign subsidiaries and permits a tax-free repatriation of foreign earnings through a dividends received deduction. The Tax Act may have significant impacts in future periods and certain deduction limitations and restrictions.

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

As of December 31, 2018, we had net operating loss carryforwards for U.S. federal income tax purposes and state income tax purposes of \$172.3 million and \$38.5 million, respectively, available to offset future taxable income. If not utilized, the federal net operating loss carryforward amounts will begin to expire in 2019, including \$0.9 million due to expire in 2019. The state net operating loss carryforward amounts will begin to expire in 2028. Realization of these net operating loss carryforwards depends on future income, and there is a risk that our existing carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could materially and adversely affect our operating results.

In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), if a corporation undergoes an “ownership change,” generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income may be limited. In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carry-forwards and other tax attributes to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us.

In 2017, we remeasured our deferred tax assets to the reduced federal corporate income tax rate, 35% to 21%, resulting in a reduction of \$22.6 million in the value of its net deferred tax asset, which was entirely offset by the change in valuation allowance of \$22.6 million. In 2019, we expect to continue to benefit from the Tax Act, which includes, among other items, a reduced federal corporate tax rate and accelerated depreciation deductions. At the same time, the legislation eliminates and restricts certain tax deductions including the business interest expense limitation and the repeal of the performance-based exception relating to executive compensation deduction exceeding \$1.0 million. State conformity to the Tax Act’s provision is applied on jurisdiction-by-jurisdiction basis.

Our platform contains open source software components, and failure to comply with the terms of the underlying licenses could restrict our ability to market or operate our platform.

Our platform incorporates certain open source software. An open source license typically permits the use, modification, and distribution of software in source code form subject to certain conditions. Some open source licenses contain conditions that any person who distributes a modification or derivative work of software that was subject to an open source license make the modified version subject to the same open source license. Distributing software that is subject to this kind of open source license can lead to a requirement that certain aspects of our platform be distributed or made available in source code form. Although we do not believe that we have used open source software in a manner that might condition its use on our distribution of any portion of our platform in source code form, the interpretation of open source licenses is complex and, despite our efforts, it is possible that we may be liable for copyright infringement, breach of contract or other claims if our use of open source software is adjudged not to comply with the applicable open source licenses.

Moreover, we cannot ensure that our processes for controlling our use of open source software in our platform will be effective. If we have not complied with the terms of an applicable open source software license, we may need to seek licenses from third parties to continue offering our platform and the terms on which such licenses are available may not be economically feasible, to re-engineer our platform to remove or replace the open source software, to discontinue the sale of our platform if re-engineering could not be accomplished on a timely basis, to pay monetary damages, or to make available the source code for aspects of our proprietary technology, any of which could adversely affect our business, operating results, and financial condition.

In addition to risks related to license requirements, use of open source software can involve greater risks than those associated with use of third-party commercial software, as open source licensors generally do not provide warranties; assurances of title, performance, or non-infringement; or control the origin of the software. There is typically no support available for open source software, and we cannot ensure that the authors of such open source software will implement or push updates to address security risks or will not abandon further development and maintenance. Many of the risks associated with the use of open source software, such as the lack of warranties or assurances of title or performance, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source software, but we cannot be sure that all open source software is identified or submitted for approval prior to use in our platform.

Clients may fail to pay their invoices, necessitating action by us to compel payment.

In connection with our Upwork Enterprise offering and for certain legacy clients, we advance payments to freelancers for invoiced services on behalf of the client and subsequently invoice the client for such services. In addition, in certain instances, we will advance payment on a freelancer invoice if the client issues a chargeback or their payment method is declined and the freelancer assigns us the right to recover any funds from the client. From time to time, clients fail to pay for these services rendered by a freelancer, and as a result, we may be adversely affected both from the inability to collect amounts due and the cost of enforcing the applicable enterprise agreement or our terms of service, including through arbitration or litigation. Furthermore, some clients may seek bankruptcy protection or other similar relief and fail to pay amounts due, or pay those amounts more slowly, either of which could adversely affect our operating results, financial position, and cash flow.

We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We track certain performance metrics, including GSV, the number of core clients, and client spend retention, with internal tools, which are not independently verified by any third party. Our internal tools have a number of limitations and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including the metrics we report. If the internal tools we use to track these metrics undercount or overcount performance or contain algorithmic or other technical errors, the data we report may not be accurate. In addition, limitations or errors with respect to how we measure data (or the data that we measure) may affect our understanding of certain details of our business, which could affect our longer-term strategies. If our performance metrics are not accurate representations of our business, user base, or traffic levels; if we discover material inaccuracies in our metrics; or if the metrics we rely on to track our performance do not provide an accurate measurement of our business, our reputation may be harmed, and our operating and financial results could be adversely affected.

We may be required to comply with governmental export control laws and regulations. Our failure to comply with these laws and regulations could have an adverse effect on our business and operating results.

We may be subject to U.S. export controls and sanctions regulations that prohibit the shipment or provision of certain products and services to certain countries, governments, and persons targeted by U.S. sanctions. While we take precautions to prevent aspects of our platform from being exported in violation of these laws, including implementing internet protocol address blocking, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws. If we are found to be in violation of U.S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the persons working for us.

In addition, various countries regulate the import and export of certain encryption and other technology, including imposing import and export permitting and licensing requirements, and have enacted laws that could limit our ability to distribute aspects of our platform or could limit our users' ability to access our platform in those countries. Changes in our platform, or future changes in export and import regulations may prevent our international users from utilizing our platform or, in some cases, prevent the export or import of our platform to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our platform by existing or potential users with international operations. Any decreased use of our platform or

limitation on our ability to export or sell our products would likely adversely affect our business, operating results, and financial results.

Litigation could have a material adverse impact on our operating results and financial condition.

From time to time, we are subject to litigation. The outcome of any litigation (including class actions and individual lawsuits or arbitration), regardless of its merits, is inherently uncertain. Regardless of the merits of any claims that may be brought against us, pending or future litigation could result in a diversion of management's attention and resources and reputational harm, and we may be required to incur significant expenses defending against these claims. If we are unable to prevail in litigation, we could incur substantial liabilities. We may also determine that the most cost-effective and efficient way to resolve a dispute is to enter into a settlement agreement. Where we can make a reasonable estimate of the liability relating to pending litigation and determine that it is probable, we record a related liability. As additional information becomes available, we assess the potential liability and revise estimates as appropriate. However, because of uncertainties relating to litigation, the amount of our estimates could be wrong as determining reserves for pending litigation is a complex, fact-intensive process that is subject to judgment calls. Any adverse determination related to litigation or a settlement agreement could require us to change our technology or our business practices in costly ways, prevent us from offering certain products or services, require us to pay monetary damages, fines, or penalties, or require us to enter into royalty or licensing arrangements, and could adversely affect our operating results and cash flows, harm our reputation, or otherwise negatively impact our business.

Our loan and security agreement provides our lender with a first-priority lien against substantially all of our assets (excluding our intellectual property), and contains financial covenants and other restrictions on our actions, which could limit our operational flexibility and otherwise adversely affect our financial condition.

Our Loan Agreement restricts our ability to, among other things:

- incur additional indebtedness;
- sell certain assets;
- declare dividends or make certain distributions; and
- undergo a merger or consolidation or other transactions.

In addition, the interest rates we pay under our Loan Agreement are derived from the prime rate, which has increased recently, and may increase in the future. Interest rate increases will result in us having to make higher interest payments and reduce the amount of working capital available to us. Our Loan Agreement also prohibits us from falling below an adjusted quick ratio. Our ability to comply with this covenant is dependent upon our future business performance.

Our failure to comply with the covenants or payment requirements, or the occurrence of other events specified in our Loan Agreement, could result in an event of default under the Loan Agreement, which would give our lender the right to terminate their commitments to provide additional loans under the Loan Agreement and to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. In addition, we have granted our lender first-priority liens against substantially all of our assets, as collateral, excluding our intellectual property (but including proceeds therefrom) and the funds and assets held by Upwork Escrow. We have also agreed to a negative pledge on our intellectual property. Failure to comply with the covenants or other restrictions in the Loan Agreement could result in a default. If the debt under our Loan Agreement was to be accelerated, we may not have sufficient cash on hand or be able to sell sufficient collateral to repay it, which would have an immediate adverse effect on our business and operating results. This could potentially cause us to cease operations and result in a complete loss of your investment in our common stock.

We may require additional capital to fund our business and support our growth, including in connection with any future acquisitions or strategic investments, and any inability to generate or obtain such capital may adversely affect our operating results and financial condition.

In order to support our growth and respond to business challenges, such as developing new features or enhancements to our platform, acquiring new technologies, and improving our infrastructure, we have made significant financial investments in our business and we intend to continue to make such investments. In addition, we may, from time to time, seek to acquire or strategically invest in other complementary products, technologies, or businesses. As a result, we may need to engage in equity or debt financings, in addition to our Loan Agreement, to provide the funds required

for these investments, acquisitions, and other business endeavors. If we raise additional funds through equity or convertible debt issuances, our existing stockholders may suffer significant dilution and these securities could have rights, preferences, and privileges that are superior to that of holders of our common stock. If we obtain additional funds through debt financing, we may not be able to obtain such financing on terms favorable to us. Such terms may involve additional restrictive covenants making it difficult to engage in capital raising activities and pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired and our business may be adversely affected, requiring us to delay, reduce, or eliminate some or all of our operations.

We are an emerging growth company, and we cannot be certain that the reduced disclosure requirements applicable to emerging growth companies will not make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and, for so long as we continue to be an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We will remain an emerging growth company until the earliest of: (i) December 31, 2023, which is the last day of the fiscal year following the fifth anniversary of our IPO; (ii) the last day of the first fiscal year in which our annual gross revenue is \$1.07 billion or more; (iii) the date on which we have, during the previous rolling three-year period, issued more than \$1.0 billion in non-convertible debt securities; or (iv) the date on which we qualify as a “large accelerated filer.” Based on our current stock price and ownership, we would be considered a “large accelerated filer” as of December 31, 2019 and would therefore be required to comply with all the reporting requirements applicable to other public companies including, but not limited to, the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act following December 31, 2019.

We cannot predict if investors will find our common stock less attractive or our company less comparable to certain other public companies because we rely on these exemptions. For example, if we do not adopt a new or revised accounting standard, our future operating results may not be as comparable to the operating results of certain other companies in our industry that adopted such standards. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Our reported financial results may be adversely affected by changes in U.S. GAAP.

U.S. GAAP is subject to interpretation by the FASB, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change.

In particular, in May 2014, the FASB issued ASC 606, which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. The core principle of ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As an “emerging growth company,” we are allowed under the JOBS Act to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to take advantage of this extended transition period under the JOBS Act with respect to ASC 606, which will result in ASC 606 becoming effective for us for the year ending December 31, 2019. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors’ confidence in us.

We are continuing to evaluate the adoption method and the potential impact that the implementation of ASC 606 will have on our consolidated financial statements, specifically related to the following items:

- identification of performance obligations;

- principal agent considerations;
- whether the discounts offered under our tiered pricing program for freelancer service fee result in a “material right” as that term is defined in ASC 606;
- whether costs to obtain a contract with a customer will be capitalized or expensed;
- timing of revenue recognition;
- method of adoption; and
- revenue disclosures which are expected to expand and may require judgment in certain areas.

If currency exchange rates fluctuate substantially in the future, the results of our operations, which are reported in U.S. dollars, could be adversely affected.

As we expand our international footprint, we will become more exposed to the effects of fluctuations in currency exchange rates. Although we expect an increasing number of sales contracts to be denominated in currencies other than the U.S. dollar in the future, all of our sales contracts have historically been denominated in U.S. dollars. However, we offer clients the option to settle invoices denominated in U.S. dollars in the local currencies of several non-U.S. countries, and therefore, a portion of our revenue is subject to foreign currency risk. While we currently use derivative instruments to hedge certain exposures to fluctuations in foreign currency exchange rates, the use of such hedging activities may not offset any, or more than a portion, of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, a strengthening of the U.S. dollar could increase the real cost of transacting on our platform to clients located outside of the United States and could result in a loss of such clients, which could adversely affect our business, operating results, financial condition, and cash flows.

We may be adversely affected by natural disasters and other catastrophic events, and by man-made problems such as terrorism, that could disrupt our business operations and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

A significant natural disaster, such as an earthquake, blizzard, hurricane, fire or flood, or other catastrophic event, such as a power loss or telecommunications failure, could have a material adverse impact on our business, financial condition, and operating results. In the event of natural disaster or other catastrophic event, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in development of our platform, lengthy interruptions in service, breaches of data security, and loss of critical data, all of which could have an adverse effect on our operating results. Our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity and potentially subject to catastrophic fires. In addition, natural disasters and other catastrophic events could affect our partners’ ability to perform services for users on a timely basis. In the event any such partners’ information technology systems or service abilities are hindered by any of the events discussed above, our ability to provide our platform and other services may be impaired, resulting in missing financial targets for a particular quarter or year, or longer period. Further, if a natural disaster or other catastrophic event occurs in a region from which we derive a significant portion of our revenue, users in that region may delay or forego use of our platform or other services, which may adversely impact our operating results. In addition, acts of terrorism, civil disorder, or military conflict could cause disruptions in our business or the business and activity of our partners, users, or the economy as a whole. These disruptions may be more severe than in the case of natural disasters. All of the aforementioned risks may be augmented if our or our partners’ business continuity and disaster recovery plans prove to be inadequate. To the extent that any of the above results in delays or reductions in platform availability, activities or other services, our business, financial condition, and operating results would be adversely affected.

Risks Related to Ownership of Our Common Stock

The stock price of our common stock has been and may continue to be volatile, and you could lose all or part of your investment.

The market price of our common stock has been and may continue to be volatile. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets;

- actual or anticipated fluctuations in our revenue and other operating results;
- changes in the financial projections we may provide to the public or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry;
- negative publicity related to the real or perceived quality or security of our platform, as well as the failure to timely launch new products and services that gain market acceptance;
- rumors and market speculation involving us or other companies in our industry and/or other industries;
- announcements by us or our competitors of new or terminated products or services, commercial relationships, or significant technical innovations;
- acquisitions, strategic partnerships, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- lawsuits threatened or filed against us, litigation involving our industry, or both;
- developments or disputes concerning our or other parties' products, services or intellectual property rights;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- political changes or events, such as "Brexit" or U.S. government shutdowns;
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events;
- sales of shares of our common stock by us or our stockholders; and
- sales of large blocks of our stock relative to the size of our public float.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies, and technology companies in particular, have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

Sales of substantial amounts of our common stock in the public markets, particularly sales by our directors, executive officers, and significant stockholders, or the perception that these sales could occur, could cause the market price of our common stock to decline and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market. The perception that these sales might occur may also cause the market price of our common stock to decline. We had a total of 106,729,758 shares of our common stock outstanding as of March 31, 2019. All shares of our common stock are freely tradable, generally without restrictions or further registration under the Securities Act of 1933, as amended ("Securities Act") except that any shares held by our "affiliates" as defined in Rule 144 under the Securities Act would only be able to be sold in compliance with the volume and manner of sale restrictions of Rule 144.

In addition, as of March 31, 2019, we had outstanding (i) stock options that, if fully exercised, would result in the issuance of 23,304,831 shares of common stock and (ii) 1,087,759 unvested RSUs. We have filed registration statements on Form S-8 to register shares reserved for future issuance under our equity compensation plans. The shares issued upon exercise of outstanding stock options or settlement of outstanding RSUs will be available for immediate resale in the United States on the open market.

Moreover, certain holders of our common stock have rights, subject to certain conditions, to require us to file registration statements for the public resale of such shares or to include such shares in registration statements that we may file for us or other stockholders.

We may also issue our shares of common stock or securities convertible into shares of our common stock from time to time in connection with a financing, an acquisition, investments, or otherwise. We also expect to grant additional equity awards to employees, directors, and consultants under our 2018 Equity Incentive Plan and rights to purchase our common stock under our 2018 Employee Stock Purchase Plan. Any such issuances could result in substantial dilution to our existing stockholders and cause the market price of our common stock to decline.

The concentration of our stock ownership with insiders will likely limit your ability to influence corporate matters, including the ability to influence the outcome of director elections and other matters requiring stockholder approval.

As of March 31, 2019, our executive officers, directors, current 5% or greater stockholders, and affiliated entities together beneficially owned the majority of our common stock. As a result, these stockholders, acting together, will have control over most matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing, or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our common stock and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If industry analysts cease coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, the price of our common stock would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

Even if our stock is actively covered by analysts, we do not have any control over the analysts or the measures that analysts or investors may rely upon to forecast our future results.

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

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. Additionally, our ability to pay dividends on our common stock is limited by restrictions under the terms of our Loan Agreement. We anticipate that for the foreseeable future we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management, limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees, and limit the market price of our common stock.

Provisions in our restated certificate of incorporation and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our restated certificate of incorporation and restated bylaws include provisions that:

- provide that our board of directors is classified into three classes of directors with staggered three-year terms;
- permit the board of directors to establish the number of directors and fill any vacancies and newly-created directorships;

- 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 of directors could use to implement a stockholder rights plan;
- provide that only the chairperson of our board of directors, our chief executive officer, president, lead independent director, or a majority of our board of directors will be authorized to call a special meeting of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, our restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law (the “DGCL”) our restated certificate of incorporation, or our restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. Our restated bylaws also provide that the federal district courts of the United States would be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (the “Federal Forum Provision”). Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision.

These choice of forum provisions may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees.

In December 2018, the Delaware Court of Chancery found that provisions such as the Federal Forum Provision are not valid under Delaware law. In light of this decision of the Delaware Court of Chancery, we do not intend to enforce the Federal Forum Provision in our restated bylaws unless and until there is a final determination by the Delaware Supreme Court regarding the validity of provisions such as the Federal Forum Provision. To the extent the Delaware Supreme Court makes a final determination that provisions such as the Federal Forum Provision are not valid as a matter of Delaware law, the board of directors intends to amend our restated bylaws to remove the Federal Forum Provision.

Moreover, Section 203 of the DGCL may discourage, delay, or prevent a change of control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

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

In April 2019, we issued 333,685 shares of our common stock upon the cashless exercise of a warrant to purchase up to an aggregate of 398,331 shares of common stock. The offer, sale and issuance of these securities was deemed to be exempt from registration under the Securities Act in reliance on Section 4(a) (2) of the Securities Act. The recipient of securities acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. The recipient of the securities was an accredited or sophisticated person and had adequate access, through business or other relationships, to information about us.

Item 6. Exhibits.

Exhibit Number	Description	Filed or Furnished Herewith
10.1	Third Amendment to Loan and Security Agreement, dated March 18, 2019, by and between Upwork and Silicon Valley Bank.	X
10.2	Upwork Performance Bonus Plan.	X
10.3	Sublease Agreement, dated February 25, 2019, by and between Upwork and Veritas Technologies LLC.	X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1*	Certification of Principal 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 Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS	XBRL Instance Document.	X
101.SCH	XBRL Taxonomy Extension Schema Document.	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.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 furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

**THIRD AMENDMENT
TO
LOAN AND SECURITY AGREEMENT**

This Third Amendment to Loan and Security Agreement (this “**Amendment**”) is entered into this 18th day of March, 2019 by and between (a) **SILICON VALLEY BANK**, a California corporation (“**Bank**”), and (b) **UPWORK INC.**, a Delaware corporation, **ELANCE, INC.**, a Delaware corporation, **UPWORK GLOBAL INC.**, a California corporation, and **UPWORK TALENT GROUP INC.**, a Delaware corporation (each and together, jointly and severally, “**Borrower**”).

RECITALS

A. Bank and Borrower have entered into that certain Loan and Security Agreement dated as of September 19, 2017, as amended by that certain First Amendment to Loan and Security Agreement, dated as of November 29, 2017 (the “**First Amendment**”) and as further amended by that certain Second Amendment to Loan and Security Agreement, dated as of September 17, 2018 (the “**Second Amendment**”) (as amended, and as the same may from time to time be further amended, modified, supplemented or restated, the “**Loan Agreement**”).

B. Bank has previously extended credit to Borrower for the purposes permitted in the Loan Agreement.

C. Borrower has requested that Bank amend the Loan Agreement to make certain revisions to the Loan Agreement as more fully set forth herein.

D. Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

2. Amendments to Loan Agreement.

1.1 Section 6.2. Section 6.2(a)-(d) is amended and restated as follows:

- (a) a Borrowing Base Statement (and any schedules related thereto and including any other information reasonably requested by Bank with respect to Borrower's Accounts) (i) with each request for an Advance, and (ii)(1) outside a Reporting Streamline Period, within thirty (30) days after the end of each month or, alternatively, (2) during a Reporting Streamline Period, within thirty (30) days after the end of each quarter;
- (b) (A) monthly accounts receivable agings for Borrower's Enterprise Accounts, aged by invoice date, (B) monthly accounts payable agings, aged by invoice date, and outstanding or held check registers, if any, and (C) monthly reconciliations of accounts receivable agings for Borrower's Enterprise Accounts (aged by invoice date), and general ledger, in form and substance reasonably acceptable to Bank, (i) with each request for an Advance, and (ii)(1) outside a Reporting Streamline Period, within thirty (30) days after the end of each month or, alternatively, (2) during a Reporting Streamline Period, within thirty (30) days after the end of each quarter;
- (c) (i) outside a Reporting Streamline Period, as soon as available, but no later than thirty (30) days after the last day of each month, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations for such month in a form reasonably acceptable to Bank (the "**Monthly Financial Statements**"), which Monthly Financial Statements shall include a detailed cash report that shows month-end balances for all of the Borrower's and its Subsidiaries' Collateral Accounts or, alternatively, (ii) during a Reporting Streamline Period, as soon as available, but no later than thirty (30) days after the last day of each quarter, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations for such quarter in a form reasonably acceptable to Bank (the "**Quarterly Financial Statements**"), which Quarterly Financial Statements shall include a detailed cash report that shows quarter-end balances for all of the Borrower's and its Subsidiaries' Collateral Accounts;
- (d) (i) outside a Reporting Streamline Period, within thirty (30) days after the last day of each month and together with the Monthly Financial Statements, a completed Compliance Statement, confirming that, as of the end of such month, Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement and such other information as Bank may reasonably request, including, without limitation, a statement that at the end of such month there were no held checks or, alternatively, (ii) (i) within thirty (30) days after the last day of each quarter and together with the Quarterly Financial Statements, a completed Compliance Statement, confirming that, as of the end of such quarter, Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement and such other information as Bank may reasonably request, including, without limitation, a statement that at the end of such quarter there were no held checks;"

1.2 Section 6.6. Section 6.6 is amended and restated in its entirety as follows:

"6.6 [Reserved].

1.3 Section 6.9. Section 6.9 is amended and restated in its entirety as follows:

“6.9 Financial Covenants.

(a) Adjusted Quick Ratio. Maintain at all times, to be certified to Bank as of the last day of each month (or, if Borrower is in the Reporting Streamline Period, quarterly) an Adjusted Quick Ratio of equal to or greater than 1.75 to 1.00. Additionally, the component of Quick Assets which makes up Borrower’s unrestricted and unencumbered cash in Deposit Accounts maintained with Bank shall be equal to or greater than Ten Million Dollars (\$10,000,000).

(b) [Reserved].”

1.4 Section 13. The following new terms and their respective definitions are inserted alphabetically in Section

13.1:

“Reporting Streamline Period” is, on and after the Third Amendment Effective Date, provided no Event of Default has occurred and is continuing, the period (a) commencing on the first day of the month following the day that Borrower provides to Bank a written report that Borrower has maintained, for each consecutive day in the immediately preceding month as determined by Bank in its reasonable discretion, an Adjusted Quick Ratio in an amount at all times greater than 2.50 to 1.00 (the **“Streamline Threshold”**); and (b) terminating on the earlier to occur of (i) the occurrence of an Event of Default, and (ii) the first day thereafter in which Borrower fails to maintain the Streamline Threshold, as determined by Bank in its reasonable discretion. Upon the termination of a Reporting Streamline Period, Borrower must maintain the Streamline Threshold each consecutive day for one (1) calendar month, as determined by Bank in its reasonable discretion, prior to entering into a subsequent Reporting Streamline Period. Borrower shall give Bank prior written notice of Borrower’s election to enter into any such Reporting Streamline Period, and each such Reporting Streamline Period shall commence on the first day of the monthly period following the date Bank determines, in its reasonable discretion, that the Streamline Threshold has been achieved.

“Third Amendment Effective Date” is March 18, 2019.

2. Exhibit B (Compliance Certificate). The Compliance Certificate is amended in its entirety and replaced with the Compliance Certificate in the form of Exhibit B attached hereto.

3. SVB Mastercard Program.

(a) Bank agrees to provide the following to Borrower: (i) by January 31, 2019, a SOC1 report and bridge letter; and (ii) by September 30, 2019, at Bank’s discretion, either a SOC2 report or to comply with Borrower’s security review, in a manner reasonably acceptable to Borrower and Bank.

(b) No later than April 30, 2019 (or such later date as shall be agreed by Bank) Borrower agrees to open SVB Mastercard accounts with Bank and Borrower shall use such cards as their primary business credit cards, so long as Bank can provide sufficient technology and information security environment to support Borrower's current and proposed internal reporting requirements, to include a certain data format to be sent directly to the Upwork Concur system, it being agreed and understood that in the event SVB cannot provide such technology and data format, Borrower shall have no obligation hereunder to open SVB Mastercard accounts, nor to use Bank as its primary business credit card provider.

4. Limitation of Amendments.

4.1 The amendments set forth in Section 2 above are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

4.2 This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

5. Representations and Warranties. To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

5.1 Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date or time period, in which case they are true and correct as of such date or with respect to such time period), and (b) no Event of Default has occurred and is continuing;

5.2 Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

5.3 The current organizational documents of Borrower have been delivered to Bank on or prior to the date of this Amendment and remain true, accurate and complete, have not been amended, supplemented or restated and are and continue to be in full force and effect (or, if amended, supplemented and/or restated, have been delivered to Bank in connection with the execution of this Amendment);

5.4 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

5.5 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this

Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

5.6 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

5.7 This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

6. Ratification of Perfection Certificate. Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in a certain Perfection Certificate dated as of September 19, 2017, as supplemented by the additional disclosures made in connection with the First Amendment and the Second Amendment, and acknowledges, confirms and agrees that the disclosures and information Borrower provided to Bank in such Perfection Certificate, as supplemented, have not materially changed, as of the date hereof, except as set forth on Schedule A.

7. No Defenses of Borrower. Borrower hereby acknowledges and agrees that Borrower has no offsets, defenses, claims, or counterclaims against Bank with respect to the Obligations, or otherwise, and that if Borrower now has, or ever did have, any offsets, defenses, claims, or counterclaims against Bank existing or arising through and including the date of execution of this Amendment, whether known or unknown, at law or in equity, all of them are hereby expressly WAIVED and Borrower hereby RELEASES Bank from any liability thereunder.

8. Integration. This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

9. Counterparts. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

10. Effectiveness. As a condition precedent to the effectiveness of this Amendment and the Bank's obligation to make further Advances under the Revolving Line, the Bank shall have received the following documents prior to or concurrently with this Amendment, each in form and substance acceptable to Bank:

10.1 this Amendment duly executed by each party hereto;

10.2 Borrower's payment of a fully earned, non-refundable amendment fee of Five Thousand Dollars (\$5,000); and

10.3 such further documents as Bank may reasonably request to effect the purposes of this Amendment.

[Signature page follows.]

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

The undersigned hereby certifies, to the best of his or her knowledge, that the information set out in the Perfection Certificate is true, complete and correct.

BORROWER:

UPWORK INC. By <u>/s/ Brian Levey</u> Name: Brian Levey Title: Chief Business Affairs and Legal Officer & Secretary	ELANCE, INC. By <u>/s/ Junko Swain</u> Name: Junko Swain Title: Treasurer
UPWORK GLOBAL INC. By <u>/s/ Brian Levey</u> Name: Brian Levey Title: General Counsel and Secretary	UPWORK TALENT GROUP INC. By <u>/s/ Junko Swain</u> Name: Junko Swain Title: Treasurer

BANK:

SILICON VALLEY BANK

By /s/ Sean Thompson
Name: Sean Thompson
Title: Director

EXHIBIT B
COMPLIANCE STATEMENT

TO: SILICON VALLEY BANK Date: _____
FROM: UPWORK INC., ELANCE, INC., UPWORK GLOBAL INC.,
and UPWORK TALENT GROUP INC.

Under the terms and conditions of the Loan and Security Agreement between Upwork Inc., Elance, Inc., Upwork Global Inc., and Upwork Talent Group Inc. (each and together, jointly and severally, “**Borrower**”) and Bank (the “**Agreement**”), Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below. Attached are the required documents evidencing such compliance, setting forth calculations prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under “Complies” column.

<u>Reporting Covenants</u>	<u>Required</u>	<u>Complies</u>
Financial statements with Compliance Statement	Monthly within 30 days or if during a Reporting Streamline Period, quarterly within 30 days	Yes No
A/R & A/P Agings	Monthly within 30 days or if during a Reporting Streamline Period, quarterly within 30 days	Yes No
Borrowing Base Statement	Monthly within 30 days or if during a Reporting Streamline Period, quarterly within 30 days	Yes No
Board approved projections	FYE within 60 days and as amended/updated	Yes No
Recurring revenue cohort report	Quarterly within 30 days	Yes No
Marketplace Receivables Report	prior to and in connection with each request for an Advance in respect of Marketplace Receivables, a Marketplace Receivables Report	Yes No
Upwork Escrow Inc. transactions report	on the tenth Business Day following an Advance in respect of Marketplace Receivables, a report, in form and substance reasonably acceptable to Bank, detailing Marketplace Receivables collection activity that was record by Upwork Escrow Inc. during the week immediately following the week in which such Advance took place	Yes No
The following Intellectual Property was registered after the Effective Date (if no registrations, state “None”) _____		

Financial Covenant	Required	Actual	Complies
Maintain as indicated:			
Minimum Adjusted Quick Ratio	1.75:1.00	:1.00	Yes No

*See Section 6.9(b)

The following financial covenant analyses and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Compliance Statement.

The following are the exceptions with respect to the statements above: (If no exceptions exist, state "No exceptions to note.")

Schedule 1 to Compliance Statement

In the event of a conflict between this Schedule and the Loan Agreement, the terms of the Loan Agreement shall govern.

I. Adjusted Quick Ratio (Section 6.9(a))

Required: Maintain at all times, to be certified to Bank as of the last day of each month (or, if Borrower is in the Reporting Streamline Period, quarterly), an Adjusted Quick Ratio of equal to or greater than 1.75 to 1.00. Additionally, the component of Quick Assets which makes up Borrower's unrestricted and unencumbered cash in Deposit Accounts maintained with Bank shall be equal to or greater than Ten Million Dollars (\$10,000,000).

Actual: After the occurrence of a Qualified IPO:

A.	Aggregate value of the unrestricted and unencumbered cash of Borrower in Deposit Accounts maintained with Bank	\$ _____
B.	Aggregate value of the unrestricted and unencumbered cash of Borrower in Deposit Accounts maintained with financial institutions other than Bank subject to a Control Agreement in favor of Bank	\$ _____
C.	Aggregate value of cash and Cash Equivalents of Upwork Escrow Inc.	\$ _____
D.	Aggregate value of the accounts receivable of Borrower determined according to GAAP	\$ _____
E.	Aggregate value of the accrued hourly billing liabilities of Borrower determined according to GAAP	\$ _____
F.	Quick Assets (line A plus line B plus line C plus line D minus line E)	\$ _____
G.	Aggregate value of principal amount of the Term Loan A outstanding and outstanding Advances and Term Loan B outstanding	\$ _____
H.	Aggregate value of Borrower's accounts payable determined according to GAAP	\$ _____
I.	The sum of lines G and H	\$ _____
J.	Adjusted Quick Ratio (line F divided by line I)	:1.00

Is line J equal to or greater than 1.75:1.00?

_____ No, not in compliance _____ Yes, in compliance

Is line A equal to or greater than \$10,000,000?

_____ No, not in compliance _____ Yes, in compliance

**UPWORK INC.
PERFORMANCE BONUS PLAN**

UPWORK INC.

PERFORMANCE BONUS PLAN

(adopted February 5, 2019)

Preamble

This document sets forth the terms of the Upwork Inc. Performance Bonus Plan (the “**Plan**”). The purpose of the Plan is to advance the interests of the Company and its subsidiaries by motivating selected employees to contribute to the growth and profitability of the Company by keying a portion of their compensation to the Company’s performance and for their individual contributions to the success of the Company. The Plan is effective as of January 1, 2019, and is effective for fiscal year 2019 and for each fiscal year thereafter (each, an “**Eligibility Period**”), unless otherwise amended or terminated in accordance with the Plan. Any other bonus plans applicable to Participants (as defined below) previously approved by the Company are hereby terminated effective as of the first date of the initial Eligibility Period, and the Plan supersedes all such prior plans and any written or verbal representations regarding the subject matter of the Plan effective as of such date.

ARTICLE 1

Definitions

For the purposes of the Plan, unless otherwise clearly apparent from the context, the following capitalized phrases or terms shall have the following indicated meanings:

- 1.1. “**Base Salary**” means with respect to each Participant eligible for a Bonus, the amount of base salary or base fees actually earned and paid to Participant during the applicable Eligibility Period, excluding (i) bonuses, commissions, overtime premium, or the value of any equity securities, or any employee benefits or other compensation paid to Participant (e.g., 401(k) plan employer match), and (ii) any compensation paid to Participant in respect of any inactive employment by the Company (e.g., a leave of absence from the Company).
- 1.2. “**Affiliate**” means any corporation or other entity (including, but not limited to, partnerships and joint ventures) that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company (where, for purposes of this definition, the term “*control*” (including the terms *controlled by* and *under common control with*) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such corporation or other entity, whether through the ownership of voting securities, by contract, or otherwise).
- 1.3. “**Award**” has the meaning set forth in the Equity Incentive Plan.
- 1.4. “**Award Agreement**” has the meaning set forth in the Equity Incentive Plan.
- 1.5. “**Board of Directors**” means the Board of Directors of the Company.
- 1.6. “**Bonus**” means any bonus payment made to a Participant pursuant to the Plan.

- 1.7. “**Bonus Pool**” means the aggregate amount allocable for Bonuses under the Plan for a given Eligibility Period.
- 1.8. “**Code**” means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder will include such section or regulation, any regulation promulgated thereunder, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.
- 1.9. “**Committee**” means the Board of Directors or Compensation Committee of the Board of Directors.
- 1.10. “**Company**” means Upwork Inc., a Delaware corporation.
- 1.11. “**Equity Incentive Plan**” means the Company’s 2018 Equity Incentive Plan, as amended or amended and restated from time to time.
- 1.12. “**Participant**” means a full-time or part-time regular employee of the Company who (i) has been designated by the Company in writing as one who will participate in the Plan and (ii) is not covered by any other bonus, commission, sales compensation or other incentive plan (unless otherwise determined by the Committee or such other bonus, commission, sales compensation or other incentive plan expressly permits concurrent participation in the Plan) (each, an “**Eligible Employee**”). The Plan excludes persons who are not expressly classified by the Company as “regular,” including but not limited to, interns, temporary employees or leased employees. Notwithstanding the foregoing, “Eligible Employee” may also include an individual, continuously providing services to the Company through the Company’s wholly owned subsidiary, Elance Limited (Elance NUF branch).
- 1.13. “**Performance Criteria**” are performance goals applicable to a Bonus, including Company performance goals and individual performance goals, which may be selected from the Performance Factors (as defined in the Equity Incentive Plan) or otherwise as determined by the Committee.

ARTICLE 2

Payments

- 2.1. **Eligibility for Payment.** A person shall be eligible to receive a Bonus pursuant to the Plan only if (i) subject to Section 5.1, he or she continues to be designated by the Company in writing as one who will participate in the Plan at the time of payment of such Bonus as specified in Section 2.5 and (ii) he or she is an Eligible Employee at the time of payment of such Bonus as specified in Section 2.5.
- 2.2. **Bonus Pool.** Each Eligibility Period, the Committee, in its sole discretion, will establish a Bonus Pool, which may be established before, during or after the applicable Eligibility Period. Bonuses will be allocated from the Bonus Pool.

- 2.3. **Discretion to Determine Performance Criteria.** The Committee will, in its sole discretion, determine the Performance Criteria applicable to any Bonus. The Performance Criteria may be on the basis of any such factors the Committee determines relevant, and may be on an individual, divisional, business unit or Company-wide basis. Performance Criteria may be measured over the period of time determined by the Committee in its sole discretion. An Eligibility Period may be divided into one or more shorter periods if, for example, but not by way of limitation, the Committee desires to measure some Performance Criteria over twelve (12) months and other Performance Criteria over fewer months. The Performance Criteria may differ from Participant to Participant and from Bonus to Bonus. Failure to meet the Performance Criteria will result in a failure to earn the Bonus, except as otherwise determined by the Committee. As determined by the Committee, the Performance Criteria may be based on GAAP or non-GAAP results and any actual results may be adjusted by the Committee for one-time items, unbudgeted or unexpected items, acquisition-related activities or changes in applicable accounting rules when determining whether the Performance Criteria have been met, and any such adjustments shall not be deemed adverse to any Participant. It is within the sole discretion of the Committee to make or not make any such equitable adjustments.
- 2.4. **Bonus Payments.** Each Bonus will be paid in cash and/or in the form of an Award, as determined by the Committee, in a single lump sum or a fully vested Award, as applicable, unless otherwise determined by the Committee. The Bonus target is the percentage of Base Salary to be paid out at 100% achievement of the applicable Performance Criteria. Bonuses may be weighted based on individual performance and Company performance. Bonuses can provide for payout above target for performance in excess of the applicable Performance Criteria or below target for performance below the applicable Performance Criteria. To the extent a Bonus is made in the form of an Award, such Bonus shall, in addition to the terms and conditions set forth in the Plan, be subject to the terms and conditions of the Award Agreement covering such Award.
- 2.5. **Time of Payment.** Any Bonus payment (including, in the case of an Award, settlement of such Award, if applicable) shall be made during an open trading window in the first quarter of the fiscal year following the fiscal year in which the applicable bonus is earned (but no later than March 15 of the year following the year in which the applicable Bonus is earned).
- 2.6. **Taxes.** All payments made under the Plan shall be subject to applicable income, FICA, and other employment taxes and tax withholding requirements.
- 2.7. **Restriction on Payments.** Notwithstanding anything to the contrary set forth herein, no Bonus shall be made to any Participant if such payments would result in the Company's breach of or default under any terms of that certain Loan and Security Agreement dated September 19, 2017, as amended, by and between the Company, Silicon Valley Bank and certain other parties named therein, or of any other loan agreement, credit agreement, promissory note, bond or debenture to which the Company or a subsidiary thereof is a party.

ARTICLE 3
Amendment, Suspension, Termination

- 3.1 **Amendment, Suspension, or Termination.** The Committee, in its sole discretion, may amend or terminate the Plan, or any part thereof, at any time and for any reason. The amendment, suspension or termination of the Plan will not, without the consent of the Participant, alter or impair any rights or obligations under any Bonus theretofore earned by such Participant; provided that notwithstanding the foregoing, any adjustment by the Committee for one-time items, unbudgeted or unexpected items, acquisition-related activities, any significant impacts due to the adoption of the new accounting guidance, or changes in applicable accounting rules when determining whether the Performance Criteria have been met will not be deemed to be an alteration or impairment of the rights or obligations under any Bonus theretofore earned by any Participant. No Bonus may be granted during any period of suspension or after termination of the Plan.

ARTICLE 4
Administration

- 4.1. **Committee Duties.** The Plan shall be administered by the Committee. No provision of the Plan shall be construed as imposing on the Committee any fiduciary duty under any law.
- 4.2. **Committee Authority.** The Committee shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:
- a) To construe and interpret the terms and provisions of the Plan;
 - b) To determine which Eligible Employees will be granted Bonuses;
 - c) To adopt such procedures and subplans as are necessary or appropriate to permit participation in the Plan by Participants who are foreign nationals or perform services outside of the United States;
 - d) To compute and certify to the Performance Criteria applicable to any Bonus;
 - e) To compute each Participant's Bonus; and
 - f) To maintain all records that may be necessary for the administration of the Plan.
- 4.3. **Binding Effect of Decisions.** The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation, computation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan and shall be given the maximum deference permitted by law.
- 4.4. **Delegation by Committee.** The Committee, in its sole discretion and on such terms and conditions as it may provide, but subject to the terms and conditions of the Plan, may delegate all or part of its authority and powers under the Plan to one or more directors and/or officers of the Company (the "**Delegate Administrators**"). Any action that requires the approval of the Delegate Administrators must be approved unanimously, and any action that requires the approval of the Delegate Administrators may instead also be approved by the Committee.

- 4.5. **Section 162(m)**. For covered employees within the meaning of Code Section 162(m), the Committee may choose to take applicable actions in conformance with the requirements of Code Section 162(m).

ARTICLE 5

Miscellaneous

- 5.1. **Transfers**. Participants who transfer to or from a position not covered by the Plan and instead covered by another bonus, commission, sales compensation or other incentive plan may be considered for a Bonus calculated based on a pro rata basis (as determined based on the number of full months worked in the applicable position(s) covered by the Plan during the applicable Eligibility Period and the applicable Bonus Salary earned during such prorated period). The Committee will coordinate and administer the Plan with the other bonus, sales, or incentive plan and its determinations shall be final and binding.
- 5.2. **Status of Plan**. The Plan is intended to be a plan that is an unfunded bonus arrangement for Participants and is intended to be a “bonus program” as defined under U.S. Department of Labor regulation 2510.3-2(c). The Plan shall be construed and administered in accordance with such intent.
- 5.3. **Unsecured General Creditor**. The Company’s obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants shall be no greater than those of unsecured general creditors. Participants and their heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company’s assets shall be, and remain, the general unpledged, unrestricted assets of the Company.
- 5.4. **Participant’s Liability**. The Company’s liability for the payment of benefits shall be defined only by the Plan. The Company shall have no obligation to a Participant under the Plan except as expressly provided in the Plan.
- 5.5. **Nonassignability**. A Participant shall have no right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment (except to the extent the Company may be required to garnish amounts from payments due under the Plan pursuant to applicable law) or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant’s or any other person’s bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.

- 5.6. **Not a Contract of Employment.** The terms and conditions of the Plan shall not be deemed to constitute a contract of employment or continued engagement between the Company or any of its Affiliates and the Participant. Nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or any of its Affiliates or to interfere with the right of the Company or any of its Affiliates to discipline or discharge the Participant at any time for any or no reason, with or without notice (subject to applicable law). The Participant's employment (if applicable) with the Company or any of its Affiliates remains at will (subject to applicable law).
- 5.7. **Section 409A.** To the extent any payment under the Plan may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for another exemption from Section 409A. To the extent that any provision of the Plan is ambiguous as to its exemption from or compliance with Section 409A, the provision will be read in such a manner that the applicable payments hereunder are exempt from Section 409A to the maximum permissible extent, and for any payments where such construction is not tenable, that those payments comply with Section 409A to the maximum permissible extent. Each Participant acknowledges and agrees that the Company and its Affiliates make no representations with respect to the application of Code Section 409A to any Bonus and other tax consequences to any payments under the Plan and, by the acceptance of any Bonus, the Participant agrees to accept the potential application of Code Section 409A and the other tax consequences of any payments made pursuant to the Plan.
- 5.8. **Clawback or Recoupment.** All Bonuses paid pursuant to the Plan shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board of Directors or required by law during the term of a Participant's employment or other service with the Company that is applicable to such participant, and in addition to any other remedies available under such policy and applicable law, may require forfeiture of earned Bonuses and the recoupment of any Bonuses paid pursuant to the Plan.
- 5.9. **Terms.** Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.
- 5.10. **Captions.** The captions of the articles, sections and paragraphs of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 5.11. **Governing Law.** The provisions of the Plan shall be construed and interpreted according to the laws of the State of California without regard to its conflicts of laws principles.
- 5.12. **Successors.** The provisions of the Plan shall bind and inure to the benefit of the Company, all Participants, and their successors in interest.

- 5.13. **Validity.** In case any provision of the Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.
- 5.14. **Beneficiary Designations.** If permitted by the Committee, a Participant under the Plan may name a beneficiary or beneficiaries to whom any earned but unpaid award will be paid in the event of the Participant's death. Each such designation will revoke all prior designations by the Participant and will be effective only if given in a form and manner acceptable to the Committee. In the absence of any such designation, any vested benefits remaining unpaid at the Participant's death will be paid to the Participant's estate.

SUBLEASE

THIS SUBLEASE ("Sublease") is dated for reference purposes only as of February 25, 2019, and is made by and between VERITAS TECHNOLOGIES LLC, a Delaware limited liability company ("Sublessor"), and UPWORK INC., a Delaware corporation ("Sublessee"). Sublessor and Sublessee hereby agree as follows:

1. Recitals: This Sublease is made with reference to the fact that Augustine Bowers LLC, a Delaware limited liability company ("Master Lessor"), as landlord, and Sublessor, as tenant, entered into that certain Lease executed in November, 2017 ("Master Lease"), whereby Master Lessor leased to Sublessor a portion of that certain building ("Building") that is deemed to contain 144,902 rentable square feet of space (collectively, the "Master Premises") located at 2625 Augustine Drive, Santa Clara, CA, and more particularly described in the Master Lease. The Master Premises, Building and larger commercial real estate project of which they are a part are referred to herein as the "Project". A copy of the Master Lease (with business terms redacted) is attached hereto as Exhibit "A" and incorporated by reference herein.

2. Premises: Pursuant to the terms and conditions of this Sublease, Sublessor subleases to Sublessee, and Sublessee subleases from Sublessor, the entire sixth floor portion of the Building leased to Sublessor under the Master Lease ("Premises"), which Premises is deemed to contain 32,492 rentable square feet of space, and is more particularly described on Exhibit B attached hereto and made a part hereof. Sublessee shall have the proportionate right to use the Meeting Room, Fitness Center and Food Service (as such terms are defined in the Master Lease) facilities in the Building in common with Sublessor and other tenants of the Building, as and to the extent allowed by Master Lessor under the Master Lease. Sublessor acknowledges that it has no right to relocate the Premises to other portions of the Master Premises during the Term (as defined below).

3. Term: The term of this Sublease ("Term") shall commence on the earlier of (the "Commencement Date"): (i) Sublessee's commencement of its business operations in any portion of the Premises, and (ii) the one hundred fiftieth (150th) day after the date on which the Early Access Period (as defined below) has commenced, and shall end on October 15, 2028 ("Expiration Date"), unless this Sublease is sooner terminated pursuant to its terms or the Master Lease is sooner terminated pursuant to its terms; provided, however, that the Commencement Date shall be (i) advanced by one (1) day for each day that the commencement of the Early Access Period is delayed by any act or omission of Sublessee, and (ii) extended by one (1) day for each day that the "Substantial Completion of the Tenant Improvements" (defined below) has been delayed by a "Landlord Caused Delay" (defined below), but only if and to the extent any such Landlord Caused Delay is responsible for causing the Substantial Completion of the Tenant Improvements to be delayed beyond the one hundred fiftieth (150th) day after the date on which the Early Access Period has commenced. Once the Commencement Date has been established, Sublessor and Sublessee shall execute a commencement date memorandum setting forth the Commencement Date; provided, however, that the failure to execute such a memorandum shall not affect Sublessee's liability hereunder. The parties acknowledge that Sublessee has no option to extend the Term of this Sublease.

3.1 Early Access Period: Commencing on the date by which all of the following conditions (collectively, the "Access Conditions") have been satisfied and continuing to the Commencement Date (the "Early Access Period"), Sublessee shall have the right to access the Premises for the purpose of preparing the Premises for Sublessee's use and occupancy thereof, including the installation of the approved "Tenant Improvements" (defined below), and Sublessee's furniture, fixtures and equipment therein. As

referenced herein, the "Access Conditions" shall mean and include: (i) this Sublease has been fully executed and delivered by the parties hereto; (ii) Sublessor has received Master Lessor's written consent to this Sublease; (iii) Sublessor has received the first (1st) monthly installments of Monthly Base Rent payable under Paragraph 4.3 of this Sublease; (iv) Sublessee has delivered to Sublessor the Letter of Credit to be provided by Sublessee upon the execution and delivery of this Sublease (pursuant to Paragraph 5); and (v) Sublessor has received insurance certificates evidencing that Sublessee is carrying the insurance required to be carried by Sublessee pursuant to Paragraph 21 of this Sublease. During such Early Access Period, all of the applicable terms and conditions of this Sublease shall apply to Sublessee's use and occupancy of the Premises and all work conducted therein, provided that, Sublessee shall not be obligated to pay Monthly Base Rent or Tenant's Share of Operating Expenses until the Commencement Date occurs; it being understood that Sublessee shall be obligated to pay all other Additional Rent applicable to the Premises during such Early Occupancy Period. Further, any work to be performed by Sublessee or its contractors within the Premises shall be performed in strict accordance with the terms of Paragraph 14 of this Sublease.

4. Rent:

4.1 Monthly Base Rent: Commencing on the Commencement Date and continuing throughout the Term, Sublessee shall pay monthly base rent ("Monthly Base Rent") to Sublessor as follows:

<u>Months</u>	<u>Monthly Base Rent</u>
Commencement Date - Month 7	\$0*
Month 8 – Month 12	\$118,595.80
Month 13 – Month 24	\$122,153.67
Month 25 – Month 36	\$125,818.28
Month 37 – Month 48	\$129,592.82
Month 49 – Month 60	\$133,480.60
Month 61 – Month 72	\$137,485.01
Month 73 – Month 84	\$141,609.56
Month 85 – Month 96	\$145,857.84
Month 97 – Expiration Date	\$150,233.57

*The foregoing Monthly Base Rent schedule starts as of the Commencement Date. The Monthly Base Rent actually payable during the first seven (7) full months of the Term is \$118,595.80 per month; provided, however, notwithstanding anything in this Sublease to the contrary, Sublessee shall be entitled to an abatement of Monthly Base Rent with respect to the Premises in the amount of \$118,595.80 per month for the first seven (7) full months (not including any partial month) of the Term. The maximum total amount of Monthly Base Rent abated with respect to the Premises in accordance with the foregoing shall equal \$830,170.60 (the "Abated Rent"). Further, if an Event of Default occurs, then all unamortized Abated Rent (i.e. based upon the amortization of the Abated Rent in equal monthly amounts, with interest at the Interest Rate (as such term is defined below), during the period commencing on the eighth (8th) month of the Term and ending on the Expiration Date) shall immediately become due and payable by Sublessee without notice or demand and Sublessor shall be entitled to include such unamortized Abated Rent in the amount of rentals that it is entitled to recover from Sublessee under this Sublease and under California Civil Code Section 1951.2 following an Event Default by Sublessee.

As used herein, the word "month" shall mean a period beginning on the first (1st) day of a month and ending on the last day of that month. Monthly Base Rent shall be paid on or before three (3) days prior to the first (1st) day of each calendar month during the Term. Rent for any period during the Term which is for less than

one month of the Term shall be a pro rata portion of the monthly installment based on the number of days in such partial month. Rent shall be payable without notice or demand and without any deduction, offset, or abatement, in lawful money of the United States of America. Rent shall be paid directly to Sublessor by wire transfer pursuant to the following instructions:

Beneficiary Name	Veritas Technologies, LLC
Beneficiary Address	2625 Augustine Drive Santa Clara CA 95054
Beneficiary Account	*****
Beneficiary Bank Name	*****
Beneficiary Bank Address	*****
ABA Number	*****
SWIFT	*****

, or pursuant to such other electronic instructions, or to such address as may be designated in writing by Sublessor, provided that Sublessor shall provide not less than ten (10) business days' advance notice in writing together with a copy sent via email to accountspayable@upwork.com before any change in such account information or address shall be binding on Sublessee.

4.2 Additional Rent: Commencing on the commencement of the Early Occupancy Period and continuing throughout the Term, all monies other than Monthly Base Rent required to be paid by Sublessee under this Sublease, including, without limitation: (i) one hundred percent (100%) of all utility charges with respect to any and all utilities serving the Premises, including without limitation any excess, "after hours" (as defined in Exhibit C of the Master Lease) or supplemental utility consumption within the Premises; (ii) damages recoverable due to a default under the Master Lease which is the result of any default or failure of performance by Sublessee under this Sublease; (iii) Sublessee's Share of all costs incurred by Sublessor in the installation, maintenance, operation and repair of the electric car charging stations provided to Sublessor under the Master Lease, (iv) Sublessee's own telephone, telecommunications and data communications charges, and any other utility and janitorial charges contracted for directly by Sublessee, (v) all personal property taxes, charges and assessments on Sublessee's trade fixtures, equipment and other personal property located in the Premises, (vi) all permit, license or other governmental fees or charges arising out of Sublessee's use and operation of the Premises, and (vii) any other costs or expenses due from Sublessee to Sublessor under this Sublease (provided, however that Sublessee's obligation to pay Sublessee's Share of Operating Expenses shall not commence until the Commencement Date shall occur) shall collectively be deemed "Additional Rent" and, if not contracted for directly by Sublessee, shall be payable to Sublessor within twenty (20) days after receiving an invoice from Sublessor. Sublessee's obligation to pay Additional Rent shall survive the expiration or earlier termination of the Term. Monthly Base Rent and Additional Rent hereinafter collectively shall be referred to as "Rent". As used herein, "Sublessee's Share" shall mean Twenty-Two and Forty-Two Hundredths Percent (22.42%) (32,492/144,902).

4.3 Prepayment of First Month's Monthly Base Rent: Upon execution hereof by Sublessee, Sublessee shall pay to Sublessor, in cash, the sum of One Hundred Eighteen Thousand Five Hundred Ninety-Five Dollars and Eighty Cents (\$118,595.80), which shall be applied as a credit against the first installment(s) of Monthly Base Rent payable by Sublessee under this Sublease.

5. Letter of Credit

5.1 General Provisions. Within three (3) business days after Sublessee's execution of this Sublease, Sublessee shall deliver to Sublessor, as collateral for the full performance by Sublessee of all of its obligations under this Sublease and for all losses and damages Sublessor may suffer as a result of Sublessee's failure to comply with one or more provisions of this Sublease, including, without limitation, Sublessee's obligation to complete the Tenant Improvement Work (as defined in Paragraph 14.1 below) in a lien-free manner, a standby, unconditional, negotiable, irrevocable, transferable letter of credit (the "Letter of Credit") containing the terms required herein, in the face amount of Two Hundred Fifty Thousand Dollars (\$250,000.00) (the "Letter of Credit Amount"), naming Sublessor as beneficiary, issued by Silicon Valley Bank or another licensed bank ("Bank") with a retail branch in San Jose, California, and otherwise acceptable to Sublessor in Sublessor's sole but reasonable discretion, permitting multiple and partial draws thereon, and otherwise in the form attached hereto as Exhibit E and made a part hereof, or such other form acceptable to Sublessor. Sublessee shall cause the Letter of Credit to be maintained continuously in effect (whether through replacement, renewal or extension) in the Letter of Credit Amount through the date (the "Final LC Expiration Date") that is sixty (60) days after the expiration or earlier termination of this Sublease. If the Letter of Credit held by Sublessor expires before the Final LC Expiration Date (whether by reason of a stated expiration date or a notice of termination or non-renewal given by the issuing bank), Sublessee shall deliver a new Letter of Credit or certificate of renewal or extension to Sublessor not later than thirty (30) days before the expiration date of the Letter of Credit then held by Sublessor. In addition, if, at any time before the Final LC Expiration Date, the bank that issued the Letter of Credit held by Sublessor fails to meet the Minimum Financial Requirement (defined below), Sublessee, within ten (10) business days after Sublessor's demand, shall deliver to Sublessor, in replacement of such Letter of Credit, a new Letter of Credit issued by a licensed bank that meets the Minimum Financial Requirement and is otherwise acceptable to Sublessor in Sublessor's sole but reasonable discretion, whereupon Sublessor shall return to Sublessee the Letter of Credit that is being replaced. For purposes hereof, a bank shall be deemed to meet the "Minimum Financial Requirement" on a particular date if and only if, as of such date, such financial institution (1) has not been placed into receivership by the FDIC; and (2) has at least One Billion Dollars (\$1,000,000,000.00) in assets and otherwise has a financial strength that is sufficient in Sublessor's good faith judgment. Any new Letter of Credit or certificate of renewal or extension (a "Renewal or Replacement LC") shall comply with all of the provisions of this Paragraph 5, shall be irrevocable, transferable and shall remain in effect (or be automatically renewable) through the Final LC Expiration Date upon the same terms as the Letter of Credit that is expiring or being replaced.

5.2 Drawings under Letter of Credit. Upon an Event of Default (as defined below) by Sublessee under this Sublease (or, if Sublessor is prohibited for any reason from providing a notice to Sublessee of Sublessee's failure to comply with one or more provisions of this Sublease, then upon any such failure by Sublessee and lapse of the specified cure period without the necessity of providing notice to Sublessee), or as otherwise specifically agreed by Sublessor and Sublessee pursuant to this Sublease or any amendment hereof, Sublessor may, without prejudice to any other remedy provided in this Sublease or by any applicable governmental law, rule, statute, ordinance or regulation (collectively, "Laws"), draw on the Letter of Credit and use all or part of the proceeds to (i) satisfy any amounts due to Sublessor from Sublessee, and (ii) satisfy any other damage, injury, expense or liability caused by Sublessee's failure to so comply. In addition, if Sublessee fails to furnish a Renewal or Replacement LC complying with all of the provisions of this Paragraph 5 when required under this Paragraph 5, Sublessor may draw upon the Letter of Credit and hold the proceeds thereof (and such proceeds need not be segregated) in accordance with the terms of this Paragraph 5 (the "LC Proceeds Account").

5.3 Use of Proceeds by Sublessor. The proceeds of the Letter of Credit shall constitute Sublessor's sole and separate property (and not Sublessee's property or the property of Sublessee's bankruptcy estate) and upon an Event of Default by Sublessee (or, if Sublessor is prohibited for any reason from

providing a notice to Sublessee of Sublessee's failure to comply with one or more provisions of this Sublease, then upon any such failure by Sublessee and lapse of the specified cure period without the necessity of providing notice to Sublessee), Sublessor may, immediately upon any draw (and without notice to Sublessee), apply or offset the proceeds of the Letter of Credit against (i) any Rent payable by Sublessee under this Sublease that is not paid when due; and (ii) the amount necessary to cure Sublessee's failure to comply with one or more provision of this Sublease and to compensate Sublessor for all losses and damages that Sublessor has suffered thereby or that Sublessor reasonably estimates that it may suffer as a result of Sublessee's failure to comply with this Sublease. Provided that Sublessee has performed all of its obligations under this Sublease, Sublessor shall pay to Sublessee, within 45 days after the Final LC Expiration Date, the amount of any proceeds of the Letter of Credit received by Sublessor and not applied as provided above; provided, however, that if, before the expiration of such 45-day period, a voluntary petition is filed by Sublessee or any guarantor of Sublessee's obligations set forth in this Sublease, or an involuntary petition is filed against Sublessee or any such guarantor by any of Sublessee's or such guarantor's creditors, under the Federal Bankruptcy Code, then such payment shall not be required until either all preference issues relating to payments under this Sublease have been resolved in such bankruptcy or reorganization case or such bankruptcy or reorganization case has been dismissed, in each case pursuant to a final court order not subject to appeal or any stay pending appeal.

5.4 Additional Covenants of Sublessee. If for any reason the amount of the Letter of Credit becomes less than the Letter of Credit Amount, Sublessee shall, within five (5) business days thereafter provide Sublessor with additional letter(s) of credit in an amount equal to the deficiency (or a replacement letter of credit in the total Letter of Credit Amount), and any such additional (or replacement) letter of credit shall comply with all of the provisions of this Paragraph 5, and if Sublessee fails to comply with the foregoing, notwithstanding any contrary provision of this Sublease, such failure shall constitute an incurable event of default by Sublessee under this Sublease. Sublessee further covenants and warrants that it will neither assign nor encumber the Letter of Credit or any part thereof and that neither Sublessor nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. The use, application or retention of the Letter of Credit, or any portion thereof, by Sublessor shall not prevent Sublessor from exercising any other right or remedy provided by this Sublease or by any applicable Law, it being intended that Sublessor shall not first be required to proceed against the Letter of Credit, and shall not operate as a limitation on any recovery to which Sublessor may otherwise be entitled. Sublessee agrees not to interfere in any way with payment to Sublessor of the proceeds of the Letter of Credit, either prior to or following a "draw" by Sublessor of any portion of the Letter of Credit, regardless of whether any dispute exists between Sublessee and Sublessor as to Sublessor's right to draw upon the Letter of Credit, provided that nothing herein shall affect, and Sublessee expressly reserves all of, Sublessee's rights and remedies after the Letter of Credit is drawn if Sublessee disputes Sublessor's right to draw on the Letter of Credit or to apply any portion of the proceeds thereof. No condition or term of this Sublease shall be deemed to render the Letter of Credit conditional to justify the issuer of the Letter of Credit in failing to honor a drawing upon such Letter of Credit in a timely manner. Sublessee agrees and acknowledges that (1) the Letter of Credit constitutes a separate and independent contract between Sublessor and the Bank, (2) Sublessee is not a third party beneficiary of such contract, (3) Sublessee has no property interest whatsoever in the Letter of Credit or the proceeds thereof, and (4) in the event Sublessee becomes a debtor under any chapter of the Bankruptcy Code, neither Sublessee, any trustee, nor Sublessee's bankruptcy estate shall have any right to restrict or limit Sublessor's claim and/or rights to the Letter of Credit and/or the proceeds thereof by application of Section 502(b)(6) of the U. S. Bankruptcy Code or otherwise.

5.5 Nature of Letter of Credit. Sublessor and Sublessee (1) acknowledge and agree that in no event shall the Letter of Credit or any renewal thereof, any substitute therefor or any proceeds thereof (including the LC Proceeds Account) be deemed to be or treated as a "security deposit" under California Civil

Code § 1950.7, as it may be amended or succeeded, or any other Law applicable to security deposits in the commercial context ("Deposit Laws"); (2) acknowledge and agree that the Letter of Credit (including any renewal thereof, any substitute therefor or any proceeds thereof) is not intended to serve as a security deposit and shall not be subject to the Deposit Laws; and (3) waive any and all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Deposit Laws. Sublessee hereby waives the provisions of California Civil Code § 1950.7 and all other provisions of applicable Law, now or hereafter in effect, which (4) establish the time frame by which Sublessor must refund a security deposit under a lease, and/or (5) provide that Sublessor may claim from the security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by Sublessee or to clean the Premises, it being agreed that Sublessor may, in addition, claim those sums specified above in this Paragraph 5 and/or those sums reasonably necessary to compensate Sublessor for any loss or damage caused by Sublessee's breach of this Sublease or the acts or omission of Sublessee or any of Sublessee's agents, employees or contractors, including any damages Sublessor suffers following termination of this Sublease.

5.6 Transfer of Letter of Credit. The Letter of Credit shall provide that Sublessor, its successors and assigns, may, at any time with notice to Sublessee but without first obtaining Sublessee's consent thereto, transfer (one or more times) all or any portion of its interest in and to the Letter of Credit to another party, person or entity as a part of the assignment by Sublessor of its rights and interests in and to this Sublease. In the event of a transfer of Sublessor's interest in the Master Lease or the Master Premises, Sublessor shall transfer the Letter of Credit, in whole or in part, to the transferee and thereupon Sublessor shall, without any further agreement between the parties, be released by Sublessee from all liability therefor arising after such transfer, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the whole or any portion of said Letter of Credit to a new Sublessor. In connection with any such transfer of the Letter of Credit by Sublessor, Sublessee shall execute and submit to the issuing bank such applications, documents and instruments as may be necessary to effectuate such transfer, and Sublessor shall be responsible for paying such bank's transfer and processing fees in connection therewith.

6. Late Charge: If Sublessee fails to pay Sublessor any amount due hereunder on or before the date when such payment is due, Sublessee shall pay to Sublessor upon demand a late charge equal to five percent (5%) of the delinquent amount, provided that with respect the imposition of such late charge, Sublessee shall be entitled to prior written notice and a grace period of five (5) days for the first (and only the first) late payment of Rent in any calendar year during the Term. The parties agree that the foregoing late charge represents a reasonable estimate of the cost and expense that Sublessor will incur in processing each delinquent payment, the exact amount of such costs being extremely difficult and impractical to determine. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Sublessor by the terms of Master Lease. Acceptance of any late charge or interest shall not constitute a waiver of Sublessee's default with respect to the overdue sum or prevent Sublessor from exercising any of its other rights and remedies under this Sublease. In addition to the foregoing late charge, which is intended to defray Sublessor's costs resulting from a late payment, any payment from Sublessee to Sublessor not paid when due shall at Sublessor's option bear interest from the date due until paid to Sublessor by Sublessee at the Interest Rate (defined below).

7. Repairs: Sublessor shall deliver the Premises to Sublessee in their current configuration, "broom clean", free of debris and any personal property other than the Equipment (as defined below), but otherwise in its current "AS-IS" condition. Except as provided in Paragraph 14 with respect to the Mechoshade Installation, Rent Credit and test fit fee, Sublessor shall have no obligation whatsoever to pay the cost of or otherwise make any alterations, improvements or repairs to the Premises, including, without limitation, any improvement or repair required to comply with any law, regulation, building code or ordinance

(including, without limitation, the Americans With Disabilities Act of 1990 ("ADA")). Sublessee shall look solely to Master Lessor for performance of any repairs required to be performed by Master Lessor under the terms of the Master Lease, and if Master Lessor fails to perform any such repairs within thirty (30) days after Master Lessor has been requested to do so by Sublessee, then Sublessor shall, at the written request of Sublessee, use diligent and commercially reasonable efforts to obtain the performance of Master Lessor's obligations; in which case, Sublessee shall be obligated to reimburse Sublessor as part of Additional Rent for all reasonable out-of-pocket costs and expenses incurred by Sublessor (including without limitation, Sublessor's reasonable out-of-pocket attorneys' fees, if applicable) in connection therewith. Further, if such failure by Master Lessor materially interferes with Sublessee's use of the Premises, such that the Premises or a substantial portion thereof are rendered inaccessible or unusable by Sublessee, then promptly upon the written request of Sublessee, Sublessor shall use reasonable efforts to enforce on behalf of Sublessee Sublessor's self-help rights to remedy such failure if and to the extent allowable under Section 7.6 of the Master Lease.

7.1 Disability Access Obligations; CASp Disclaimer. For purposes of Section 1938 of the California Civil Code, Sublessor hereby discloses to Sublessee, and Sublessee hereby acknowledges, that to Sublessor's actual knowledge, the Premises and Building have not undergone inspection by a CASp. California Civil Code Section 1938 states:

“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.”

Notwithstanding anything to the contrary in this Sublease, Sublessor and Sublessee agree that, during the Term, Sublessee shall be responsible for (i) the payment of the fee for any CASp inspection that Sublessee desires, subject to the terms and conditions of the Master Lease, and (ii) making, at Sublessee's sole cost, any repairs necessary to correct violations of construction-related accessibility standards within the Premises, whether such violations occurred before or occur after the Commencement Date, provided that such repairs shall be in accordance with the terms of this Sublease and the Master Lease. Sublessee hereby agrees that: any CASp inspecting the Premises shall be selected in accordance with the Master Lease; Sublessee shall promptly deliver to Sublessor and Master Lessor any CASp report regarding the Premises obtained by Sublessee; and Sublessee shall keep information contained in any CASp report regarding the Premises confidential, except as may be necessary for Sublessee or its agents to complete any repairs or correct violations with respect to the Premises that Sublessee shall undertake. Sublessee shall have no right to cancel or terminate this Sublease due to violations of construction-related accessibility standards within the Premises identified in a CASp report obtained during the Term and neither Sublessor nor Master Lessor shall have any obligation to perform any alterations or improvements to the Premises necessary to correct such violations.

8. Indemnity; Limitation of Liability: To the fullest extent permitted by law, Sublessee shall indemnify, protect, defend (with counsel reasonably acceptable to Sublessor) and hold harmless Sublessor from and against any and all claims, liabilities, judgments, causes of action, damages, costs, and expenses (including reasonable attorneys' and experts' fees), caused by or arising in connection with: (i) the use,

occupancy or condition of the Premises; (ii) the negligence or willful misconduct of Sublessee or its employees, contractors, agents or invitees; (iii) a breach of Sublessee's obligations under this Sublease; or (iv) a breach of Sublessee's obligations under the Master Lease; provided, however, that Sublessee shall have no obligation to indemnify Sublessor to the extent any such claims, liabilities, judgments, causes of action, damages, costs or expenses are caused by Sublessor's gross negligence or willful misconduct. The foregoing indemnifications shall survive the expiration or earlier termination of this Sublease. Notwithstanding anything to the contrary contained in this Sublease, in no event shall Sublessor be liable for any consequential damages incurred by Sublessee (including, without limitation, any injury to Sublessee's business or loss of income or profit therefrom) in connection with this Sublease, the Premises or Project, nor shall the total amount of Sublessor's liability to Sublessee arising out of or in any way connected with this Sublease exceed Six Million Five Hundred Thousand Dollars (\$6,500,000.00) (the "Liability Cap").

9. **Right to Cure Defaults:** If Sublessee fails to pay any sum of money to Sublessor when due, and such failure shall continue after the expiration of any applicable notice and cure period under this Sublease (it being understood that no notice of a default by Sublessee hereunder need be given by Sublessor if Sublessee is the subject of a bankruptcy proceeding), or fails to perform any other act on its part to be performed hereunder when due and such failure shall continue after the expiration of any applicable notice and cure period (it being understood that no notice of a default by Sublessee hereunder need be given by Sublessor if Sublessee is the subject of a bankruptcy proceeding), then Sublessor may, but shall not be obligated to, make such payment or perform such act. All such sums paid, and all costs and expenses of performing any such act, shall be deemed Additional Rent payable by Sublessee to Sublessor upon demand. In addition, Sublessee shall pay to Sublessor interest on all amounts due, at that interest rate determined as of the time it is to be applied that is equal to the lesser of (i) four percent (4%) plus the "prime rate" reported in the Wall Street Journal as published closest prior to the date when due, or (ii) the maximum interest rate permitted by law (the "Interest Rate"), from the due date to and including the date of the payment, from the date of the expenditure until repaid.

10. **Assignment and Subletting:** Sublessee may not assign this Sublease, sublet the Premises, transfer any interest of Sublessee therein or permit any use of the Premises by another party (collectively, "Transfer"), without the prior written consent of Sublessor (which consent may be withheld if Master Lessor's consent is not obtained; otherwise, Sublessor's consent shall not be unreasonably withheld, conditioned or delayed) and Master Lessor, and otherwise in strict accordance with the terms of the Master Lease as incorporated herein. A consent to one Transfer shall not be deemed to be a consent to any subsequent Transfer. Any Transfer without such consent shall be void and, at the option of Sublessor, shall terminate this Sublease. Sublessor's waiver or consent to any assignment or subletting shall be ineffective unless set forth in writing, and Sublessee shall not be relieved from any of its obligations under this Sublease unless the consent expressly so provides. Notwithstanding the foregoing, but subject to obtaining Master Lessor's consent to the extent such consent is required by Master Lessor under the Master Lease, Sublessee may, without Sublessor's prior consent, assign its entire interest under this Sublease or sublet the Premises (i) to subsidiary, affiliate, division or corporation controlling or controlled by or under common control with Sublessee (for purposes hereof, the term "control" and derivatives thereof mean the direct or indirect ownership of more than 50% of the voting securities of an entity or possession of the right to vote more than 50% of the voting interest in the ordinary direction of the entity's affairs), or (ii) to any successor to Sublessee by purchase, merger, consolidation or reorganization (hereinafter, collectively, referred to as "Permitted Transfer"), provided: (1) no Event of Default has been caused by Sublessee; (2) if such proposed transferee is a successor to Sublessee by purchase, said proposed transferee shall acquire all or substantially all of the stock or assets of Sublessee's business or, if such proposed transferee is a successor to Sublessee by merger, consolidation or reorganization, the continuing or surviving entity shall own all or substantially all of the assets of Sublessee; (3) such proposed transferee shall have a Net Worth (as defined in the Master Lease) that is at least equal to

Sublessee's Net Worth at the date of this Sublease; and (4) Sublessee shall give Sublessor written notice at least ten (10) business days prior to the effective date of the proposed purchase, merger, consolidation or reorganization, unless the information is required by applicable law to remain confidential prior to the completion of the transaction, in which case Sublessee shall give written notice to Sublessor within ten (10) days after the completion of the Permitted Transfer. Further, subject to obtaining Master Lessor's consent as and to the extent such consent is required by Master Lessor under the Master Lease, Sublessee shall be permitted to allow Approved Users to temporarily use or occupy not more than twenty percent (20%) of the Premises in accordance with Section 9.1(f) of the Master Lease, as incorporated herein. Notwithstanding anything to the contrary contained in the Master Lease (as incorporated herein) or this Sublease, Sublessee shall pay to Sublessor fifty percent (50%) of all rent and all other consideration received by Sublessee in connection with any assignment of the Sublease or sublease of the Premises in excess of the Rent allocated to the space sublet or assigned, after deducting (in the aggregate) any brokerage commissions and reasonable attorneys' fees incurred by Sublessee in connection with the Transfer, as well as any excess rent that may be payable to Master Lessor pursuant to Section 9.1(d) of the Master Lease in connection with such Transfer. Notwithstanding anything to the contrary contained in this Sublease or the Master Lease, within twenty (20) days after receipt of written notice (that complies with all of the terms of this Paragraph) of a proposed assignment of this Sublease or a sublease of all or a portion of the Premises for a term that is more than seventy-five percent (75%) of the then remaining Term, Sublessor may, in its sole discretion, elect to terminate this Sublease as to the portion of the Premises described in Sublessee's notice, by giving written notice of such election to terminate, with the termination effective sixty (60) days following Sublessee's receipt of written notice of such election. If no such notice to terminate is given to Sublessee within the said twenty (20)-day period, Sublessor shall be deemed not to have cancelled any portion of this Sublease. If, however, this Sublease shall terminate, pursuant to the foregoing, with respect to less than all the Premises, then the Rent shall be adjusted on a pro rata basis to the number of square feet retained by Sublessee, and this Sublease, as so amended, shall continue in full force and effect.

11. Use: Sublessee may use the Premises only for general office uses permitted under the Master Lease, and for no other purpose. Sublessee shall not allow the number of its employees, visitors, contractors and other people that visit the Premises to exceed the occupation density limit for the Premises allowed under applicable Law and the Master Lease. With respect to "Hazardous Materials" (as defined in the Master Lease), Sublessee shall not engage in or permit any activities in or about the Premises or Project which involve the use or presence of Hazardous Materials, except for a reasonable quality of standard office and cleaning products that may contain Hazardous Materials (such as photocopy toner, "White Out", and the like), as and only to the extent allowed under and in compliance with the Master Lease. Sublessee shall not do or permit anything to be done in or about the Premises which would (i) injure the Premises, (ii) vibrate, shake, overload, or impair the efficient operation of the Premises or the sprinkler systems, heating, ventilating or air conditioning equipment, or utilities systems located therein, (iii) increase the existing rates for or cause cancellation of any fire, casualty, liability or other insurance policy insuring the Premises or Project, (iv) obstruct or interfere with the rights of other users of the Premises or Project, (v) constitute the commission of waste or the maintenance of a nuisance on the Premises or Project, or (vi) violate any of the requirements of the Master Lease or any "Rules and Regulations" established by Master Lessor under the Master Lease. Sublessee shall not store any materials, supplies, finished or unfinished products, or articles of any nature outside of the Premises. Sublessee shall comply with all Rules and Regulations promulgated from time to time by Master Lessor.

12. Effect of Conveyance: As used in this Sublease, the term "Sublessor" means the holder of the "Tenant's" interest under the Master Lease. In the event of any transfer of said tenant's interest, Sublessor shall be and hereby is entirely relieved of all covenants and obligations of Sublessor hereunder, and it shall be

deemed and construed, without further agreement between the parties, that the transferee has assumed and shall carry out all covenants and obligations thereafter to be performed by Sublessor hereunder. Sublessor shall transfer and deliver any Letter of Credit (or any remaining cash proceeds thereof) of Sublessee to the transferee of said Sublessor's interest in the Sublease, and thereupon Sublessor shall be discharged from any further liability with respect thereto.

13. Acceptance: The parties acknowledge and agree that Sublessee is subleasing the Premises on an "AS IS, WITH ALL FAULTS" basis and Sublessor has made no representations or warranties of any kind with respect to the condition of the Premises. Sublessee hereby represents to Sublessor that (i) Sublessee has fully inspected the Premises and the physical condition thereof, including, without limitation, accessibility and location of utilities and improvements and earthquake preparedness, which in Sublessee's judgment affect or influence Sublessee's use of the Premises and Sublessee's willingness to enter into this Sublease, (ii) Sublessee is relying on its inspection in subleasing the Premises, and (iii) Sublessee has received no representations or warranties with respect to the physical condition of the Premises on which Sublessee has relied in entering into this Sublease.

14. Improvements: Sublessee understands and agrees that (i) Sublessor has no obligation to install any improvements or alterations to the Premises, with the exception of the installation of "Mechoshades" on six (6) windows in the Premises currently missing such shades ("Mechoshade Installation"), which Mechoshade Installation Sublessor shall use diligent good faith efforts to cause its contractor to complete as soon as reasonably practicable, and (ii) as a material part of the consideration of this Sublease, Sublessee shall install the "Tenant Improvements" (defined below). Any other improvements that Sublessee desires to install in the Premises will be subject to the prior written approval of Sublessor (other than cosmetic alterations of the type described in the first sentence of Section 7.3 of the Master Lease up to a maximum of Fifty Thousand Dollars (\$50,000.00), as incorporated herein and modified in accordance with Paragraph 22.1 below, that do not require the prior written consent of Sublessor, but subject to obtaining Master Lessor's consent to the extent such consent is required by Master Lessor under the Master Lease) and Master Lessor and otherwise required to be constructed in accordance with Section 7.3 of the Master Lease.

14.1 Tenant Improvements: The tenant improvement work ("Tenant Improvements" or the "Tenant Improvement Work") shall consist of the work required to complete certain improvements to the Premises pursuant to approved working drawings and specifications that must be designed and constructed in accordance with the Master Lease, including Master Lessor's construction rules and regulations in effect from time to time, and the remaining terms of the Sublease. Sublessee shall employ (i) an appropriately licensed and experienced architect approved in writing by Master Lessor and Sublessor for preparation of the working drawings and specifications for the Tenant Improvements, which shall include interior partitions, ceilings, interior finishes, interior doors, suite entrance, floor coverings, window coverings, lighting, electrical and telephone outlets (it being understood that the Tenant Improvement Work shall include all work necessary to separately meter the Premises for electrical service), plumbing connections, heavy floor loads and other special requirements, and shall cause its architect to inspect the Premises to become acquainted with all existing conditions, and (ii) an appropriately licensed and experienced general contractor to perform the construction of the Tenant Improvements approved in writing by Master Lessor and Sublessor. Sublessor acknowledges that Sublessee intends to use Design Blitz as its architect for the Tenant Improvements, and Novo Construction as its general contractor for the Tenant Improvements, and Sublessee shall be allowed to use Design Blitz and Novo Construction if these parties are approved in writing by Master Lessor. In addition to the Rent Credit (as defined in and subject to the terms and conditions of Paragraph 14.4 below), Sublessor shall reimburse Sublessee for up to (but not in excess of) a maximum amount of Four Thousand Eight Hundred Seventy Three and 80/100 Dollars (\$4,873.80) in out-of-pocket third-party costs incurred by Sublessee in obtaining test fit plans for the Tenant Improvement Work from the approved project architect for

the Tenant Improvement Work. Sublessor shall make such reimbursement payment to Sublessee within thirty (30) days after Sublessor's receipt of an invoice therefor from Sublessee, including any reasonable backup documentation requested by Sublessor. Further, Sublessor shall not be entitled nor receive any construction management fee from Sublessee with respect to the Tenant Improvement Work; it being understood that Master Lessor shall be entitled to receive a construction management fee with respect to the Tenant Improvement Work in the amount otherwise required to be paid to Master Lessor under the Master Lease.

14.2 Landlord Caused Delay. Notwithstanding anything to the contrary in this Sublease, the term "Landlord Caused Delay" as used in Section I.N of Exhibit X to the Master Lease, as incorporated herein, is changed to mean the following: actual delays in the Substantial Completion of the Tenant Improvements to the extent resulting from the failure of Sublessor to timely approve or disapprove any Construction Drawings or any other matters that are subject to Sublessor's approval under Exhibit X, as incorporated herein for any reason other than Master Lessor's failure to timely approve any such matters (it being understood that no Landlord Caused Delay shall be deemed to occur if Sublessor is delayed in issuing its approval of any such Construction Drawings or other matters because of Master Lessor's delay in approving, or Master Lessor's failure to approve, of any such items). If Sublessee contends that a Commencement Date Delay (as defined in Exhibit X, as incorporated herein and modified by this Section 14.2, has occurred, Sublessee shall notify Sublessor in writing of (i) the event which constitutes such Commencement Date Delay and (ii) the date upon which such Commencement Date Delay is anticipated to end. If such actions, inaction or circumstance described in the Notice set forth in (i) above (the "Delay Notice") are not cured within two (2) business days of Sublessor's receipt of the Delay Notice and if such action, inaction or circumstance otherwise qualifies as a Commencement Date Delay, then a Commencement Date Delay shall be deemed to have occurred commencing as of the date of Sublessor's receipt of the Delay Notice and ending as of the date such delay ends. For purposes hereof "Substantial Completion of the Tenant Improvements" shall mean completion of construction of the Tenant Improvements in the Premises pursuant to the approved construction drawings, with the exception of any minor punch list items and the Premises is ready for occupancy by Sublessee.

14.3 Construction Representatives. Sublessee hereby designates Charlotte Johnson, Telephone (***) ***.****, Email: *****, as its representative for the purpose of receiving notices, approving submittals and issuing requests for Changes (as such term is defined in Exhibit X to the Master Lease as incorporated herein, and Sublessor shall be entitled to rely upon authorizations and directives of such person(s) as if given directly by Sublessee. Any notices or submittals to, or requests of, Sublessee related to the Tenant Improvement Work may be sent to Sublessee's construction representative at the email address above provided. Sublessee may amend the designation of its construction representative(s) at any time upon delivery of written notice to Sublessor. Sublessor hereby designates Gary LaMonte, Telephone (***) ***.****, Email: *****, as its representative for the purpose of receiving notices, approving submittals and issuing approvals for Changes, and Sublessee shall be entitled to rely upon authorizations and directives of such person as if given directly by Sublessor. Any notices or submittals to, or requests of, Sublessor related to the Tenant Improvement Work may be sent to Sublessor's construction representative at the email address above provided. Sublessor may amend the designation of its construction representative(s) at any time upon delivery of written notice to Sublessee.

14.4 Rent Credit: Subject to the terms and conditions of this Paragraph 14.4, Sublessee shall be entitled to apply an amount up to (but not in excess of) One Million Nine Hundred Forty-Nine Thousand Five Hundred Twenty Dollars (\$1,949,520.00) of Completion Costs (as defined in Section 11.B of Exhibit X to the Master Lease, as incorporated herein) incurred by Sublessee in constructing the Tenant Improvements as a credit against Monthly Base Rent due under this Sublease (the "Rent Credit"). To be eligible to commence and continue to receive the Rent Credit, both the Tenant Improvement Work and related

Close-Out Package (as defined in Section 11.J of Exhibit X to the Master Lease, as incorporated herein) for such work must be completed by Sublessee and approved by Sublessor (which approval by Sublessor shall not be unreasonably withheld) and Master Lessor by no later than the last day of the twelfth (12th) month following the date of commencement of the Early Access Period (which period shall be extended by one (1) day for each day that the Substantial Completion of the Tenant Improvement Work is delayed beyond such 12-month-period by any Force Majeure Delay (as such term is defined in Section N of the Exhibit X to the Master Lease) or a Landlord Caused Delay, and as such delays may be determined in accordance with the provisions of Section N to Exhibit X of the Master Lease, as incorporated herein under Paragraph 22.1 below) and as further modified by Section 14.3; it being understood that Sublessee's failure to timely and properly satisfy the foregoing condition in full shall terminate Sublessee's right to receive the Rent Credit and render the Rent Credit void and of no further force or effect. Further, Sublessee shall have no right to receive any portion of the Rent Credit during any period of time that an uncured event of default by Sublessee then exists under this Sublease.

15. Default: If one or more of the following events ("Event of Default") occurs, such occurrence constitutes a breach of this Sublease by Sublessee (such events being in addition to, and superseding to the extent inconsistent with, the events of Default set forth in the Master Lease):

A. Sublessee fails to pay when due any Rent due hereunder and such failure shall continue for three (3) days after written notice thereof from Sublessor;

B. Sublessee fails to comply with any other provision of this Sublease in the manner and within the time required, and such failure continues for fifteen (15) days after written notice thereof from Sublessor, provided that if such failure cannot be cured within such fifteen (15)-day period, an Event of Default shall not be deemed to have occurred so long as (i) Sublessee commences such cure within such fifteen (15) day period and diligently pursues such cure to completion, provided that an event of default (as set forth in the Master Lease) is not deemed to have occurred under the Master Lease;

C. Any other event occurs through no fault of Sublessor which involves Sublessee or the Premises and which would constitute an event of default under the Master Lease if it involved Sublessor or the Master Premises;

D. The occurrence of an event of Default under the Master Lease that is the result of any act or omission of Sublessee or any person claiming by, through or under Sublessee or any of their respective employees, sublessees, licensees, agents, contractors and invitees (each, a "Sublessee Party");

E. Any purported or attempted Transfer of this Sublease or the Sublease Premises in contravention of this Sublease or the Master Lease;

F. Sublessee (i) files or consents by answer or otherwise to the filing against it of a petition for relief or reorganization or arrangement or any other petition in bankruptcy or liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (ii) makes an assignment for the benefit of its creditors; (iii) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property; or (iv) takes action for the purpose of any of the foregoing;

G. A court or governmental authority of competent jurisdiction, without consent by Sublessee, enters an order appointing a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial portion of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or insolvency law of any

jurisdiction, or ordering the dissolution, winding up or liquidation of Sublessee, or if any such petition is filed against Sublessee and such petition is not dismissed within thirty (30) days; or

H. This Sublease or any estate of Sublessee hereunder is levied upon under any attachment or execution and such attachment or execution is not vacated within thirty (30) days.

The foregoing notice periods provided herein are in lieu of, and not in addition to, any notice periods provided by law, and Sublessor shall not be required to give any additional notice under California Code of Civil Procedure Section 1161, or any successor statute, in order to be entitled to commence an unlawful detainer proceeding, provided that Sublessor prepares and serves upon Tenant the applicable default notice in accordance with the requirements of California Code of Civil Procedure Section 1161, or any successor statute.

16. Remedies: Upon the occurrence of an Event of Default, Sublessor shall have, in addition to any other rights and remedies available to it under this Sublease and/or at law and/or in equity, any and all rights and remedies of Master Lessor set forth in Section 14.2 of the Master Lease as incorporated herein. All rights and remedies of Sublessor herein enumerated shall be cumulative and none shall exclude any other right allowed by law or in equity and said rights and remedies may be exercised and enforced concurrently and whenever and as often as occasion therefor arises.

17. Surrender: On or prior to the Expiration Date or earlier termination of this Sublease, Sublessee shall remove all of its trade fixtures and other property, any all alterations and improvements to the Premises made by or for Sublessee if and to the extent required under this Sublease or the Master Lease and shall surrender the Premises to Sublessor in good condition, free of Hazardous Materials, reasonable wear and tear and casualty damage not caused by Sublessee or any of Sublessee's agents, employees, contractors or invitees excepted and in the condition required under the Master Lease (as incorporated herein); it being understood that notwithstanding anything to the contrary in this Sublease, Sublessor will not require Sublessee to remove any Tenant Improvements or any other alterations or improvements constructed by Sublessee in the Premises unless such removal is required by Master Lessor. If the Premises are not so surrendered, then Sublessee shall be liable to Sublessor for all costs incurred by Sublessor in returning the Premises to the required condition, plus interest thereon at the Interest Rate. In addition to Sublessee's other indemnification obligations under this Sublease, Sublessee shall indemnify, defend with counsel reasonably acceptable to Sublessor, protect and hold harmless Sublessor against any and all claims, liabilities, judgments, causes of action, damages, costs, and expenses (including attorneys' and experts' fees) resulting from Sublessee's delay in surrendering the Premises in the condition required, including, without limitation, any claim made by Sublessor or any succeeding tenant founded on or resulting from such failure to surrender. The indemnification set forth in this Paragraph shall survive the expiration or earlier termination of this Sublease.

18. Estoppel Certificates: Sublessee will at any time upon not less than seven (7) days' prior written notice from Sublessor or Master Lessor execute, acknowledge and deliver to Sublessor a statement in writing (i) certifying that this Sublease is unmodified (or, if modified, stating the nature of such modification) and is in full force and effect, the amount of any Security Deposit or Letter of Credit, and the date to which Rent payments are paid in advance, if any, (ii) acknowledging that there are not, to Sublessee's knowledge, any uncured defaults on the part of Sublessor hereunder or of Master Lessor under the Master Lease, or specifying such defaults if any are claimed, and (iii) any other matters relating to the Sublease or the Premises as may be reasonably requested by Sublessor or Master Lessor. Any such statement may be conclusively relied upon by any prospective purchaser, transferee or encumbrancer of the Premises or of Sublessor's interest in this Sublease.

19. Broker: Sublessor and Sublessee each represent to the other that they have dealt with no real estate brokers, lenders, agents or salesmen in connection with this transaction other than Cushman & Wakefield representing Sublessor, ("Sublessor Broker") and Cresa representing Sublessee ("Sublessee Broker"). Sublessor shall be responsible for payment of a broker commission to Sublessor Broker pursuant to a separate agreement, and Sublessor Broker shall be responsible for payment of any broker commission to Sublessee Broker pursuant to a separate agreement. Under no circumstances will Sublessor be directly responsible for any payments to the Sublessee Broker. Each party agrees to hold the other party harmless from and against all claims for brokerage commissions, finder's fees, or other compensation made by any other agent, broker, salesman or finder as a consequence of said party's actions or dealings with such agent, broker, salesman, or finder other than the Sublessee Broker and Sublessor Broker.

20. Notices: Unless five (5) days' prior written notice is given in the manner set forth in this Paragraph, the address of each party for all purposes connected with this Sublease shall be that address set forth below their signatures at the end of this Sublease. The address for Master Lessor shall be as set forth in the Master Lease. All notices, demands, or communications in connection with this Sublease shall be considered received when (i) personally delivered; or (ii) if properly addressed and either sent by nationally recognized overnight courier or deposited in the mail (registered or certified, return receipt requested, and postage prepaid), on the date shown on the return receipt for acceptance or rejection. All notices given to the Master Lessor under the Master Lease shall be considered received only when delivered in accordance with the Master Lease to all parties hereto at the address set forth below their signatures at the end of this Sublease.

21. Insurance; Waiver: Sublessee shall procure and maintain all insurance policies required by the "Tenant" under Section 10.1 and Exhibit D of the Master Lease with respect to the Premises. All such liability policies shall name Sublessor and Master Lessor as additional insureds. A certificate of insurance reflecting that the insurance required to be carried by Sublessee pursuant to this Sublease and the Master Lease is in force, accompanied by an endorsement showing the required additional insureds satisfactory to Sublessor in substance and form, shall be delivered to Sublessor at the time the condition stated in Section 23 regarding Master Lessor's consent to this Sublease is satisfied and upon renewal of such policies, but not less than thirty (30) days prior to the expiration of the term of such coverage. Notwithstanding anything to the contrary herein, Sublessor and Sublessee hereby release each other, and their respective agents, employees, subtenants, assignees and contractors, from all liability for damage to any property that is caused by or results from a risk which is actually insured against or which would normally be covered by "all risk" or "special form" property insurance, without regard to the negligence or willful misconduct of the entity so released.

22. Other Sublease Terms:

22.1 Incorporation by Reference: Except as otherwise provided in this Sublease, the terms and provisions contained in the Master Lease are incorporated herein and made a part hereof as if set forth at length; provided, however, that: (i) each reference in such incorporated paragraphs to "Lease" and to "Premises" shall be deemed a reference to this "Sublease" and the "Premises" defined herein, respectively; (ii) each reference to "Landlord" and "Tenant" shall be deemed a reference to "Sublessor" and "Sublessee", respectively, except as expressly set forth herein; (iii) with respect to work, services, repairs, restoration, insurance or the performance of any other obligation of Master Lessor under the Master Lease, the sole obligation of Sublessor shall be to request the same in writing from Master Lessor with reasonable promptness, as and when requested to do so by Sublessee, and to use Sublessor's diligent and commercially reasonable efforts to obtain Master Lessor's performance; in which case, Sublessee shall be obligated to reimburse Sublessor as part of Additional Rent for all reasonable out-of-pocket costs and expenses incurred by Sublessor in connection therewith (including without limitation, Sublessor's reasonable out-of-pocket

attorneys' fees, if applicable); (iv) with respect to any obligation of Sublessee to be performed under this Sublease, wherever the Master Lease grants to Sublessor a specified number of days to perform its obligations under the Master Lease, except as otherwise provided herein, Sublessee shall have three (3) fewer days to perform the obligation, including, without limitation, curing any defaults, but in no event shall Sublessee have less than three (3) days to perform an obligation; (v) Sublessor shall have no liability to Sublessee with respect to (a) representations and warranties made by Master Lessor under the Master Lease, (b) any indemnification obligations of Master Lessor under the Master Lease, or other obligations or liabilities of Master Lessor under the Master Lease with respect to compliance with laws, condition of the Premises or Hazardous Materials, and (c) obligations under the Master Lease to repair, maintain, restore, or insure all or any portion of the Premises, regardless of whether the incorporation of one or more provisions of the Master Lease might otherwise operate to make Sublessor liable therefor; (vi) with respect to any approval or consent required to be obtained from the Master Lessor under the Master Lease, such approval or consent must be obtained from both Master Lessor and Sublessor, and the approval of Sublessor may be withheld if Master Lessor's approval or consent is not obtained; (vii) in any case where "Tenant" is to indemnify, release or waive claims against "Landlord", such indemnity, release or waiver shall be deemed to run from Sublessee to both Master Lessor and Sublessor; (viii) Sublessee shall pay all consent and review fees for any Sublessee requested action (including without limitation, any consent and review fees due and payable in connection with a proposed sublease of the Premises or assignment of this Sublease by Sublessee) set forth in the Master Lease to both Master Lessor and Sublessor; (ix) Sublessee shall not have the right to terminate this Sublease due to casualty damage to or condemnation of all or any portion of the Premises or Project unless Sublessor has such right under the Master Lease, and as between Sublessor and Sublessee only, all insurance proceeds or condemnation awards received by Sublessor under the Master Lease shall be deemed to be the property of Sublessor (except to the extent the same is received with respect to any trade fixtures or other personal property owned by Sublessee, in which case, Sublessor shall promptly pay the same to Sublessee); and (x) in any case where "Tenant" is to execute and deliver certain documents or notices to "Landlord", such obligation shall be deemed to run from Sublessee to both Master Lessor and Sublessor; (xi) the following provisions of the Master Lease are expressly not incorporated herein by reference: Article 1 (except for the definitions of Address of Building, Project Description, Use, Expense Recovery Period, Floor Area of the Building, and Landlord's Address for Payments and Notices), 2.1 (first sentence only), 2.2 (the first only), 3 (in its entirety), 4.1 (last sentence only, and all references to "Basic Rent" in this Section of the Master and in all other Sections of the Master Lease provisions that are incorporated into this Sublease shall mean the Monthly Base Rent set forth in this Sublease); 4.4, 5.1 (first sentence only), 5.2, 7.3 (the reference to \$250,000 in the first sentence only, it being understood that such amount for purposes of this Sublease is changed to \$50,000), 7.6 (except as expressly set forth in Section 7 of this Sublease), 13.1 (second and third grammatical paragraphs only), 14.3 (last sentence only), 15.1, 16, and 18; Exhibit A, Exhibit C (but only third sentence of Section 2 of this Exhibit, and the entire Section 3 of this Exhibit); Exhibit F (first two sentences only); Exhibit G (with the exception of Sections 1, 2, 3 and 9 [excluding the penultimate sentence of this Section, it being understood that Sublessee shall only be entitled to Sublessee's Share of such Exclusive Charging Stations]); Exhibits I, K and L, each in their entirety; the following portions of Exhibit X: the preamble to this Exhibit, I.M, , II.A (it being understood that in place of the "Landlord's Contribution" Sublessor shall be providing the Rent Credit), II.C and II.D; further, all references in Exhibit X to BCCI Construction and M Moser Architects shall mean and refer instead to Sublessee's approved contractor and approved architect for the Tenant Improvement Work; it being otherwise intended that as between Sublessor and Sublessee, Exhibit X, as incorporated herein shall govern the process and procedures for Sublessee's Tenant Improvement Work; and (xii) notwithstanding the foregoing, all references to "Landlord" in the following provisions of the Master Lease shall mean Master Lessor, not Sublessor: 2.2 (last sentence only), 5.1 (except for the first sentence), 5.3(g), 5.3(h), 6.1, 6.2, 6.3, 6.4, 7.1, 7.2, 10.2, 11 and 12 (in their entirety), 21.4, Exhibit B (with the exception that Sublessee shall have no right to perform an audit of Master Lessor's Operating Expenses), Exhibit C (but only the fourth, fifth, eighth and ninth sentences of Section 1 of this Exhibit; and the first, second, fifth and sixth sentences of

Section 2 of this Exhibit), Exhibit E, Exhibit F (but only the fourth, ninth, tenth and fourteenth sentences only), Exhibit G, Section 2 (with the exception of the fourth, sixth and seventh sentences only), Exhibit G, Section 3 (with the exception of the last sentence only), Exhibit G, Section 9 (with the exception of the fourth and fifth sentences only), and the following provisions of Exhibit X: I.C (second sentence only), I.F, I.O and II.B (last sentence only).

22.2 Performance of Obligations: This Sublease is and all times shall be subject and subordinate to the Master Lease and the rights of Master Lessor thereunder. Sublessee hereby expressly agrees: (i) to comply with all provisions of the Master Lease applicable to the Premises to the extent incorporated herein with respect to the Term, (ii) to perform all the obligations on the part of the "Tenant" to be performed under the terms of the Master Lease during the Term to the extent incorporated herein, and (iii) in addition to Sublessee's other indemnity obligations under this Sublease, to hold Sublessor free and harmless of and from all liability, judgments, costs, damages, claims, demands and expenses (including reasonable attorneys' and experts' fees) arising out of Sublessee's failure to comply with or to perform Sublessee's obligations hereunder or the obligations of the "Tenant" under the Master Lease as herein provided or to act or omit to act in any manner which will constitute a breach of the Master Lease. The foregoing indemnification shall survive the expiration or earlier termination of this Sublease. Sublessee's obligations shall not include (and Sublessor's obligations under this Sublease shall include) the obligations of Sublessor under the Master Lease that (i) Sublessee has not expressly agreed to perform under this Sublease or that are otherwise inconsistent with any other terms or conditions of this Sublease (collectively referred to herein as "Sublessor's Remaining Obligations"), or (ii) are applicable to any period of time before possession of the Premises has been delivered to Sublessee. Additionally, in the event of a fire or other casualty affecting the Master Premises or Premises, or of a taking of all or a part of the Master Premises or the Premises under the power of eminent domain, Sublessor shall be entitled to exercise any right it may have to terminate the Master Lease without first obtaining the consent or approval of Sublessee. If the Master Lease imposes on Sublessor the obligation to pay for or perform the repair or restoration of the Premises, including any Tenant Improvement Work or other Tenant Installations (as such term is defined in the Master Lease, as incorporated herein) in the Premises, then Sublessee shall be responsible to pay for and/or perform all such Tenant Improvement Work and other Tenant Installations. Sublessee also shall be obligated to restore or replace any Equipment (as defined below) damaged or taken that is required to be insured by Sublessee under this Sublease. Further, in the event of any casualty or condemnation affecting the Premises, Rent payable by Sublessee shall be proportionately abated, but only as to the portion of the Premises damaged or taken and only to the extent that Rent payable by Sublessor under the Master Lease is abated or reduced with respect to such portion of the Premises. Sublessee shall have no right to terminate the Sublease in connection with any casualty or condemnation except to the extent that the Master Lease also is terminated as to any material portion of the Premises. Except as expressly set forth in Paragraph 22.1 above, Sublessor shall have no liability or responsibility whatsoever for Master Lessor's failure or refusal to perform under the Master Lease. Sublessor's obligation to use its diligent and commercially reasonable good faith efforts to cause Master Lessor to observe and perform its obligations under the Master Lease shall not be a guarantee by Sublessor of Master Lessor's compliance with the provisions of the Master Lease, and notwithstanding the foregoing or anything in this Sublease to the contrary, in no event shall Sublessor be required to initiate any litigation proceedings or file suit against Master Lessor in connection with or otherwise related to Sublessee's design or construction of the Tenant Improvements, including without limitation Master Lessor's failure to issue any design document approval or construction approval related thereto.

23. Master Lessor's Consent: This Sublease and Sublessor's and Sublessee's obligations hereunder are conditioned upon having obtained the written consent of the Master Lessor in a form reasonably acceptable to Sublessor and Sublessee. Unless waived in writing by Sublessee, such consent shall

provide that (i) Sublessee shall additionally have the same rooftop rights (i.e., one (1) standard antennae or other communication device not to exceed 48 inches in height or 3 meters in diameter) and obligations offered to Sublessor under Section 8 of Exhibit G to the Master Lease, (ii) Master Lessor approves of the Preliminary Plans for the Tenant Improvements prepared by Design Blitz dated October 22, 2018, Master Lessor identifies which if any of Tenant Improvements shown on the Preliminary Plans will be required to be removed by Master Lessor upon the termination of the Master Lease, and Master Lessor agrees (a) to review and issue its approval or disapproval of Sublessee's "Working Drawings and Specifications" and any "Changes" thereto (as such terms are defined in Exhibit X to the Master Lease, as incorporated herein) on a schedule reasonably acceptable to Sublessee, and (b) to resolve any disputes related to the design or construction of Sublessee's Tenant Improvements in accordance with alternative dispute resolution procedures set forth in Section III of Exhibit X to the Master Lease, (iii) Master Lessor approves of Sublessee's use of Design Blitz as the project architect, and Novo Construction, as the general contractor, for the Tenant Improvements, (iv) Master Lessor will agree to provide non-disturbance protection to Sublessee and continue to recognize Sublessee's rights under this Sublease if the Master Lease is terminated due to a default by Sublessor (through no fault of Sublessee), as long as Sublessee is not then in default under this Sublease beyond any applicable notice and cure period, and Sublessee and Master Lessor each agree to such other customary and reasonable terms and conditions for such non-disturbance protection that either party may require, (v) Master Lessor will agree that the mutual waiver of subrogation set forth in Section 10.5 of the Lease will also apply to Master Lessor and Sublessee, and (vi) Master Lessor will agree to Sublessee's right to use the Exclusive Charging Stations described in Section 25 below. If Sublessor does not receive such consent within thirty (30) days after the date of Sublessor's execution of this Sublease, then either party may terminate this Sublease by giving the other party ten (10) days' prior written notice, in which case this Sublease shall terminate on the day following the last day of the ten (10)-day notice period (unless Master Lessor's consent is obtained during such ten (10)-day period, in which case this Sublease shall remain in full force and effect), whereupon this Sublease shall terminate and Sublessor shall return to Sublessee all sums paid by Sublessee to Sublessor in connection with its execution of this Sublease, and neither party shall have any further rights or obligations hereunder. The return of all sums paid by Sublessee shall be Sublessee's sole and exclusive remedy in the event of a termination pursuant to the foregoing sentence.

24. Board Approval: Sublessee represents and warrants to Sublessor that Sublessee's Board of Directors has reviewed and approved the Master Lease and this Sublease, and has authorized Sublessee's execution hereof.

25. Parking: Sublessee shall be entitled to (i) the non-exclusive use of one hundred four (104) parking spaces in Project's parking structure, and (ii) the exclusive use of the three (3) Exclusive Charging Stations identified on Exhibit D attached hereto and made a part hereof provided to Sublessor under the Master Lease, in each case at no additional charge (which the exception of any Additional Rent charges related to the parking facilities serving the Master Premises, including without limitation the charges under Paragraph 4.2(iii) above) throughout the Term. Sublessee shall comply with all of the parking rules established by Master Lessor for the Building and Project.

26. Signage: Sublessor will cooperate reasonably (not including the payment of money, the incurring of any liabilities, or the institution of legal proceedings) with Sublessee in seeking Master Lessor's written approval (it being understood that Master Lessor's failure to issue such approval for any reason shall not be deemed a breach of this Sublease by Sublessor or entitle Sublessee to terminate this Sublease or to expose Sublessor to any liability or responsibility as a result thereof) of: (i) Building lobby directional signage for Sublessee, (ii) sixth floor lobby signage for Sublessee, and (iii) a portion (based on Sublessee's Share) of the exterior Building monument signage made available to Sublessor under the Master Lease, it being understood that the size, graphics, material, style, color, location and other physical aspects of any and

all such signage shall be subject to Sublessor's prior written approval, which approval shall not be unreasonable withheld (but with the understanding that it shall be deemed reasonable for Sublessee to withhold its approval of any such signage if Master Lessor fails to issue its written approval of such signage), and the requirements of the Master Lease. In no event will Sublessee have any right to any "building top" or pylon signage made available to Sublessor under the Master Lease. Upon the expiration or earlier termination of this Sublease, Sublessee shall be responsible for removing any such signage, repairing any damage caused by such removal, and restoring the area to its prior condition. Sublessee shall in no event be entitled to any exterior Building signage.

27. Holdover: The parties hereby acknowledge that it is critical that Sublessee surrender the Premises to Sublessor no later than the Expiration Date or earlier termination of this Sublease in accordance with the terms of this Sublease. In the event that Sublessee does not surrender the Premises by the Expiration Date or earlier termination of this Sublease in accordance with Paragraph 17 hereof, in addition to Sublessee's other indemnification obligations under this Sublease, Sublessee shall indemnify, defend, protect and hold harmless Sublessor from and against all costs, loss and liability resulting from Sublessee's delay in surrendering the Premises and pay Sublessor holdover rent in the amount of one hundred fifty percent (150%) of the Monthly Base Rent payable under this Sublease during the last rental period of the Term, and one hundred percent of all Additional Rent due owing under the holdover period, but in no event less than the holdover rent for the Premises payable by Sublessor under the Master Lease. The indemnification set forth in this Paragraph shall survive the expiration or earlier termination of this Sublease.

28. Right of First Offer: Sublessor shall, prior to offering any of the space in the Master Premises ("Offer Space") to any third party unaffiliated with Sublessor first offer to sublease to Sublessee the Offer Space; such offer shall (i) be in writing, (ii) specify the Offer Space being offered to Sublessee hereunder (the "Designated Offer Space"), and (iii) specify the sublease terms for the Designated Offer Space, including the rent to be paid for the Designated Offer Space and the date on which the Designated Offer Space shall be included in the Subleased Premises (the "Offer Notice"). Sublessee shall notify Sublessor in writing whether Sublessee elects to sublease the Designated Offer Space on the terms set forth in the Offer Notice, within ten (10) days after Sublessor delivers to Sublessee the Offer Notice. If Sublessee timely elects to sublease the Designated Offer Space, then Sublessor and Sublessee shall execute an amendment to this Sublease, effective as of the date the Designated Offer Space is to be included in the Premises, on the terms set forth in the Offer Notice and, to the extent not inconsistent with the Offer Notice terms, the terms of this Sublease; however, (i) Sublessee shall accept the Designated Offer Space in an "AS IS" condition and no other Sublessee inducements except as specifically provided in the Offer Notice, (ii) Sublessee understands and acknowledges that the sublease of any such Offer Space is subject to Master Lessor's written approval, and that Master Lessor's failure to issue such approval for any reason shall not be deemed a breach of this Sublease by Sublessor or entitle Sublessee to terminate this Sublease or to otherwise expose Sublessor to any liability or responsibility as a result thereof, notwithstanding anything to the contrary herein or elsewhere in this Sublease. If Sublessee fails or is unable to timely exercise its right hereunder with respect to the Designated Offer Space, then such right shall lapse, time being of the essence with respect to the exercise thereof (it being understood that Sublessee's right hereunder is a one-time right only as to each Designated Offer Space the first time it is offered to Sublessee hereunder), and Sublessor may sublease all or a portion of the Designated Offer Space to third parties on such terms as Sublessor may elect. Sublessor shall not be obligated to re-offer the Offer Space to Sublessee unless Sublessee actually rejects (as opposed to Sublessee being deemed to have rejected) Sublessor's Offer Notice and if during the next 180-day period thereafter Sublessor is willing to sublease the Offer Space to a third party on substantially more favorable terms than the terms contained in the Offer Notice rejected by Sublessee (taking into account all of the terms of the Offer Notice and the terms of the other sublease offered), which for purposes hereof shall be defined as a reduction in the overall net effective rent per rentable square foot, taking into account all of the terms of the Offer Notice and the terms of

the other sublease offered, of 10% or more of that set forth in the original Offer Notice (it being understood that Sublessor shall have no obligation to re-offer the Offer Space to Sublessee after such 180-day period has expired). Unless otherwise agreed in writing by Sublessor and Sublessee's real estate broker, in no event shall Sublessor be obligated to pay a commission with respect to any space subleased by Sublessee under this Paragraph 28, and Sublessee and Sublessor shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any broker or agent claiming the same by, through or under the indemnifying party. Notwithstanding the foregoing, Sublessee shall have no right to an Offer Notice, and Sublessee's acceptance of an Offer Notice may be nullified by Sublessor and deemed of no further force or effect, if: (i) an Event of Default by Sublessee is occurring as of Sublessee's acceptance of the Offer Notice or occurs at any time after the acceptance of the Offer Notice and prior to the commencement of the sublease of the Designated Offer Space; (ii) Sublessee has assigned this Sublease or has sublet all or any portion of the Premises to any party other than a transferee pursuant to a Permitted Transfer or Approved User, or (iii) an Event of Default by Sublessee has occurred more than once during the Term. Additionally, Sublessee's rights under this Paragraph 28 are personal to the original Sublessee named in this Sublease and any transferee pursuant to Permitted Transfer, and may be exercised only by the original Sublessee (or any transferee pursuant to a Permitted Transfer) while the original Sublessee (or any such transferee pursuant to a Permitted Transfer) is in possession of not less than the entire Premises and with no intention of thereafter assigning this Sublease or subletting any portion of the Premises.

29. Equipment: Sublessee shall have the right to use during the Term the fixtures and equipment within the Premises that are identified on Exhibit B attached hereto (the "Equipment") at no additional cost to Sublessee. The Equipment is provided in its "AS IS, WHERE IS" condition, without representation or warranty whatsoever. Sublessee shall insure the Equipment under the property insurance policy required under the Master Lease, as incorporated herein. Sublessee shall maintain the Equipment in good condition and repair, reasonable wear and tear excepted, and shall be responsible for any loss or damage to the same occurring during the Term and the maintenance and repair of such equipment during the Term. Sublessee shall not remove any of the Equipment from the Premises unless Master Lessor requires such removal under the Master Lease, in which event Sublessee shall perform such removal at no cost or expense to Sublessor.

30. Default by Sublessor: Sublessor shall not be deemed to be in default in the performance of any obligation under this Sublease unless and until it has failed to perform the obligation within a reasonable time but in no event longer than thirty (30) days after written notice by Sublessee to Sublessor specifying in reasonable detail the nature and extent of the failure; provided, however, that if the nature of Sublessor's obligation is such that more than thirty (30) days are required for its performance, then Sublessor shall not be deemed to be in default if it commences performance within the 30-day period and thereafter diligently pursues the cure to completion. Sublessee hereby waives any right to terminate or rescind this Sublease as a result of any default by Sublessor hereunder or any breach by Sublessor of any promise or inducement relating hereto, and Sublessee agrees that in exercising whatever other remedies Sublessee may have at law or in equity, such remedies shall in no event include any punitive, exemplary, or consequential damages, lost profits or opportunity costs, and that Sublessor's liability to Sublessee under this Sublease is subject to the Liability Cap. Further, as a material part of the consideration for this Sublease, Sublessee hereby waives any benefits of any applicable existing or future Law, including the provisions of California Civil Code Sections 1932(1), 1941 and 1942, that allows a tenant to make repairs at its landlord's expense.

31. Miscellaneous: This Sublease shall in all respects be governed by and construed in accordance with the laws of the state in which the Premises are located. If any term of this Sublease is held to be invalid or unenforceable by any court of competent jurisdiction, then the remainder of this Sublease shall remain in full force and effect to the fullest extent possible under the law, and shall not be affected or impaired. This Sublease may not be amended except by the written agreement of all parties hereto. Time is

of the essence with respect to the performance of every provision of this Sublease in which time of performance is a factor. Any executed copy of this Sublease shall be deemed an original for all purposes. This Sublease shall, subject to the provisions regarding assignment and subletting, apply to and bind the respective heirs, successors, executors, administrators and assigns of Sublessor and Sublessee. The language in all parts of this Sublease shall in all cases be construed as a whole according to its fair meaning, and not strictly for or against either Sublessor or Sublessee. The captions used in this Sublease are for convenience only and shall not be considered in the construction or interpretation of any provision hereof. When a party is required to do something by this Sublease, it shall do so at its sole cost and expense without right of reimbursement from the other party unless specific provision is made therefor. Whenever one party's consent or approval is required to be given as a condition to the other party's right to take any action pursuant to this Sublease, unless another standard is expressly set forth, such consent or approval shall not be unreasonably withheld, conditioned or delayed. This Sublease may be executed in counterparts, all of which taken together as a whole, shall constitute one original document.

[Signatures are on the next page]

IN WITNESS WHEREOF, the parties have executed this Sublease as of the day and year first above written.

SUBLESSOR:

SUBLESSEE*:

VERITAS TECHNOLOGIES LLC,
a Delaware limited liability company

UPWORK INC.
a Delaware corporation

By: /s/ Gary Lamonte
Name: Gary Lamonte
Title: Director WPS
Address: Veritas Technologies LLC
801 International Parkway
Heathrow, FL 32746
Attn: Director, Workplace Services

By: /s/ Brian K. Kinion
Name: Brian K. Kinion
Title: CFO
Address: Prior to the Commencement:
Upwork Inc.
441 Logue Avenue
Mountain View, CA 94043
Attn: General Counsel

With a copy to:
Veritas Technologies LLC
2625 Augustine Drive
Santa Clara, CA 95054
Attn: Legal Department

With a copy via email to:
Legalnotices@upwork.com

After the Commencement Date:
At the Premises
Attn: General Counsel

With a copy via email to:
Legalnotices@upwork.com

***NOTE:**

Sublessee shall deliver to Sublessor a certified copy of a corporate resolution in a form reasonably acceptable to Sublessor authorizing the signatory(ies) to execute this Sublease.

EXHIBIT A

Master Lease

LEASE

BETWEEN

AUGUSTINE BOWERS LLC

AND

VERIT AS TECHNOLOGIES LLC

LEASE

THIS LEASE is made as of November 10, 2017, by and between AUGUSTINE BOWERS LLC, a Delaware limited liability company, hereafter called "**Landlord,**" and VERITAS TECHNOLOGIES LLC, a Delaware limited liability company, hereafter called "**Tenant.**"

BASIC LEASE PROVISIONS

Each reference in this Lease to the "**Basic Lease Provisions**" shall mean and refer to the following collective terms, the application of which shall be governed by the provisions in the remaining Articles of this Lease.

1. **Tenant's Trade Name:** N/A
2. **Premises:** Suite Nos. 101, 301, 401, 501 and 601 (The Premises are more particularly described in Section 2.1).
Address of Building: 2625 Augustine Drive, Santa Clara, CA 95054
Project Description: Santa Clara Square Offices - Phase 1 (comprised of approximately 608,950 rentable square feet and as shown on **Exhibit Y** to this Lease)
3. **Use of Premises:** General office, research and development, dry product lab, training, customer support, and related ancillary legal uses.
4. **Estimated Commencement Date:** [see Section 3.1]
5. **Lease Term:** 127 months, plus such additional days as may be required to cause this Lease to expire on the final day of the calendar month, as it may be sooner terminated or extended pursuant to the provisions of this Lease.
6. **Basic Rent:**

Months of Term or Period	Monthly Rate Per Rentable Square Foot	Monthly Basic Rent (rounded to the nearest dollar)
1 to 12		
13 to 24		
25 to 36		
37 to 48		
49 to 60		
61 to 72		
73 to 84		
85 to 96		
97 to 108		
109 to 120		
121 to 127		

Notwithstanding the above schedule of Basic Rent or any other provisions of this Lease to the contrary. In the event Tenant Defaults at any time during the Term beyond any applicable "cure" period with the result that Tenant's right to possession of the Premises is terminated, then unamortized Abated Basic Rent to the date of such termination (amortized on a straight-line basis over the initial 127 months of the Term) shall immediately become due and payable. The payment by Tenant of the unamortized Abated Basic Rent in the event of a Default shall not limit or affect any of Landlord's other rights, pursuant to this Lease or at law or in equity. Only Basic Rent shall be abated during the Abatement Period and all other additional rent and other costs and charges specified in this Lease shall remain as due and payable pursuant to the provisions of this Lease.

7. **Expense Recovery Period:** Every twelve month period during the Term (or portion thereof during the first and last Lease years) ending June 30.

8. **Floor Area of Premises:** approximately 144,902 rentable square feet, comprised of the following:

- Suite 101 - approximately 14,934 rentable square feet
- Suite 301 - approximately 32,492 rentable square feet
- Suite 401 - approximately 32,492 rentable square feet
- Suite 501 - approximately 32,492 rentable square feet
- Suite 601 - approximately 32,492 rentable square feet

9. Security Deposit:

Letter of Credit:

10. Broker(s): Irvine Realty Company and CBRE, Inc. (collectively, "**Landlord's Broker**") is the agent of Landlord exclusively and Cushman & Wakefield/San Jose ("**Tenant's Broker**") is the agent of Tenant exclusively.

11.

12. Address for Payments and Notices:

LANDLORD

Payment Address:

AUGUSTINE BOWERS LLC
P.O. Box#841157
San Francisco, CA 94139-1157

Notice Address:

THE IRVINE COMPANY LLC
550 Newport Center Drive
Newport Beach, CA 92660
Attn: Senior Vice President, Property Operations
Irvine Office Properties

with a copy of notices to:

THE IRVINE COMPANY LLC
550 Newport Center Drive
Newport Beach, CA, 92660
Attn: Senior Vice President, Property Operations
Irvine Office Properties

TENANT

After Commencement Date:

VERITAS TECHNOLOGIES LLC
2625 Augustine Drive, Suite 101
Santa Clara, CA 95054
Attn: Lease Administration

with a copy of notices to:

VERITAS TECHNOLOGIES LLC
2625 Augustine Drive, Suite 101
Santa Clara, CA 95054
Attn: Legal Counsel

Before Commencement Date:

VERITAS TECHNOLOGIES LLC
500 E. Middlefield Road
Mountain View, CA 94043
Attn: Lease Administration

With a copy of notices to:

VERITAS TECHNOLOGIES LLC
500 E. Middlefield Road
Mountain View, CA 94043
Attn: Legal Counsel

LIST OF LEASE EXHIBITS (All exhibits, riders and addenda attached to this Lease are hereby incorporated into and made a part of this Lease):

Exhibit A	Description of Premises
Exhibit B	Operating Expenses
Exhibit C	Utilities and Services
Exhibit D	Tenant's Insurance
Exhibit E	Rules and Regulations
Exhibit F	Parking
Exhibit G	Additional Provisions
Exhibit H	Hazardous Materials Disclosure Statement
Exhibit I	Tenant's Signage
Exhibit J	Hazardous Material Survey Form
Exhibit X	Work Letter
Schedule I	Shell Building Outline Specifications
Exhibit Y	Project Description

PREMISES

LEASED PREMISES. Landlord leases to Tenant and Tenant leases from Landlord the Premises shown in **Exhibit A** (the "**Premise**"), containing approximately the floor area set forth in Item 8 of the Basic Lease Provisions (the "**Floor Area**"). The Premises are located in the building identified in Item 2 of the Basic Lease Provisions (the "**Building**"), which is a portion of the project described in Item 2 (the "**Project**"). Landlord and Tenant stipulate and agree that the Floor Area of Premises and Building set forth in Item 8 of the Basic Lease Provisions are correct.

ACCEPTANCE OF PREMISES. Subject to and without limiting Landlord's continuing maintenance, repair and other obligations under this Lease, Tenant's lease of the Premises shall be on an "as is" basis without further alteration, addition or improvement to the Premises whatsoever, except that: (i) Landlord shall deliver the Premises to Tenant on the "Delivery Date" (as hereinafter defined), free from any and all third party occupancies and/or any and all third party rights, options or claims to occupy, and in the condition required under the Work Letter attached hereto as **Exhibit X**, and (ii) Landlord shall provide a "Landlord's Contribution" to Tenant for Tenant's construction of the "Tenant Improvements" work in the Premises as provided in **Exhibit X**. Tenant acknowledges that, except as expressly set forth in this Lease, neither Landlord nor any representative of Landlord has made any representation or warranty with respect to the Premises, the Building or the Project or the suitability or fitness of either for any purpose, except as set forth in this Lease. Tenant acknowledges that the flooring materials which may be installed within portions of the Premises located on the ground floor of the Building may be limited by the moisture content of the Building slab and underlying soils. Subject to and without limiting Landlord's continuing maintenance, repair and other obligations under this Lease, the taking of possession or use of the Premises by Tenant for any purpose other than construction shall conclusively establish that the Premises and the Building were in satisfactory condition and in conformity with the provisions of this Lease in all respects.

TERM

GENERAL. The Term of this Lease ("**Term**") shall be for the period set forth in Item 5 of the Basic Lease Provisions. The Term shall commence (the "**Commencement Date**") on the earlier to occur of (i) Tenant's commencement of its regular business operations in the Premises, or (ii) April 1, 2018. Promptly

following request by Landlord, the parties shall memorialize on a form provided by Landlord (the "**Commencement Memorandum**") the actual Commencement Date and the expiration date ("**Expiration Date**") of this Lease; should Tenant fail to execute and return the Commencement Memorandum to Landlord within 5 business days (or provide specific written objections thereto within that period), then Landlord's determination of the Commencement and Expiration Dates as set forth in the Commencement Memorandum shall be conclusive.

TENDER OF POSSESSION. Promptly following the execution of this Lease (provided Tenant has delivered all required insurance certificates), Landlord shall tender possession of the Premises to Tenant for purposes of construction of the "Tenant Improvements" pursuant to the Work Letter attached as **Exhibit X** to this Lease (such date of tender of possession of the Premises being herein referred to as the "**Delivery Date**").

RENT AND OPERATING EXPENSES

BASIC RENT. From and after the Commencement Date, Tenant shall pay to Landlord without deduction or offset a Basic Rent for the Premises in the total amount shown (including subsequent adjustments, if any) in Item 6 of the Basic Lease Provisions (the "**Basic Rent**"). If the Commencement Date is other than the first day of a calendar month, any rental adjustment shown in Item 6 shall be deemed to occur on the first day of the next calendar month following the specified monthly anniversary of the Commencement Date. The Basic Rent shall be due and payable in advance commencing on the Commencement Date and continuing thereafter on the first day of each successive calendar month of the Term, as prorated for any partial month. No demand, notice or invoice shall be required. An installment in the amount of 1 full month's Basic Rent at the initial rate specified in Item 6 of the Basic Lease Provisions shall be delivered to Landlord concurrently with Tenant's execution of this Lease and shall be applied against the Basic Rent first due hereunder; the next installment of Basic Rent shall be due on the first day of the 9th calendar month of the Term, which installment shall, if applicable, be appropriately prorated to reflect the amount prepaid for that calendar month.

OPERATING EXPENSES. Tenant shall pay Tenant's Share of Operating Expenses in accordance with **Exhibit B** of this Lease.

[INTENTIONALLY DELETED]

USES

USE. Tenant shall use the Premises only for the purposes stated in Item 3 of the Basic Lease Provisions and for no other use whatsoever. The uses prohibited under this Lease shall include, without limitation, use of the Premises or a portion thereof for (i) offices of any agency or bureau of the United States or any state or political subdivision thereof; (ii) offices or agencies of any foreign governmental or political subdivision thereof; or (iii) schools, temporary employment agencies or other training facilities which are not ancillary to corporate, executive or professional office use. Tenant shall not do or permit anything to be done in or about the Premises which will in any way interfere with the rights or quiet enjoyment of other occupants of the Building or the Project, or use or allow the Premises to be used for any unlawful purpose, nor shall Tenant permit any nuisance or commit any waste in the Premises or the Project. Except as otherwise expressly provided in this Lease, Tenant shall not perform any work or conduct any business whatsoever in the Project other than inside the Premises. Tenant shall comply at its expense with all present and future laws, ordinances and requirements of all governmental authorities that pertain to Tenant or its use of the Premises, and with any and all government mandated energy usage reporting requirements of Landlord. Notwithstanding the foregoing or anything to the contrary contained in this Lease, Landlord, not Tenant, shall be obligated to

make and pay for (subject to reimbursement as a Project Cost, as and to the extent allowed under **Exhibit B** hereto) any and all alterations that are required to comply with any and all present and future laws, ordinances and requirements of all governmental authorities relating to the Base Building and Common Areas (as such terms are hereinafter defined), unless such Alterations are required in connection with and triggered by (i) the specific nature of Tenant's use of the Premises (as opposed to office and other uses of the Building or Project by tenants in general), or (ii) any Alterations or other improvements made to the Premises by Tenant, or (iii) any event of Default by Tenant under this Lease. In addition, Landlord shall be responsible for the cost of correcting any violations of Title 111 of the Americans with Disabilities Act (ADA) with respect to the Common Areas of the Building. Landlord shall have the right to contest any such violations in good faith. For purposes herein, "Base Building" shall include the structural portions of the Building, (including without limitation, the foundations, columns, footings, load-bearing and exterior walls, and sub-flooring of the Building) the public restrooms and the base Building mechanical, fire protection, life safety, conveyance, sewage, electrical and plumbing systems and equipment serving the Premises and the Building. Pursuant to California Civil Code § 1938, Landlord hereby states that the Premises have not undergone inspection by a Certified Access Specialist (CASP) (defined in California Civil Code § 55.52(a)(3)). Pursuant to Section 1938 of the California Civil Code, Landlord hereby provides the following notification to Tenant: "A Certified Access Specialist (CASP) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction related accessibility standards within the premises." If Tenant requests to perform a CASp inspection of the Premises, Tenant shall, at its cost, retain a CASp approved by Landlord, which approval shall not be unreasonably withheld (provided that Landlord may designate the CASp, at Landlord's option, which event Landlord, not Tenant, shall pay for the cost of such inspection) to perform the inspection of the Premises at a time agreed upon by the parties. Tenant shall provide Landlord with a copy of any report or certificate issued by the CASp (the "**CASP Report**") and Tenant shall, at its cost, promptly complete any modifications necessary to correct violations of construction related accessibility standards identified in the CASp Report, but only as and to the extent required above in this Section 5.1. Tenant agrees to keep the information in the CASp Report confidential except as necessary for the Tenant to complete such modifications, and except as may be required by law, court order or pursuant to litigation; it being understood that Tenant may also release such information to Tenant's attorneys, brokers, members, prospective financial partners and purchasers, tax and financial advisors, lenders and investor, and prospective subtenants and assignees, to the extent such parties have a need to know, provided that such parties are informed of the confidentiality of such information.

SIGNS. Provided Tenant continues to occupy at least 50% of the entire Premises, Tenant shall have the non-exclusive use of (i) its proportionate share of the monument sign on Augustine Drive adjacent to the building and its proportionate share of each the monument sign (which proportionate share shall be 100% in the event Tenant leases the entire Building) adjacent to the courtyard entrance and the monument sign adjacent to the southern entrance to the Building, (ii) either (a) the top position on the pylon sign fronting Highway 101 or (b) one (1) sign located on the northern side of the Project parking structure facing Highway 101, and (iii) 2 exterior "building top" signs on the Building for Tenant's name and graphics in locations reasonably designated by Landlord, subject to Landlord's right of prior approval (not to be unreasonably withheld) that such exterior signage is in compliance with the Signage Criteria (defined below). Subject to the approval of the City of Santa Clara, Landlord hereby approves Tenant's exterior signage as shown on **Exhibit I** attached hereto. Except as provided in the foregoing, and except for Landlord's standard main

entrance lobby, and floor and suite signage identifying Tenant's name and/or logo, Tenant shall have no right to maintain signs in any location in, on or about the Premises, the Building or the Project and shall not place or erect any signs that are visible from the exterior of the Building. The size, design, graphics, material, style, color and other physical aspects of any permitted sign shall be subject to Landlord's written determination, as determined reasonably by Landlord, prior to installation, that signage is in compliance with any covenants, conditions or restrictions encumbering the Premises and Landlord's signage program for the Project, as in effect from time to time and approved by the City in which the Premises are located ("**Signage Criteria**"). Prior to placing or erecting any such exterior signs, Tenant shall obtain and deliver to Landlord a copy of any applicable municipal or other governmental permits and approvals, except to Landlord's standard floor and suite signage. Tenant shall be responsible for all costs of any permitted sign, including, without limitation, the fabrication, installation, maintenance and removal thereof and the cost of any permits therefor, except that Landlord shall pay for the initial installation costs only of the standard suite floor and signage. If Tenant fails to maintain its sign in good condition, or if Tenant fails to remove same upon termination of this Lease and repair and restore any damage caused by the sign or its removal, normal wear and tear and damage caused by casualty excepted, Landlord may do so at Tenant's expense. Landlord shall have the right to temporarily remove any signs in connection with any repairs or maintenance in or upon the Building and Landlord shall, at no additional cost or charge to Tenant, promptly re-install such signage in its prior condition and location upon the completion of such repairs or maintenance. The term "sign" as used in this Section shall include all signs, designs, monuments, displays, advertising materials, logos, banners, projected images, pennants, decals, pictures, notices, lettering, numerals or graphics. Except as otherwise provided herein, Tenant's exterior signage rights under this Section 5.2 belong solely to the original Tenant and any transferee pursuant to a Permitted Transfer and any other approved assignee of this Lease or sublessee of the entire Premises, except, however, in no event shall the pylon signage right and the Highway 101 parking structure signage right be assigned or transferred by Tenant (except in connection with a Permitted Transfer).

HAZARDOUS MATERIALS.

For purposes of this Lease, the term "**Hazardous Materials**" means (i) any "hazardous material" as defined in Section 25501 (o) of the California Health and Safety Code, (ii) hydrocarbons, polychlorinated biphenyls or asbestos, (iii) any toxic or hazardous materials, substances, wastes or materials as defined pursuant to any other applicable state, federal or local law or regulation, and (iv) any other substance or matter which may result in liability to any person or entity as a result of such person's possession, use, storage, release or distribution of such substance or matter under any statutory or common law theory.

Tenant shall not cause any Hazardous Materials to be introduced on, under, from or about the Premises (including without limitation the soil and groundwater thereunder) without the prior written consent of Landlord, which consent may be given or withheld in Landlord's sole and absolute discretion. Notwithstanding the foregoing, Tenant shall have the right, without obtaining prior written consent of Landlord, to use standard and commercially reasonable quantities of any fuel necessary for Tenant to operate the Generator (as defined in **Exhibit G** hereto), and to utilize within the Premises a reasonable quantity of standard office products that may contain Hazardous Materials (such as photocopy toner, "White Out", and the like), and provided however, that (i) Tenant shall maintain such products in their original retail packaging, shall follow all instructions on such packaging with respect to the storage, use and disposal of such products, and shall otherwise comply with all applicable laws with respect to such products, and (ii) all of the other terms and provisions of this Section 5.3 shall apply with respect to Tenant's storage, use and disposal of all such products. Landlord may, in its sole but reasonable discretion, place such conditions as Landlord deems appropriate with respect to Tenant's use, storage and/or disposal of any Hazardous Materials requiring Landlord's consent. If Tenant uses any Hazardous Materials requiring Landlord's consent, then Tenant understands that Landlord may utilize an environmental consultant to assist in determining conditions of

approval in connection with the storage, use, release, and/or disposal of such Hazardous Materials by Tenant on or about the Premises, and/or to conduct periodic inspections of the storage, generation, use, release and/or disposal of such Hazardous Materials by Tenant on and from the Premises, and Tenant agrees that any reasonable out-of-pocket costs incurred by Landlord in connection therewith shall be reimbursed by Tenant to Landlord as additional rent hereunder promptly upon demand.

Prior to the execution of this Lease, Tenant shall complete, execute and deliver to Landlord a Hazardous Material Survey Form (the "**Survey Form**") in the form of **Exhibit J** attached hereto. The completed Survey Form shall be deemed incorporated into this Lease for all purposes, and Landlord shall be entitled to rely fully on the information contained therein. If Tenant uses any Hazardous Materials requiring Landlord's consent, then on each anniversary of the Commencement Date until the expiration or sooner termination of this Lease, Tenant shall disclose to Landlord in writing the names and amounts of all Hazardous Materials which were stored, generated, used, released and/or disposed of on, under or about the Premises for the twelve-month period prior thereto, and which Tenant desires to store, generate, use, release and/or dispose of on, under or about the Premises for the succeeding twelvemonth period. In addition, to the extent Tenant is permitted to utilize Hazardous Materials upon the Premises, Tenant shall promptly provide Landlord with complete and legible copies of all the following environmental documents relating thereto: reports filed pursuant to any self-reporting requirements; permit applications, permits, monitoring reports, emergency response or action plans, workplace exposure and community exposure warnings or notices and all other reports, disclosures, plans or documents (even those which may be characterized as confidential, but subject to Landlord's signing . Tenant's standard non-disclosure agreement, provided such agreement is reasonable) relating to water discharges, air pollution, waste generation or disposal, and underground storage tanks for Hazardous Materials; orders, reports, notices, listings and correspondence (even those which may be considered confidential) of or concerning the release, investigation, compliance, cleanup, remedial and corrective actions, and abatement of Hazardous Materials; and all complaints, pleadings and other legal documents filed by or against Tenant related to Tenant's storage, generation, use, release and/or disposal of Hazardous Materials on the Project.

Landlord and its agents shall have the right, but not the obligation, to inspect, sample and/or monitor the Premises and/or the soil or groundwater thereunder at any time to determine whether Tenant is complying with the terms of this Section 5.3, and in connection therewith Tenant shall provide Landlord with full access to all facilities, records and personnel related thereto. If Tenant is not in compliance with any of the provisions of this Section 5.3, or in the event of a release of any Hazardous Material on, under, from or about the Premises caused by Tenant, its agents, employees, contractors, licensees, subtenants or invitees in violation of applicable law or this Lease, Landlord and its agents shall have the right, but not the obligation, without limitation upon any of Landlord's other rights and remedies under this Lease, to immediately enter upon the Premises without notice in the event of an emergency, but otherwise with reasonable prior notice, and to discharge Tenant's obligations under this Section 5.3 at Tenant's expense. Landlord and its agents shall endeavor to minimize interference with Tenant's business in connection therewith, and shall not be liable for any such interference. In addition, Landlord, at Tenant's expense, shall have the right, but not the obligation, to join and participate in any legal proceedings or actions initiated in connection with any claims arising out of the storage, generation, use, release and/or disposal by Tenant or its agents, employees, contractors, licensees, subtenants or invitees of Hazardous Materials on, under, from or about the Premises in violation of applicable law or this Lease.

If the presence of any Hazardous Materials on, under, from or about the Premises or the Project caused by Tenant or its agents, employees, contractors, licensees, subtenants or invitees results in (i) injury to any person, (ii) injury to or any contamination of the Premises or the Project, or (iii) injury to or contamination of any real or personal property wherever situated, Tenant, at its expense, shall promptly take

all actions necessary to remedy or repair any such injury or contamination, including without limitation, any cleanup, remediation, removal, disposal, neutralization or other treatment of any such Hazardous Materials as and to the extent required by applicable law. Notwithstanding the foregoing, Tenant shall not, without Landlord's prior written consent, which consent shall not be unreasonably withheld, take any remedial action in response to the presence of any Hazardous Materials on, under, from or about the Premises or the Project or any other affected real or personal property owned by Landlord or enter into any similar agreement, consent, decree or other compromise with any governmental agency with respect to any Hazardous Materials claims; provided however, Landlord's prior written consent shall not be necessary in the event that the presence of Hazardous Materials on, under, from or about the Premises or the Project or any other affected real or personal property owned by Landlord (i) imposes an immediate threat to the health, safety or welfare of any individual and (ii) is of such a nature that an immediate remedial response is necessary and it is not possible to obtain Landlord's consent before taking such action. To the fullest extent permitted by law, Tenant shall indemnify, hold harmless, protect and defend (with attorneys reasonably acceptable to Landlord and Tenant's insurance carrier) Landlord and any successors to all or any portion of Landlord's interest in the Premises and the Project and any other real or personal property owned by Landlord from and against any and all liabilities, losses, damages, diminution in value, judgments, fines, demands, claims, recoveries, deficiencies, costs and expenses (including without limitation attorneys' fees, court costs and other professional expenses), whether foreseeable or unforeseeable, arising directly or indirectly out of the use, generation, storage, treatment, release, on- or off-site disposal or transportation of Hazardous Materials on, into, from, under or about the Premises, the Building or the Project in violation of applicable law or this Lease caused by Tenant, its agents, employees, contractors, licensees, subtenants or invitees. Such indemnity obligation shall specifically include, without limitation, the cost of any required or necessary repair, restoration, cleanup or detoxification of the Premises, the Building and the Project in accordance with applicable law, the preparation of any closure or other required plans, whether such action is required or necessary during the Term or after the expiration of this Lease and any loss of rental due to the inability to lease the Premises or any portion of the Building or Project as a result of such Hazardous Materials, the remediation thereof or any repair, restoration or cleanup related thereto. If it is at any time discovered that Tenant or its agents, employees, contractors, licensees, subtenants or invitees may have caused the release of any Hazardous Materials on, under, from or about the Premises, the Building or the Project in violation of applicable law or this Lease, Tenant shall, at Landlord's request, promptly prepare and submit to Landlord a comprehensive plan, subject to Landlord's reasonable approval, specifying the actions to be taken by Tenant to remediate such Hazardous Materials in accordance with applicable law. Upon Landlord's approval of such plan, Tenant shall, at its expense, and without limitation of any rights and remedies of Landlord under this Lease or at law or in equity, as soon as reasonably possible implement such plan and proceed to cleanup, remediate and/or remove all such Hazardous Materials in accordance with all applicable laws and as required by such plan. The provisions of this Section 5.3(e) shall expressly survive the expiration or sooner termination of this Lease.

Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, certain facts relating to Hazardous Materials at the Project known by Landlord to exist as of the date of this Lease, as more particularly described in **Exhibit H** attached hereto. Notwithstanding the foregoing or anything to the contrary contained in this Lease, Tenant shall have no liability or responsibility with respect to the Hazardous Materials facts described in **Exhibit H**, nor with respect to any Hazardous Materials that were not introduced by Tenant, its agents, employees, contractors, licensees, subtenants or invitees in violation of applicable law or this Lease. Notwithstanding the preceding two sentences, Tenant agrees to use reasonable efforts to notify its agents, employees, contractors, licensees, subtenants, and invitees of any exposure or potential exposure to Hazardous Materials at the Premises that Landlord brings to Tenant's attention. Tenant hereby acknowledges that this disclosure satisfies any obligation of Landlord to Tenant pursuant to California Health & Safety Code Section 25359.7, or any amendment or substitute thereto or any other disclosure obligations of Landlord.

Landlord shall take responsibility, at its sole cost and expense, for any governmentally ordered clean-up, remediation, removal, disposal, neutralization or other treatment of those Hazardous Materials conditions described in Section 5.3(f) above for which Tenant has no liability or responsibility. The foregoing obligation on the part of Landlord shall include the reasonable costs (including, without limitation, reasonable attorney's fees) of defending Tenant from and against any legal action or proceeding instituted by any governmental agency in connection with such clean-up, remediation, removal, disposal, neutralization or other treatment of such conditions, provided that Tenant promptly tenders such defense to Landlord. Tenant agrees to notify its agents, employees, contractors, licensees, and invitees of any exposure or potential exposure to Hazardous Materials at the Premises that Landlord brings to Tenant's attention.

Except as disclosed in Section 5.3(f) above (and/or as may otherwise be disclosed to Tenant in writing), Landlord warrants that, to "Landlord's knowledge" (as hereinafter defined), there are no Hazardous Materials in or about the Premises as of the date of this Lease which are in violation of any applicable federal, state or local law, ordinance or regulation. As used herein, "**Landlord's knowledge**" shall mean the actual knowledge, without duty of inquiry or investigation, of the current employees or authorized agents of Landlord responsible for Hazardous Materials compliance matters.

LANDLORD SERVICES

UTILITIES AND SERVICES. Landlord and Tenant shall be responsible to furnish those utilities and services to the Premises to the extent provided in **Exhibit C**, subject to the conditions and payment obligations and standards set forth in this Lease. Landlord shall not be liable for any failure to furnish any services or utilities when the failure is the result of any accident or other cause beyond Landlord's reasonable control, nor shall Landlord be liable for damages resulting from power surges or any breakdown in telecommunications facilities or services. Landlord's temporary inability to furnish any services or utilities shall not entitle Tenant to any damages, relieve Tenant of the obligation to pay rent or constitute a constructive or other eviction of Tenant, except that Landlord shall diligently attempt to restore the service or utility promptly. However, if the Premises, or a material portion of the Premises, are made untenable for a period in excess of 5 consecutive business days as a result of a cessation of utilities or service interruption through no fault of Tenant and for reasons other than as contemplated in Article 11, then Tenant, as its sole remedy, shall be entitled to receive an abatement of rent payable hereunder during the period beginning on the 6th consecutive business day of the service interruption and ending on the day the service has been restored. Tenant shall comply with all rules and regulations which Landlord may reasonably establish for the provision of services and utilities, and shall cooperate with all reasonable and standard conservation practices established by Landlord. Landlord shall at all reasonable times have free access to all electrical and mechanical installations of Landlord.

OPERATION AND MAINTENANCE OF COMMON AREAS. During the Term, Landlord shall operate all Common Areas within the Building and the Project. The term "**Common Areas**" shall mean all areas within the Building and other buildings in the Project which are not held for exclusive use by persons entitled to occupy space, including without limitation parking areas and structures, driveways, sidewalks, landscaped and planted areas, hallways and interior stairwells not located within the premises of any tenant, common electrical rooms, entrances and lobbies, elevators, and restrooms not located within the premises of any tenant. Notwithstanding the foregoing or anything to the contrary in this Lease, in the event that Tenant leases and occupies 100% of the Building, then Tenant shall have the exclusive right to install and operate a reception desk in the ground floor entry lobby area, and the right to all interior signage located in the lobby portion of the Building.

USE OF COMMON AREAS. The occupancy by Tenant of the Premises shall include the use of the Common Areas in common with Landlord and with all others for whose convenience and use the Common Areas may be provided by Landlord, subject, however, to compliance with Rules and Regulations described in Article 17 below. Landlord shall at all times during the Term have exclusive control of the Common Areas, and may restrain or permit any use or occupancy, except as otherwise provided in this Lease or in Landlord's rules and regulations. Tenant shall keep the Common Areas clear of any obstruction or unauthorized use related to Tenant's operations. Landlord may temporarily close any portion of the Common Areas for repairs, remodeling and/or alterations, to prevent a public dedication or the accrual of prescriptive rights, or for any other reasonable purpose. Landlord's temporary closure of any portion of the Common Areas for such purposes shall not deprive Tenant of reasonable access to the Premises.

CHANGES AND ADDITIONS BY LANDLORD. Landlord reserves the right to make alterations or additions to the Building or the Project or to the attendant fixtures, equipment and Common Areas, and such change shall not entitle Tenant to any abatement of rent or other claim against Landlord, provided no such change shall deprive Tenant of reasonable access to or use of the Premises.

REPAIRS AND MAINTENANCE

TENANT'S MAINTENANCE AND REPAIR. Subject to Sections 5.1 and 7.2 and Articles 11 and 12, Tenant at its sole expense shall make all repairs necessary to keep the interior of the Premises and all tenant improvements and fixtures therein in good condition and repair. Notwithstanding Section 7.2 below, Tenant's maintenance obligation shall include without limitation all appliances, interior glass, doors, door closures, hardware, fixtures, electrical equipment located within and exclusively serving the Premises, plumbing equipment located within and exclusively serving the Premises, fire extinguisher equipment and other equipment installed in the Premises and all Alterations constructed by Tenant pursuant to Section 7.3 below, together with any supplemental HVAC equipment servicing only the Premises. All repairs and other work performed by Tenant or its contractors shall be subject to the terms of Sections 7.3 and 7.4 below. Alternatively, should Landlord or its management agent agree to make a repair on behalf of Tenant and at Tenant's request, Tenant shall promptly reimburse Landlord as additional rent for all reasonable out-of-pocket costs incurred (including the standard supervision fee, which shall not exceed ten percent 10% of the hard cost of such repairs) within 30 days after receipt of an invoice, including reasonable backup documentation.

LANDLORD'S MAINTENANCE AND REPAIR. Subject to Articles 11 and 12, Landlord shall provide service, maintenance and repair with respect to (and otherwise keep in good operating conditions) the heating, ventilating and air conditioning ("**HVAC**") equipment of the Building (exclusive of any supplemental HVAC equipment servicing only the Premises) and shall maintain in good repair the Common Areas, roof, foundations, footings, the exterior surfaces of the exterior walls of the Building (including exterior glass), and the structural, electrical, fire and life safety, mechanical and plumbing systems of the Building (including elevators, if any, serving the Building), except to the extent provided in Section 7.1 above. Landlord need not make any other improvements or repairs except as specifically required under this Lease, and nothing contained in this Section 7.2 shall limit Landlord's right to reimbursement from Tenant for maintenance, repair costs and replacement costs as provided elsewhere in this Lease. Notwithstanding any provision of the California Civil Code or any similar or successor laws to the contrary, Tenant understands that ii shall not make repairs at Landlord's expense or by rental offset. Except as provided in Section 11 .1 and Article 12 below, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements to any portion of the Building, including repairs to the Premises, nor shall any related activity by Landlord constitute an actual or constructive eviction; provided, however, that in making repairs, alterations or improvements, Landlord shall interfere as little as reasonably practicable with the conduct of Tenant's business

in the Premises. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932, and Sections 1941 and 1942 of the California Civil Code, or any similar or successor laws now or hereafter in effect.

ALTERATIONS. Except for cosmetic alterations and projects that do not exceed \$250,000.00 in total costs for a single project, that do not require a permit from the City of Santa Clara and that satisfy the criteria in the next following sentence (which cosmetic work shall require notice to Landlord but not Landlord's consent), Tenant shall make no alterations, additions, decorations, or improvements (collectively referred to as "Alterations") to the Premises without the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld as long as the proposed Alterations do not affect the structural, electrical or mechanical components or systems of the Building, are not visible from the exterior of the Premises, and utilize only Landlord's building standard materials ("**Standard Improvements**"). If Landlord fails to respond to any request for consent within 14 days following Tenant's request therefor, Tenant shall have the right to provide Landlord with a second request for consent. Tenant's second request for consent must specifically state that Landlord's failure to respond within a period of 5 days shall be deemed to be an approval by Landlord. If Landlord's failure to respond continues for 5 days after its receipt of the second request for consent, the proposed Alterations for which Tenant has requested consent shall be deemed to have been approved by Landlord. Landlord may impose commercially reasonable and standard conditions to its consent. Without limiting the generality of the foregoing, Tenant shall use Landlord's designated mechanical and electrical contractors for all Alterations work affecting the mechanical or electrical systems of the Building, but only if and to the extent such contractors are then available to perform the work at a commercially reasonable cost. Should Tenant perform any Alterations work that would necessitate any ancillary Building modification or other expenditure by Landlord, then Tenant shall promptly fund the cost thereof to Landlord. Tenant shall obtain any and all required permits for the Alterations and shall perform the work in compliance with all applicable laws, regulations and ordinances with contractors reasonably acceptable to Landlord, and except for cosmetic Alterations not requiring a permit, Landlord shall be entitled to Landlord's reasonable "peer review" fees for the review of the Alterations. Any request for Landlord's consent shall be made in writing and shall, if applicable, contain architectural plans describing the work in detail reasonably satisfactory to Landlord. Landlord may elect to cause its architect to review Tenant's architectural plans, and the reasonable out-of-pocket cost of that review shall be reimbursed by Tenant. Should the Alterations proposed by Tenant and consented to by Landlord change the floor plan of the Premises, then Tenant shall, at its expense, furnish Landlord with as-built drawings and CAD disks reasonably compatible with Landlord's systems. Alterations shall be constructed in a good and workmanlike manner using materials of a quality reasonably approved by Landlord. Unless Landlord otherwise agrees in writing, all Alterations affixed to the Premises, including without limitation all Tenant Improvements constructed pursuant to the Work Letter (except as otherwise provided in the Work Letter), but excluding trade fixtures and equipment and furniture and other personal property of Tenant, shall become the property of Landlord. Notwithstanding the foregoing: (i) Landlord shall have the right, by notice to Tenant given at the time of Landlord's consent to any such Alterations requested by Tenant, to require Tenant to remove by the Expiration Date, or sooner termination date of this Lease, all or any Alterations (specifically excluding telephone and data cabling) installed either by Tenant or by Landlord at Tenant's request (collectively, the "**Required Removables**"), and to replace any non-Building Standard Improvements with the applicable Building Standard Improvements; and (ii) Landlord shall have the right, by notice to Tenant given at least 30 days prior to the Expiration Date, to designate as Required Removables any Alterations constructed or installed by Tenant without Landlord's approval. Tenant, at the time it requests approval for a proposed Alteration, may request in writing that Landlord advise Tenant whether the Alteration or any portion thereof, is a Required Removable. Within 10 days after receipt of Tenant's request, Landlord shall advise Tenant in writing as to which portions of the subject Alterations are Required Removables. In connection with its removal of Required Removables, Tenant shall repair any damage to the Premises arising from that removal and shall restore the affected area

to its pre-existing condition, reasonable wear and tear excepted. Notwithstanding the foregoing or anything in the Lease to the contrary, in no event will Tenant be required to remove any Alterations (including without limitation the Tenant Improvements constructed pursuant to the Work Letter) that are constructed and installed in accordance with the Lease unless they constitute a Non-Standard Improvement. As used herein, the term "Non-Standard Improvement" shall mean any and all tenant improvements (other than telephone and data cabling) not typically found in comparable buildings project in the City of Santa Clara submarket, or any tenant improvements which would be unusually difficult or expensive to remove, including but not limited to internal staircases, raised floors, clean rooms, and tenant-specific telecommunications equipment, but shall include telephone and data cabling installed either by Tenant or by Landlord at Tenant's request.

In addition to the foregoing, Tenant shall have the right, either as part of the initial Tenant Improvements to be constructed pursuant to the Work Letter or at any time thereafter as an Alteration pursuant to this Section 7.3, to install its own electronic security systems within the Premises, including card key and CCTV system ("**Tenant's Security Systems**"), provided that any portions of Tenant's Security Systems visible from the exterior of the Building shall be subject to the reasonable approval of Landlord as to appearance and conformity with the architectural integrity of the Building, and provided further that Landlord shall reasonably approve the operating attributes of the Tenant's Security Systems. Tenant's Security System shall be "Required Removables" as defined in and provided for in this Section 7.3.

MECHANIC'S LIENS. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by or for Tenant. Upon request by Landlord, Tenant shall promptly cause any such lien to be released by posting a bond in accordance with California Civil Code Section 8424 or any successor statute. In the event that Tenant shall not, within 15 days following Tenant's receipt of notice of the imposition of any lien, cause the lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other available remedies, the right to cause the lien to be released by any means it deems proper, including payment of or defense against the claim giving rise to the lien. All expenses so incurred by Landlord, including Landlord's attorneys' fees, shall be reimbursed by Tenant promptly following Landlord's demand, together with interest from the date of payment by Landlord at the maximum rate permitted by law until paid. Tenant shall give Landlord no less than 10 days' prior notice in writing before commencing construction of any kind on the Premises.

ENTRY AND INSPECTION. Landlord shall at all reasonable times, subject to Tenant's reasonable security requirements, have the right to enter the Premises to inspect them, to supply services in accordance with this Lease, to make repairs and renovations as reasonably deemed necessary by Landlord, and to submit the Premises to prospective or actual purchasers or encumbrance holders (or, during the final twelve months of the Term or when an uncured Default exists, to prospective tenants), all without being deemed to have caused an eviction of Tenant and without abatement of rent except as provided elsewhere in this Lease. If reasonably necessary, Landlord may temporarily close all or a portion of the Premises to perform repairs, alterations and additions. Except in emergencies or to provide Building services, Landlord shall provide Tenant with not less than one business day's prior verbal notice of entry and shall use reasonable efforts to minimize any interference with Tenant's use of the Premises.

TENANT'S RIGHT TO MAKE REPAIRS. Notwithstanding any of the terms set forth in this Lease to the contrary, during the Term, if Tenant provides notice (or oral notice in the event of an Emergency) to Landlord of an event or circumstance which requires the action of Landlord with respect to repair and/or maintenance of the Building, including repairs to the Building structure and/or Building systems, which event or circumstance with respect to the Building structure or Building systems materially or adversely affects the conduct of Tenant's business from the Premises, and Landlord fails to commence corrective action within a reasonable period of time, given the circumstances, after the receipt of such notice, but in any event

not later than thirty (30) days after receipt of such notice, then Tenant may proceed to take the required action upon delivery of an additional ten (10) days' notice to Landlord specifying that Tenant is taking such required action (provided, however, that the initial thirty (30)-day notice and the subsequent ten (10)-day notice shall not be required in the event of an Emergency) and if such action was required under the terms of this Lease to be taken by Landlord and was not commenced by Landlord within such ten (10) day period and thereafter diligently pursued to completion, then Tenant shall be entitled to prompt reimbursement by Landlord of Tenant's reasonable costs and expenses in taking such action. In the event Tenant takes such action, and so long as Landlord identifies such contractors within three (3) days after Tenant's written request, Tenant shall use only those contractors used by Landlord in the Building for work unless such contractors are unwilling or unable to perform, or timely perform, such work at a commercially reasonable cost, in which event Tenant may utilize the services of any other qualified contractor which normally and regularly performs similar work in comparable buildings. Following completion of any work taken by Tenant pursuant to the terms of this Section 7.6, Tenant shall deliver a detailed invoice of the work completed, the materials used and the costs relating thereto. If Landlord does not deliver a detailed written objection to Tenant within thirty (30) days after receipt of an invoice from Tenant, then Tenant shall be entitled to deduct from Rent payable by Tenant under this Lease, the amount set forth in such invoice. If, however, Landlord delivers to Tenant, within thirty (30) days after receipt of Tenant's invoice, a written objection to the payment of such invoice, setting forth with reasonable particularity Landlord's reasons for its claim that such action did not have to be taken by Landlord pursuant to the terms of this Lease or that the charges are excessive (in which case Landlord shall pay the amount it contends would not have been excessive), then Tenant shall not then be entitled to such deduction from Rent. On the other hand, Tenant may proceed to claim a default by Landlord or, if elected by either Landlord or Tenant, the matter shall proceed to resolution by judicial reference pursuant to Section 14.7(b) of this Lease. If Tenant prevails in the judicial reference, the amount of the award may be deducted by Tenant from the Rent next due and owing under this Lease. For purposes hereof, an "Emergency" shall mean an event threatening immediate and material danger to people located in the Building or immediate, material damage to the Building, Building systems, Building structure, Tenant Improvements, or Alterations, or creates a realistic possibility of an immediate and material interference with, or immediate and material interruption of a material aspect of Tenant's business operations.

[INTENTIONALLY DELETED]

ASSIGNMENT AND SUBLETTING

RIGHTS OF PARTIES.

Except as otherwise specifically provided in this Article 9, Tenant may not, either voluntarily or by operation of law, assign, sublet, encumber, or otherwise transfer all or any part of Tenant's interest in this Lease, or permit the Premises to be occupied by anyone other than Tenant (each, a "**Transfer**"), without Landlord's prior written consent, which consent shall not unreasonably be withheld in accordance with the provisions of Section 9.1 (b). For purposes of this Lease, references to any subletting, sublease or variation thereof shall be deemed to apply not only to a sublease effected directly by Tenant, but also to a sub-subletting or an assignment of subtenancy by a subtenant at any level. Except as otherwise specifically provided in this Article 9, no Transfer (whether voluntary, involuntary or by operation of law) shall be valid or effective without Landlord's prior written consent and, at Landlord's election, such a Transfer shall constitute a material default of this Lease.

Except as otherwise specifically provided in this Article 9, if Tenant or any subtenant hereunder desires to transfer an interest in this Lease, Tenant shall first notify Landlord in writing and shall request Landlord's consent thereto. Tenant shall also submit to Landlord in writing: (i) the name and address

of the proposed transferee; (ii) the nature of any proposed subtenant's or assignee's business to be carried on in the Premises; (iii) the terms and provisions of any proposed sublease or assignment (including without limitation the rent and other economic provisions, term, improvement obligations and commencement date); (iv) evidence that the proposed assignee or subtenant will comply with the requirements of **Exhibit D** to this Lease; and (v) any other information reasonably requested by Landlord and reasonably related to the Transfer. Landlord shall not unreasonably withhold its consent, provided: (1) the use of the Premises will be consistent with the provisions of this Lease; (2) any proposed subtenant or assignee demonstrates that it is financially responsible by submission to Landlord of all reasonable information as Landlord may request concerning the proposed subtenant or assignee, including, but not limited to, the most recent balance sheet of the proposed subtenant or assignee and statements of income or profit and loss of the proposed subtenant or assignee for the two-year period preceding the request for Landlord's consent; (3) the prospective tenant with whom Landlord or Landlord's affiliate has been actively negotiating to become a tenant at the Building or Project within the prior 75 days; and (4) the proposed transferee is not an SDN (as defined below) and will not impose additional material burdens or security risks on Landlord. If Landlord consents to the proposed Transfer, then the Transfer may be effected within 180 days after the date of the consent upon the terms described in the information furnished to Landlord; provided that any material change in the terms shall be subject to Landlord's consent as set forth in this Section 9.1(b). Landlord shall approve or disapprove any requested Transfer within 15 business days following receipt of Tenant's written notice and the information set forth above. If Landlord fails to respond to any request for consent within the 15 business day period set forth above, Tenant shall have the right to provide Landlord with a second request for consent. Tenant's second request for consent must specifically state that Landlord's failure to respond within a period of 5 business days shall be deemed to be an approval by Landlord. If Landlord's failure to respond continues for 5 business days after its receipt of the second request for consent, the Transfer for which Tenant has requested consent shall be deemed to have been approved by Landlord.

Notwithstanding the provisions of Subsection (b) above, and except in connection with a **"Permitted Transfer"** (as defined below), in lieu of consenting to a proposed assignment of this Lease or to a subletting of 50% or more of the Floor Area of the Premises for all or substantially all of the remainder of the Term, Landlord may elect, by written notice to Tenant given with 15 business days after Landlord's receipt of Tenant's Transfer request (a **"Recapture Notice"**), to terminate this Lease in its entirety in the event of an assignment, or terminate this Lease as to the portion of the Premises proposed to be subleased with a proportionate abatement in the rent payable under this Lease, such termination to be effective on the date that the proposed sublease or assignment would have commenced. Landlord may thereafter, at its option, assign or re-let any space so recaptured to any third party, including without limitation the proposed transferee identified by Tenant and Landlord shall be responsible, at no cost or charge to Tenant (as part of Project Costs or otherwise), to make and pay for any necessary demising costs. Notwithstanding the foregoing, if Landlord provides a Recapture Notice to Tenant, Tenant may rescind its proposed Transfer by notifying Landlord in writing within 5 days following Tenant's receipt of Landlord's Recapture Notice, and if Tenant timely delivers such written notification of rescission, each of Tenant's request to Transfer and Landlord's Recapture Notice shall be deemed void and of no effect, and this Lease shall remain unchanged and in full effect.

Should any Transfer occur, Tenant shall, except in connection with a Permitted Transfer, promptly pay or cause to be paid to Landlord, as additional rent, 50% of any amounts paid by the assignee or subtenant, however described and whether funded during or after the Lease Term if such amounts are related to Tenant's interest in this Lease and the Premises, including payments from or on behalf of the transferee in excess of the book value thereof, for Tenant's fixtures and leasehold improvements, equipment and furniture. to the extent such amounts are in excess of the sum of (i) the scheduled Basic Rent payable by Tenant hereunder (or, in the event of a subletting of only a portion of the Premises, the Basic Rent allocable

to such portion as reasonably determined by Landlord) and (ii) the direct out-of-pocket costs, as evidenced by third party invoices provided to Landlord, incurred by Tenant to effect the Transfer, which costs shall be amortized over the remaining Term of this Lease or, if shorter, over the term of the sublease.

The sale of all or substantially all of the assets of Tenant (other than bulk sales in the ordinary course of business), the merger or consolidation of Tenant, the sale of a controlling interest of Tenant's capital stock (other than through an initial public offering of Tenant's capital stock or any subsequent sales of such stock over a recognized public exchange), or any other direct or indirect change of control of Tenant, including, without limitation, change of control of Tenant's parent company (other than through an initial public offering of capital stock or any subsequent sales of such stock over a recognized public exchange) or a merger by Tenant or its parent company, shall be deemed a Transfer within the meaning and provisions of this Article. Notwithstanding the foregoing, Tenant may assign this Lease to (1) a successor to Tenant by merger, consolidation or the purchase of substantially all of Tenant's assets or capital stock, or (2) assign this Lease or sublet all or a portion of the Premises to an Affiliate (defined below), without the consent of Landlord but subject to the provisions of Section 9.2, provided that all of the following conditions are satisfied (a **"Permitted Transfer"**): (i) Tenant is not then in Default hereunder; (ii) Tenant gives Landlord written notice at least 10 business days before such Permitted Transfer or within 10 days after the Permitted Transfer if prior notice is prevented by law or any bona fide confidentiality agreement; and (iii) the successor entity resulting from any merger or consolidation of Tenant or the sale of all or substantially all of the assets or stock of Tenant, has a net worth (computed in accordance with generally accepted accounting principles, except that intangible assets such as goodwill, patents, copyrights, and trademarks shall be excluded in the calculation (**"Net Worth"**)) at the time of the Permitted Transfer that is at least equal to the Net Worth of Tenant immediately before the Permitted Transfer or is otherwise reasonably sufficient to satisfy Landlord's then underwriting standards for the Building, as determined in Landlord's reasonable discretion. Tenant's notice to Landlord shall include reasonable information and documentation evidencing the Permitted Transfer and showing that each of the above conditions has been satisfied. If requested by Landlord, Tenant's successor shall sign and deliver to Landlord a commercially reasonable form of assumption agreement. **"Affiliate"** shall mean a successor entity resulting from a non-bankruptcy reorganization of Tenant, an entity controlled by, controlling or under common control with Tenant, or any entity with whom Tenant is undertaking or will undertake a joint venture or similar joint research and development, marketing, distribution, sales or development project at the Premises.

Notwithstanding anything in this Section to the contrary, Tenant shall be permitted from time to time to permit its clients, vendors or business associates (**"Approved Users"**) to temporarily use or occupy not more than 20% of the space within the Premises, provided that (a) Tenant does not separately demise or charge rent for the use of such space and the Approved Users utilize, in common with Tenant, one common entryway to the Premises as well as certain shared central services, such as reception, photocopying and the like; (b) the Approved Users shall not occupy, in the aggregate, more than 10% of the Floor Area of the Premises; and (c) all Approved Users shall use or occupy space in the Premises only so long as the business relationship described above is maintained. If any Approved Users occupy any portion of the Premises as described herein, it is agreed that (i) in no event shall any use or occupancy of any portion of the Premises by any Approved User release or relieve Tenant from any of its obligations under this Lease; (ii) the Approved User and its employees, contractors and invitees visiting or occupying space in the Premises shall be deemed contractors of Tenant for purposes of Tenant's indemnification obligations in Section 10.3; and (iii) in no event shall the occupancy of any portion of the Premises by Approved Users be deemed to create a landlord/tenant relationship between Landlord and such Approved Users, and, in all instances, Tenant shall be considered the sole tenant under the Lease notwithstanding the occupancy of any portion of the Premises by the Approved Users.

EFFECT OF TRANSFER. No subletting or assignment, even with the consent of Landlord, shall relieve Tenant, or any successor-in-interest to Tenant hereunder, of its obligation to pay rent and to perform all its other obligations under this Lease. Each assignee, other than Landlord, shall be deemed to assume all obligations of Tenant under this Lease after the effective date of the assignment and shall be liable jointly and severally with Tenant for the payment of all rent, and for the due performance of all of Tenant's obligations, under this Lease accruing after the effective date of the assignment. Such joint and several liability shall not be discharged or impaired by any subsequent modification or extension of this Lease. Consent by Landlord to one or more transfers shall not operate as a waiver or estoppel to the future enforcement by Landlord of its rights under this Lease.

SUBLEASE REQUIREMENTS. Any sublease, license, concession or other occupancy agreement entered into by Tenant shall be subordinate and subject to the provisions of this Lease, and if this Lease is terminated during the term of any such agreement, Landlord shall have the right to: (i) treat such agreement as cancelled and repossess the subject space by any lawful means, or (ii) require that such transferee attorn to and recognize Landlord as its landlord (or licensor, as applicable) under such agreement. Landlord shall not, by reason of such attornment or the collection of sublease rentals, be deemed liable to the subtenant for the performance of any of Tenant's obligations under the sublease. If Tenant is in Default (hereinafter defined), Landlord is irrevocably authorized to direct any transferee under any such agreement to make all payments under such agreement directly to Landlord (which Landlord shall apply towards Tenant's obligations under this Lease) until such Default is cured. No collection or acceptance of rent by Landlord from any transferee shall be deemed a waiver of any provision of Article 9 of this Lease, an approval of any transferee, or a release of Tenant from any obligation under this Lease, whenever accruing. In no event shall Landlord's enforcement of any provision of this Lease against any transferee be deemed a waiver of Landlord's right to enforce any term of this Lease against Tenant or any other person.

INSURANCE AND INDEMNITY

TENANT'S INSURANCE. Tenant, at its sole cost and expense, shall provide and maintain in effect the insurance described in **Exhibit D**. Evidence of that insurance must be delivered to Landlord prior to the Commencement Date.

LANDLORD'S INSURANCE. Landlord shall provide the following types of insurance, with reasonable deductibles and in amounts and coverages as may be determined by Landlord in its reasonable discretion: property insurance, subject to standard exclusions (such as, but not limited to, earthquake and flood exclusions), covering the Building or Project. In addition, Landlord may, at its election, obtain insurance coverages for such other risks as Landlord or its Mortgagees may from time to time deem appropriate, including earthquake, terrorism and commercial general liability coverage. Landlord shall not be required to carry insurance of any kind on any tenant improvements or Alterations in the Premises installed by Tenant or its contractors or otherwise removable by Tenant (collectively, "**Tenant Installations**"), or on any trade fixtures, furnishings, equipment, interior plate glass, signs or items of personal property in the Premises, and Landlord shall not be obligated to repair or replace any of the foregoing items should damage occur. All proceeds of insurance maintained by Landlord upon the Building and Project shall be the property of Landlord, whether or not Landlord is obligated to or elects to make any repairs.

TENANT'S INDEMNITY. To the fullest extent permitted by law, but subject to Section 10.5 below, Tenant shall defend, indemnify and hold harmless Landlord and Landlord's agents, employees, lenders, and affiliates, from and against any and all claims, liabilities, damages, costs or expenses arising either before or after the Commencement Date which arise from or are caused by Tenant's use or occupancy of the Premises, or from the conduct of Tenant's business, or from any activity, work, or thing done, permitted or suffered by

Tenant or Tenant's agents, employees, subtenants, vendors, contractors, invitees or licensees in or about the Premises, the Building or the Common Areas of the Project, or from any Default in the performance of any obligation on Tenant's part to be performed under this Lease, or from any negligence or willful misconduct on the part of Tenant or Tenant's agents, employees, subtenants, vendors, contractors, invitees or licensees. Landlord may, at its option, require Tenant to assume Landlord's defense in any action covered by this Section 10.3 through counsel reasonably satisfactory to Landlord. Notwithstanding the foregoing, Tenant shall not be obligated to indemnify or hold harmless Landlord from or against any liability or expense to the extent it was caused by the negligence or willful misconduct of Landlord, its agents, contractors or employees or their violation of any governmental laws, rules or regulations through no fault of Tenant or any of Tenant's agents, employees or contractors.

LANDLORD'S NONLIABILITY. Landlord shall not be liable to Tenant, its employees, agents and invitees. and Tenant hereby waives all claims against Landlord, its employees and agents for loss of or damage to any property, resulting from any condition including, but not limited to, acts or omissions (criminal or otherwise) of unrelated third parties and/or other tenants of the Project, or their agents, employees or invitees of such other tenants, fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak or flow from or into any part of the Premises or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning, electrical works or other fixtures in the Building, whether the damage or injury results from conditions arising in the Premises or in other portions of the Building, regardless of the negligence of Landlord, its agents or any and all affiliates of Landlord in connection with the foregoing. It is understood that any such condition may require the temporary evacuation or closure of all or a portion of the Building. Should Tenant elect to receive any service from a concessionaire, licensee or third party tenant of Landlord, Tenant shall not seek recourse against Landlord for any breach or liability of that service provider. Notwithstanding anything to the contrary contained in this Lease, in no event shall Landlord be liable for Tenant's loss or interruption of business or income (including without limitation, Tenant's consequential damages, lost profits or opportunity costs), or for interference with light or other similar intangible interests.

WAIVER OF SUBROGATION. Notwithstanding anything to the contrary contained in this Lease, Landlord and Tenant each hereby waives all rights of recovery against the other and any party claiming, by, through or under the other on account of loss and damage occasioned to the property of such waiving party that is covered by the property insurance policies carried or otherwise required to be carried by this Lease, or that would normally be covered by so-called "all-risk" or "special form" property insurance regarding the negligence of the party so released or any other cause; provided however, that the foregoing waiver shall not apply to the extent of Tenant's obligation to pay deductibles under any such policies and this Lease as and to the extent required as a Project Cost. By this waiver it is the intent of the parties that neither Landlord nor Tenant shall be liable to any insurance company (by way of subrogation or otherwise) insuring the other party for any loss or damage insured against under any property insurance policies, even though such loss or damage might be occasioned by the negligence of such party, its agents, employees, contractors or invitees. The foregoing waiver by Tenant shall also inure to the benefit of Landlord's management agent for the Building.

DAMAGE OR DESTRUCTION

RESTORATION.

If the Building of which the Premises are a part is damaged as the result of an event of casualty, then subject to the provisions below, Landlord shall repair that damage as soon as reasonably possible unless Landlord reasonably determines that: (i) the Premises have been materially damaged and

there is less than 1 year of the Term remaining on the date of the casualty; provided, however, that notwithstanding the foregoing, Landlord may not terminate this Lease pursuant to this clause if, at the time of such casualty, Tenant has validly exercised an express option to extend the Term of this Lease beyond the then scheduled Expiration Date, or (ii) the damage is of a type not covered by the insurance Landlord is required to carry, or actually carries under this Lease, and the cost to repair the damage will exceed \$250,000.00 (and Tenant does not agree to provide the shortfall in proceeds to Landlord in excess of \$250,000.00 within 10 days after its receipt of written demand by Landlord). Should Landlord elect not to repair the damage for one of the preceding reasons, Landlord shall so notify Tenant in the "Casualty Notice" (as defined below), and this Lease shall terminate as of the date of delivery of that notice.

As soon as reasonably practicable following the casualty event but not later than 60 days thereafter, Landlord shall notify Tenant in writing ("**Casualty Notice**") of Landlord's election, if applicable, to terminate this Lease. If this Lease is not so terminated, the Casualty Notice shall set forth the anticipated period for repairing the casualty damage, which estimate shall be provided by a licensed and experienced independent construction contractor. If the anticipated repair period exceeds 270 days and if the damage is so extensive as to reasonably prevent Tenant's substantial use and enjoyment of the Premises, then either party may elect to terminate this Lease by written notice to the other within 10 days following delivery of the Casualty Notice.

In the event that neither Landlord nor Tenant is entitled to terminate this Lease or elects to terminate this Lease pursuant to Sections 11.1(a) and 11.1(b), as applicable, Landlord shall repair all material damage to the Premises or the Building as soon as reasonably possible and this Lease shall continue in effect for the remainder of the Term. Upon notice from Landlord, Tenant shall assign or endorse 011er to Landlord (or to any party designated by Landlord) all property insurance proceeds payable to Tenant under Tenant's insurance with respect to any Tenant Installations; provided if the estimated cost to repair such Tenant Installations exceeds the amount of insurance proceeds received by Landlord from Tenant's insurance carrier, the excess cost of such repairs shall be paid by Tenant to Landlord prior to Landlord's commencement of repairs. Further, if Landlord does not complete its required restoration within 60 days after the time period estimated by Landlord to repair the damage as specified in the Casualty Notice, as the same may be extended by force majeure delays of the type set forth in Section 20.9 (but not in excess of 120 additional days caused by any such force majeure delays), Tenant may terminate this Lease by delivering written notice to Landlord and Landlord's Mortgagee within 30 days following the expiration of such 60 day period, and prior to the date upon which Landlord substantially completes such restoration. Such termination shall be effective as of the date specified in Tenant's termination notice (but not earlier than 30 days or later than 120 days after the date of such notice) as if such date were the date fixed for the expiration of the Term. Notwithstanding the foregoing, if upon the receipt of Tenant's written election to terminate this Lease as provided in this Section 11.1 (c), Landlord reasonably believes it can complete its required restoration within 30 days following the receipt of such notice, Landlord may, in its sole discretion, elect to proceed with such restoration and, provided Landlord substantially completes such required restoration within such 30-day period. Tenant's election to terminate shall be null and void.

From and after the casualty event, the rental (including Basic Rent and Operating Expenses) to be paid under this Lease shall be abated in the same proportion that the Floor Area of the Premises that is rendered unusable by the damage from time to time bears to the total Floor Area of the Premises.

Notwithstanding the provisions of subsection (d) of this Section 11.1, if the damage is due to the negligence of Tenant or its employees, subtenants, contractors, invitees or representatives, then the rental to be paid by Tenant under this Lease shall be abated only to the extent Landlord is compensated for such rental by loss of rent insurance proceeds then carried by Landlord.

LEASE GOVERNS. Tenant agrees that the provisions of this Lease, including without limitation Section 11.1, shall govern any damage or destruction and shall accordingly supersede any contrary statute or rule of law.

EMINENT DOMAIN

Either party may terminate this Lease if any material part of the Premises is taken or condemned for any public or quasi-public use under Law, by eminent domain or private purchase in lieu thereof (a "**Taking**"). Landlord shall also have the right to terminate this Lease if there is a Taking of any portion of the Building or Project which would have a material adverse effect on Landlord's ability to profitably operate the remainder of the Building. Tenant shall also have the right to terminate this Lease if there is a Taking of a material portion of the parking area serving the Premises and Landlord does not provide substitute parking within a reasonable proximity to the Premises. The termination shall be effective as of the effective date of any order granting possession to, or vesting legal title in, the condemning authority. If this Lease is not terminated, Basic Rent and Tenant's Share of Operating Expenses shall be appropriately adjusted to account for any reduction in the square footage of the Building or Premises. All compensation awarded for a Taking shall be the property of Landlord and the right to receive compensation or proceeds in connection with a Taking are expressly waived by Tenant; provided, however, Tenant may file a separate claim for Tenant's personal property, loss to Tenant's goodwill, and Tenant's moving and reasonable relocation expenses. If only a part of the Premises is subject to a Taking and this Lease is not terminated, Landlord, with reasonable diligence, will restore the remaining portion of the Premises as nearly as practicable to the condition immediately prior to the Taking. Tenant agrees that the provisions of this Lease shall govern any Taking and shall accordingly supersede any contrary statute or rule of law.

SUBORDINATION; ESTOPPEL CERTIFICATE

SUBORDINATION. Tenant accepts this Lease subject and subordinate to any mortgage(s), deed(s) of trust, ground lease(s) or other lien(s) now or subsequently arising upon the Premises, the Building or the Project, and to renewals, modifications, refinancings and extensions thereof (collectively referred to as a "**Mortgage**"). The party having the benefit of a Mortgage shall be referred to as a "**Mortgagee**". This clause shall be self-operative, but upon request from a Mortgagee, Tenant shall execute a commercially reasonable subordination and attornment agreement in favor of the Mortgagee, provided such agreement provides a non-disturbance covenant benefiting Tenant. Alternatively, a Mortgagee shall have the right at any time to subordinate its Mortgage to this Lease. Upon request, Tenant, without charge, shall attorn to any successor to Landlord's interest in this Lease in the event of a foreclosure of any mortgage. Tenant agrees that any purchaser at a foreclosure sale or lender taking title under a deed in lieu of foreclosure shall not be responsible for any act or omission of a prior landlord (provided that such successor landlord shall be obligated to cure any default by Landlord under this Lease that is of a continuing nature, such as repair and maintenance obligations), shall not be subject to any offsets or defenses Tenant may have against a prior landlord that are not expressly set forth in this Lease, and shall not be liable for the return of the Security Deposit to the extent not actually recovered by such purchaser nor bound by any rent paid in advance of the calendar month in which the transfer of title occurred; provided that the foregoing shall not release the applicable prior landlord from any liability for those obligations. Tenant acknowledges that Landlord's Mortgagees and their successors-in-interest are intended third party beneficiaries of this Section 13.1.

Notwithstanding the foregoing, upon written request by Tenant, Landlord will use reasonable efforts to obtain a non-disturbance, subordination and attornment agreement from Landlord's then current Mortgagee on such Mortgagee's then current standard form of agreement with such commercially reasonable changes as requested by Tenant. "Reasonable efforts" of Landlord shall not require Landlord to incur any cost, expense

or liability to obtain such agreement, it being agreed that Tenant shall be responsible for any fee or review costs charged by the Mortgagee. Upon request of Landlord, Tenant will execute the Mortgagee's form of non-disturbance, subordination and attornment agreement and return the same to Landlord for execution by the Mortgagee. Landlord's failure, despite its reasonable efforts, to obtain a non-disturbance, subordination and attornment agreement for Tenant shall have no effect on the rights, obligations and liabilities of Landlord and Tenant or be considered to be a default by Landlord hereunder.

Notwithstanding the foregoing in this Section to the contrary, as a condition precedent to the future subordination of this Lease to a future Mortgage, Landlord shall be required, upon Tenant's request, to provide Tenant with a non-disturbance, subordination, and attornment agreement in favor of Tenant from any Mortgagee who comes into existence after the Commencement Date. Such non-disturbance, subordination, and attornment agreement in favor of Tenant shall provide that, so long as Tenant is paying the Rent due under the Lease and is not otherwise in default under the Lease beyond any applicable cure period, its right to possession and the other terms of the Lease shall remain in full force and effect. Such non-disturbance, subordination, and attornment agreement may include other commercially reasonable provisions in favor of the Mortgagee, including, without limitation, additional time on behalf of the Mortgagee to cure defaults of the Landlord and provide that (a) neither Mortgagee nor any successor-in-interest shall be bound by (i) any payment of the Rent, or other sum due under this Lease for more than 1 month in advance or (ii) any amendment or modification of the Lease that is not otherwise contemplated under the Lease (e.g., an amendment to document the exercise of an option to extend the Term of this Lease by Tenant) that has the effect of reducing the rent, terminating the Term, or otherwise materially affecting Landlord's obligations under this Lease made without the express written consent of Mortgagee, which consent shall not be unreasonably withheld; (b) neither Mortgagee nor any successor-in-interest will be liable for (i) any act or omission or warranties of any prior landlord (including Landlord) but the successor-in-interest to Landlord will be required to cure any default of a prior Landlord that are of a continuing nature (e.g., repair and maintenance obligations), (ii) the breach of any warranties or obligations relating to construction of improvements on the Building or any tenant finish work performed or to have been performed by any prior landlord (including Landlord), but Tenant shall be entitled to exercise any self-help and other rights that may be expressly provided for in the Lease in such case, or (iii) the return of any Security Deposit, except to the extent such deposits have been received by Mortgagee; and (c) neither Mortgagee nor any successor-in-interest shall be subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord) that are not expressly set forth in this Lease.

ESTOPPEL CERTIFICATE. Tenant shall, within 10 days after receipt of a written request from Landlord, execute and deliver a commercially reasonable estoppel certificate in favor of those parties as are reasonably requested by Landlord (including a Mortgagee or a prospective purchaser of the Building or the Project).

DEFAULTS AND REMEDIES

TENANT'S DEFAULTS. In addition to any other event of default set forth in this Lease, the occurrence of any one or more of the following events shall constitute a "**Default**" by Tenant:

The failure by Tenant to make any payment of Rent required to be made by Tenant, as and when due, where the failure continues for a period of 3 days after written notice from Landlord to Tenant. The term "**Rent**" as used in this Lease shall be deemed to mean the Basic Rent and all other sums required to be paid by Tenant to Landlord pursuant to the terms of this Lease.

The assignment, sublease, encumbrance or other Transfer of the Lease by Tenant, either voluntarily or by operation of law, whether by judgment, execution, transfer by intestacy or testacy, or other means, without the prior written consent of Landlord unless otherwise authorized in Article 9 of this Lease.

The discovery by Landlord that any financial statement provided by Tenant, or by any affiliate, successor or guarantor of Tenant, was intentionally materially false.

The failure or inability by Tenant to observe or perform any of the covenants or provisions of this Lease to be observed or performed by Tenant, other than as specified in any other subsection of this Section 14.1, where the failure continues for a period of 30 days after written notice from Landlord to Tenant. However, if the nature of the failure is such that more than 30 days are reasonably required for its cure, then Tenant shall not be deemed to be in Default if Tenant commences the cure within 30 days, and thereafter diligently pursues the cure to completion.

The notice periods provided herein are in lieu of, and not in addition to, any notice periods provided by law, and Landlord shall not be required to give any additional notice under California Code of Civil Procedure Section 1161, or any successor statute, in order to be entitled to commence an unlawful detainer proceeding, provided that Landlord prepares and serves upon Tenant the applicable default notice in accordance with the requirements of California Code of Civil Procedure Section 1161, or any successor statute.

LANDLORD'S REMEDIES.

Upon the occurrence of any Default by Tenant, then in addition to any other remedies available to Landlord, Landlord may exercise the following remedies:

Landlord may terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. Such termination shall not affect any accrued obligations of Tenant under this Lease. Upon termination, Landlord shall have the right, subject to all applicable legal due process requirements, to reenter the Premises and remove all persons and property. Landlord shall also be entitled to recover from Tenant:

The worth at the time of award of the unpaid Rent which had been earned at the time of termination;

The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such loss that Tenant proves could have been reasonably avoided;

The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such loss that Tenant proves could be reasonably avoided;

Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result from Tenant's default, including, but not limited to, the cost of recovering possession of the Premises, commissions and other expenses of reletting, including necessary repair, renovation, improvement and alteration of the Premises for a new tenant, reasonable attorneys' fees, and any other reasonable costs; and

At Landlord's election, all other amounts in addition to or in lieu of the foregoing as may be permitted by law. Any sum, other than Basic Rent, shall be computed on the basis of the average monthly amount accruing during the 24 month period immediately prior to Default, except that if it becomes necessary to compute such rental before the 24 month period has occurred, then the computation shall be on the basis of the average monthly amount during the shorter period. As used in subparagraphs (1) and (2) above, the "worth at the time of award" shall be computed by allowing interest at the rate of 10% per annum. As used in subparagraph (3) above, the "worth at the time of award" shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1 %.

Landlord may elect not to terminate Tenant's right to possession of the Premises, in which event Landlord may continue to enforce all of its rights and remedies under this Lease, including the right to collect all rent as it becomes due. Efforts by the Landlord to maintain, preserve or relet the Premises, or the appointment of a receiver to protect the Landlord's interests under this Lease, shall not constitute a termination of the Tenant's right to possession of the Premises. In the event that Landlord elects to avail itself of the remedy provided by this subsection (ii), Landlord shall not unreasonably withhold its consent to an assignment or subletting of the Premises subject to the reasonable standards for Landlord's consent as are contained in this Lease.

The various rights and remedies reserved to Landlord in this Lease or otherwise shall be cumulative and, except as otherwise provided by California law, Landlord may pursue any or all of its rights and remedies at the same time. No delay or omission of Landlord or Tenant to exercise any right or remedy shall be construed as a waiver of the right or remedy or of any breach or default by the other party under this Lease. The acceptance by Landlord of rent shall not be a (i) waiver of any preceding breach or Default by Tenant of any provision of this Lease, other than the failure of Tenant to pay the particular rent accepted, regardless of Landlord's knowledge of the preceding breach or Default at the time of acceptance of rent, or (ii) a waiver of Landlord's right to exercise any remedy available to Landlord by virtue of the breach or Default. The acceptance of any payment from a debtor in possession, a trustee, a receiver or any other person acting on behalf of Tenant or Tenant's estate shall not waive or cure a Default under Section 14.1. No payment by Tenant or receipt by Landlord of a lesser amount than the rent required by this Lease shall be deemed to be other than a partial payment on account of the earliest due stipulated rent, nor shall any endorsement or statement on any check or letter be deemed an accord and satisfaction and Landlord shall accept the check or payment without prejudice to Landlord's right to recover the balance of the rent or pursue any other remedy available to it. Tenant hereby waives any right of redemption or relief from forfeiture under California Code of Civil Procedure Section 1174 or 1179, or under any successor statute, in the event this Lease is terminated by reason of any Default by Tenant, provided that this waiver shall not be effective with respect to the first (but only the first) nonmonetary Default (i.e. a Default not set forth in Section 14.1(a) above) that results in the termination of this Lease. No act or thing done by Landlord or Landlord's agents during the Term shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender shall be valid unless in writing and signed by Landlord. No employee of Landlord or of Landlord's agents shall have any power to accept the keys to the Premises prior to the termination of this Lease, and the delivery of the keys to any employee shall not operate as a termination of the Lease or a surrender of the Premises.

LATE PAYMENTS. Any Rent due under this Lease that is not paid to Landlord within 5 days of the date when due shall bear interest at ten percent (10%) per annum from the date due until fully paid. The payment of interest shall not cure any Default by Tenant under this Lease. In addition, Tenant acknowledges that the late payment by Tenant to Landlord of rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Those costs may include, but are not limited to, administrative, processing and accounting charges, and late charges

which may be imposed on Landlord by the terms of any ground lease, mortgage or trust deed covering the Premises. Accordingly, if any rent due from Tenant shall not be received by Landlord or Landlord's designee within 5 days after the date due, then Tenant shall pay to Landlord, in addition to the interest provided above, a late charge for each delinquent payment equal to the greater of (i) 5% of that delinquent payment or (ii) \$100.00; provided that Landlord shall waive the payment of said late charge for the initial delinquent payment of Basic Rent or Operating Expenses by Tenant during each calendar year of the Term. Acceptance of a late charge by Landlord shall not constitute a waiver of Tenant's Default with respect to the overdue amount, nor shall it prevent Landlord from exercising any of its other rights and remedies. Notwithstanding the foregoing, no such late charge or interest shall be due on the first (and only the first) late payment of Rent by Tenant in any calendar year during the Term, unless Tenant fails to make such payment within ten (10) days after its receipt of a written notice of delinquency from Landlord.

RIGHT OF LANDLORD TO PERFORM. If Tenant is in Default of any of its obligations under the Lease, Landlord shall have the right to perform such obligations. Tenant shall reimburse Landlord for the cost of such performance upon demand together with an administrative charge equal to 10% of the cost of the work performed by Landlord.

DEFAULT BY LANDLORD. Landlord shall not be deemed to be in default in the performance of any obligation under this Lease unless and until it has failed to perform the obligation within a reasonable time but in no event longer than 30 days after written notice by Tenant to Landlord specifying in reasonable detail the nature and extent of the failure; provided, however, that if the nature of Landlord's obligation is such that more than 30 days are required for its performance, then Landlord shall not be deemed to be in default if it commences performance within the 30 day period and thereafter diligently pursues the cure to completion. Tenant hereby waives any right to terminate or rescind this Lease as a result of any default by Landlord hereunder or any breach by Landlord of any promise or inducement relating hereto, and Tenant agrees that its remedies shall in no event include any consequential damages, lost profits or opportunity costs.

EXPENSES AND LEGAL FEES. Should either Landlord or Tenant bring any action in connection with this Lease, the prevailing party shall be entitled to recover as a part of the action its reasonable attorneys' fees, and all other reasonable costs. The prevailing party for the purpose of this paragraph shall be determined by the trier of the facts.

WAIVER OF JURY TRIAL/JUDICIAL REFERENCE.

LANDLORD AND TENANT EACH ACKNOWLEDGES THAT IT IS AWARE OF AND HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHT TO TRIAL BY JURY, AND EACH PARTY DOES HEREBY EXPRESSLY AND KNOWINGLY WAIVE AND RELEASE ALL SUCH RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER (AND/OR AGAINST ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR SUBSIDIARY OR AFFILIATED ENTITIES) ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM OF INJURY OR DAMAGE.

In the event that the jury waiver provisions of Section 14.7(a) are not enforceable under California law, then, unless otherwise agreed to by the parties, the provisions of this Section 14.7(b) shall apply. Landlord and Tenant agree that, except as otherwise expressly provided by this Lease, any disputes arising in connection with this Lease (including but not limited to a determination of any and all of the issues

in such dispute, whether of fact or of law) shall be resolved (and a decision shall be rendered) by way of a general reference as provided for in Part 2, Title 8, Chapter 6 (§§ 638 et. seq.) of the California Code of Civil Procedure, or any successor California statute governing resolution of disputes by a court appointed referee. Nothing within this Section 14.7 shall apply to an unlawful detainer action.

SATISFACTION OF JUDGMENT. The obligations of Landlord and Tenant do not constitute the personal obligations of the individual partners, trustees, directors, officers, members or shareholders of Landlord or Tenant or any of their constituent partners or members. Should Tenant recover a money judgment against Landlord, such judgment shall be satisfied only from the interest of Landlord in the Project and out of the rent or other income from such property receivable by Landlord, and no action for any deficiency may be sought or obtained by Tenant.

END OF TERM

HOLDING OVER. If Tenant holds over for any period after the Expiration Date (or earlier termination of the Term) without the prior written consent of Landlord, such tenancy shall constitute a tenancy at sufferance only and a Default by Tenant; such holding over with the prior written consent of Landlord shall constitute a month-to-month tenancy commencing on the 1st day following the termination of this Lease and terminating 30 days following delivery of written notice of termination by either Landlord or Tenant to the other. In either of such events, possession shall be subject to all of the terms of this Lease, except that the monthly Basic Rent shall be 150% of the monthly Basic Rent for the month immediately preceding the date of termination unless Tenant gives Landlord 90-day prior written notice ("**Holdover Notice**") of its intent to hold over in which event the monthly rental shall be 100% of the total monthly rental for the month immediately preceding the date of termination for the initial 3 months of holdover, and 150% of the total monthly rental for the month immediately preceding the date of termination for each month of holdover thereafter, subject to the right of either party to terminate any such holdover tenancy by giving 30 days prior written notice to the other party. The acceptance by Landlord of monthly hold-over rental in a lesser amount shall not constitute a waiver of Landlord's right to recover the full amount due unless otherwise agreed in writing by Landlord. The foregoing provisions of this Section 15.1 are in addition to and do not affect Landlord's right of re-entry or any other rights of Landlord under this Lease or at law.

SURRENDER OF PREMISES; REMOVAL OF PROPERTY. Upon the Expiration Date or upon any earlier termination of this Lease, Tenant shall quit and surrender possession of the Premises to Landlord in as good order, condition and repair as when received or as hereafter may be improved by Landlord or Tenant, reasonable wear and tear, damage caused by casualty, and repairs which are Landlord's obligation excepted, and shall remove or fund to Landlord the cost of removing all Required Removables, together with all personal property and debris, and shall perform all work required under Section 7.3 of this Lease. If Tenant shall fail to comply with the provisions of this Section 15.2, Landlord may effect the removal and/or make any repairs, and the cost to Landlord shall be additional rent payable by Tenant upon demand.

PAYMENTS AND NOTICES

All sums payable by Tenant to Landlord shall be paid, without deduction or offset, in lawful money of the United States to Landlord at its address set forth in Item 12 of the Basic Lease Provisions, or at any other place as Landlord may designate in writing to Tenant. Unless this Lease expressly provides otherwise, as for example in the payment of rent pursuant to Section 4.1, all payments shall be due and payable within 30 days after demand. All payments requiring proration shall be prorated on the basis of the number of days in the pertinent calendar month or year, as applicable. Any notice, election, demand, consent, approval or other communication to be given or other document to be delivered by either party to the other may be

delivered to the other party, at the address set forth in Item 12 of the Basic Lease Provisions, by personal service, or by any courier or "overnight" express mailing service. Either party may, by written notice to the other, served in the manner provided in this Article, designate a different address. The refusal to accept delivery of a notice, or the inability to deliver the notice (whether due to a change of address for which notice was not duly given or other good reason), shall be deemed delivery and receipt of the notice as of the date of attempted delivery and any noticed delivered on a Saturday, Sunday or legal holiday recognized in the City of Santa Clara, CA shall not be deemed received until the next business day. If more than one person or entity is named as Tenant under this Lease, service of any notice upon any one of them shall be deemed as service upon all of them.

RULES AND REGULATIONS

Tenant agrees to comply with the Rules and Regulations attached as **Exhibit E**, and any reasonable and nondiscriminatory amendments, modifications and/or additions as may be adopted and published by written notice to tenants by Landlord for the safety, care, security, good order, or cleanliness of the Premises, Building, Project and/or Common Areas. Landlord shall not be liable to Tenant for any violation of the Rules and Regulations or the breach of any covenant or condition in any lease or any other act or conduct by any other tenant, and the same shall not constitute a constructive eviction hereunder. One or more waivers by Landlord of any breach of the Rules and Regulations by Tenant or by any other tenant(s) shall not be a waiver of any subsequent breach of that rule or any other. Tenant's failure to keep and observe the Rules and Regulations shall constitute a default under this Lease. In the case of any conflict between the Rules and Regulations and this Lease, this Lease shall be controlling.

BROKER'S COMMISSION

The parties recognize as the broker(s) who negotiated this Lease the firm(s) whose name(s) is (are) stated in Item 10 of the Basic Lease Provisions, and agree that Landlord shall be responsible for the payment of brokerage commissions to those broker(s). It is understood that Landlord's Broker represents only Landlord in this transaction and Tenant's Broker (if any) represents only Tenant. Each party warrants that it has had no dealings with any other real estate broker or agent in connection with the negotiation of this Lease, and agrees to indemnify and hold the other party harmless from any cost, expense or liability (including reasonable attorneys' fees) for any compensation, commissions or charges claimed by any other real estate broker or agent employed or claiming to represent or to have been employed by the indemnifying party in connection with the negotiation of this Lease. The foregoing agreement shall survive the termination of this Lease.

TRANSFER OF LANDLORD'S INTEREST

In the event of any transfer of Landlord's interest in the Premises, the transferor shall be automatically relieved of all obligations on the part of Landlord first accruing under this Lease from and after the date of the transfer, provided that Tenant is duly notified of the transfer, further provided that any successor pursuant to a voluntary, third party transfer (but not as part of an involuntary transfer resulting from a foreclosure or deed in lieu thereof) shall have assumed Landlord's obligations under this Lease. Any funds held by the transferor in which Tenant has an interest, including without limitation, the Security Deposit, shall be turned over, subject to that interest, to the transferee. No Mortgagee to which this Lease is or may be subordinate shall be responsible in connection with the Security Deposit unless the Mortgagee actually receives the Security Deposit. It is intended that the covenants and obligations contained in this Lease on the part of Landlord shall, subject to the foregoing, be binding on Landlord, its successors and assigns, only with respect to their respective successive periods of ownership.

INTERPRETATION

NUMBER. Whenever the context of this Lease requires, the words "Landlord" and "Tenant" shall include the plural as well as the singular.

HEADINGS. The captions and headings of the articles and sections of this Lease are for convenience only, are not a part of this Lease and shall have no effect upon its construction or interpretation.

JOINT AND SEVERAL LIABILITY. If more than one person or entity is named as Tenant, the obligations imposed upon each shall be joint and several and the act of or notice from, or notice or refund to, or the signature of, any one or more of them shall be binding on all of them with respect to the tenancy of this Lease, including, but not limited to, any renewal, extension, termination or modification of this Lease.

SUCCESSORS. Subject to Sections 13.1 and 22.3 and to Articles 9 and 19 of this Lease, all rights and liabilities given to or imposed upon Landlord and Tenant shall extend to and bind their respective heirs, executors, administrators, successors and assigns. Nothing contained in this Section 20.4 is intended, or shall be construed, to grant to any person other than Landlord and Tenant and their successors and assigns any rights or remedies under this Lease.

TIME OF ESSENCE. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

CONTROLLING LAW/VENUE. This Lease shall be governed by and interpreted in accordance with the laws of the State of California. Should any litigation be commenced between the parties in connection with this Lease, such action shall be prosecuted in the applicable State Court of California in the county in which the Building is located.

SEVERABILITY. If any term or provision of this Lease, the deletion of which would not adversely affect the receipt of any material benefit by either party or the deletion of which is consented to by the party adversely affected, shall be held invalid or unenforceable to any extent, the remainder of this Lease shall not be affected and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

WAIVER. One or more waivers by Landlord or Tenant of any breach of any term, covenant or condition contained in this Lease shall not be a waiver of any subsequent breach of the same or any other term, covenant or condition. Consent to any act by one of the parties shall not be deemed to render unnecessary the obtaining of that party's consent to any subsequent act. No breach of this Lease shall be deemed to have been waived unless the waiver is in a writing signed by the waiving party.

INABILITY TO PERFORM. In the event that either party shall be delayed or hindered in or prevented from the performance of any work or in performing any act required under this Lease by reason of any cause beyond the reasonable control of that party, then the performance of the work or the doing of the act shall be excused for the period of the delay and the time for performance shall be extended for a period equivalent to the period of the delay. The provisions of this Section 20.9 shall not operate to excuse Tenant from the prompt payment of Rent or delay Tenant from receiving the abatement of any rental to which ii entitled under any express provision of this Lease.

ENTIRE AGREEMENT. This Lease and its exhibits and other attachments cover in full each and every agreement of every kind between the parties concerning the Premises, the Building, and the Project, and all preliminary negotiations, oral agreements, understandings and/or practices, except those contained in this Lease, are superseded and of no further effect. Tenant and Landlord each waive its rights to rely on any representations or promises made by the other party which are not contained in this Lease. No verbal

agreement or implied covenant shall be held to modify the provisions of this Lease, any statute, law, or custom to the contrary notwithstanding.

QUIET ENJOYMENT. Upon the observance and performance of all the covenants, terms and conditions on Tenant's part to be observed and performed, and subject to the other provisions of this Lease, Tenant shall have the right of quiet enjoyment and use of the Premises for the Term without hindrance or interruption by Landlord or any other person claiming by or through Landlord.

SURVIVAL. All covenants of Landlord or Tenant which reasonably would be intended to survive the expiration or sooner termination of this Lease, including without limitation any warranty or indemnity hereunder, shall so survive and continue to be binding upon and inure to the benefit of the respective parties and their successors and assigns.

EXECUTION AND RECORDING

COUNTERPARTS; DIGITAL SIGNATURES. This Lease may be executed in one or more counterparts, each of which shall constitute an original and all of which shall be one and the same agreement. The parties agree to accept a digital image (including but not limited to an image in the form of a PDF, JPEG, GIF file, or other e-signature) of this Lease, if applicable, reflecting the execution of one or both of the parties, as a true and correct original.

CORPORATE AND PARTNERSHIP AUTHORITY. If Tenant or Landlord is a corporation, limited liability company or partnership, each individual executing this Lease on behalf of the entity represents and warrants that such individual is duly authorized to execute and deliver this Lease and that this Lease is binding upon the corporation, limited liability company or partnership in accordance with its terms. Tenant shall, at Landlord's request, deliver a certified copy of its organizational documents or an appropriate certificate authorizing or evidencing the execution of this Lease.

EXECUTION OF LEASE; NO OPTION OR OFFER. The submission of this Lease to Tenant shall be for examination purposes only, and shall not constitute an offer to or option for Tenant to lease the Premises. Execution of this Lease by Tenant and its return to Landlord shall not be binding upon Landlord, notwithstanding any time interval, until Landlord has in fact executed and delivered this Lease to Tenant, it being intended that this Lease shall only become effective upon execution by Landlord and delivery of a fully executed counterpart to Tenant.

RECORDING. Tenant shall not record this Lease without the prior written consent of Landlord. Tenant, upon the request of Landlord, shall execute and acknowledge a "short form" memorandum of this Lease for recording purposes.

AMENDMENTS. No amendment or mutual termination of this Lease shall be effective unless in writing signed by authorized signatories of Tenant and Landlord, or by their respective successors in interest. No actions, policies, oral or informal arrangements, business dealings or other course of conduct by or between the parties shall be deemed to modify this Lease in any respect.

BROKER DISCLOSURE. By the execution of this Lease, each of Landlord and Tenant hereby acknowledge and confirm (a) receipt of a copy of a Disclosure Regarding Real Estate Agency Relationship conforming to the requirements of California Civil Code 2079.16, and (b) the agency relationships specified in Section 10 of the Basic Lease Provisions, which acknowledgement and confirmation is expressly made for the benefit of Tenant's Broker identified in Section 1 O of the Basic Lease Provisions. If there is no Tenant's Broker so identified in Section 1 O of the Basic Lease Provisions, then such acknowledgement and

confirmation is expressly made for the benefit of Landlord's Broker. By the execution of this Lease, Landlord and Tenant are executing the confirmation of the agency relationships set forth in Section 10 of the Basic Lease Provisions.

MISCELLANEOUS

NONDISCLOSURE OF LEASE TERMS. Tenant acknowledges that the content of this Lease and any related documents are confidential information. Except to the extent disclosure is required by law, court order or pursuant to litigation, Tenant shall keep such confidential information strictly confidential and shall not disclose such confidential information to any person or entity other than Tenant's attorneys, brokers, members, prospective financial partners and purchasers, tax and financial advisors, lenders and investors, and prospective subtenants and assignees, to the extent such parties have a need to know, provided that such parties are informed of the confidentiality of such information.

TENANT'S FINANCIAL STATEMENTS. The application, financial statements and tax returns, if any, submitted and certified to by Tenant as an accurate representation of its financial condition have been prepared, certified and submitted to Landlord as an inducement and consideration to Landlord to enter into this Lease. Tenant shall during the Term furnish Landlord with current annual financial statements accurately reflecting Tenant's financial condition upon written request from Landlord within 30 days following Landlord's request (but not more frequently than once per calendar year); provided, however, that so long as Tenant is a publicly traded corporation on a nationally recognized stock exchange, the foregoing obligation to deliver the statements shall be waived. Landlord shall keep such financial information strictly confidential and shall only disclose such information to Landlord's lenders, consultants, purchasers or investors, or other agents (who shall be subject to the same confidentiality obligations) on a need to know basis in connection with the administration of this Lease.

MORTGAGEE PROTECTION. No act or failure to act on the part of Landlord which would otherwise entitle Tenant to terminate this Lease shall result in such a termination unless (a) Tenant has given notice by registered or certified mail to any Mortgagee of a Mortgage covering the Building whose address has been furnished to Tenant and (b) such Mortgagee is afforded a reasonable opportunity to cure the default by Landlord (which shall in no event be more than 90 days beyond the time frame provided to Landlord), including, if necessary to effect the cure. Tenant shall comply with any written directions by any Mortgagee to pay Rent due hereunder directly to such Mortgagee without determining whether a default exists under such Mortgagee's Mortgage.

SON LIST. Tenant and Landlord each hereby represents and warrants that to the other party that it is not listed as a Specially Designated National and Blocked Person ("**SDN**") on the list of such persons and entities issued by the U.S. Treasury Office of Foreign Assets Control (OFAC).

LANDLORD:

AUGUSTINE BOWERS LLC,
a Delaware limited liability company

By /s/ Douglas G. Holte

Douglas G. Holte

President, Office Properties
Office Properties

By /s/ Ray Wirta

Ray Wirta
President IPG

DAU

TENANT:

VERITAS TECHNOLOGIES LLC,
a Delaware limited liability company

By /s/ Brent Genovese

Printed Name Brent A. Genovese
Title Senior Director, Workplace Services

By _____
Printed Name
Title

EXHIBIT A

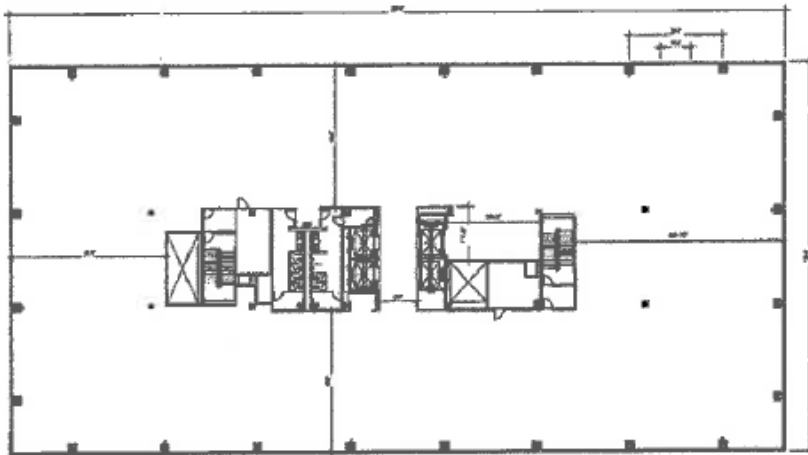
DESCRIPTION OF PREMISES

2625 AUGUSTINE DRIVE
SANTA CLARA, CA

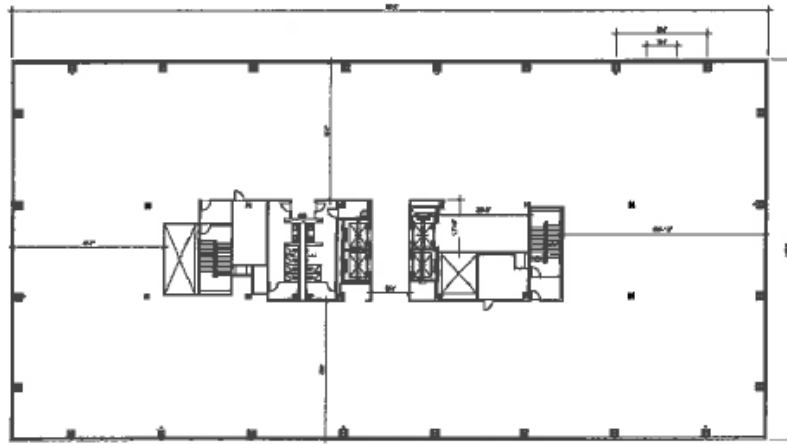
Suite 101 (comprised of approximately 14,934 rentable square feet)



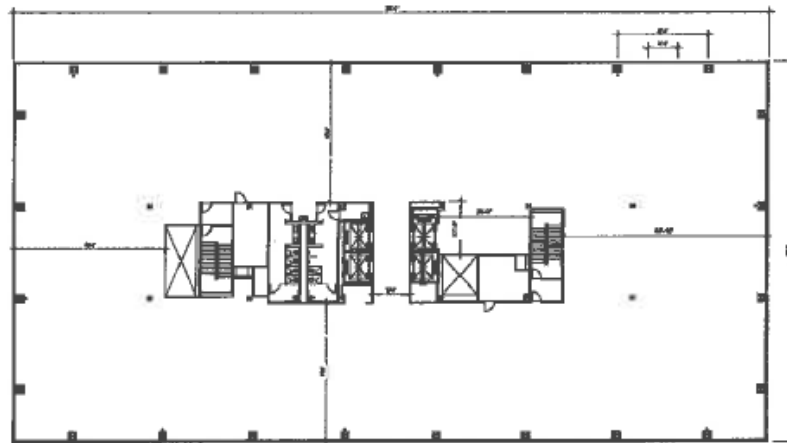
Suite 301 (comprised of approximately 32,492 rentable square feet)



Suite 401 (comprised of approximately 32,492 rentable square feet)



Suite 501 (comprised of approximately 32,492 rentable square feet)



Suite 601 (comprised of approximately 32,492 rentable square feet)

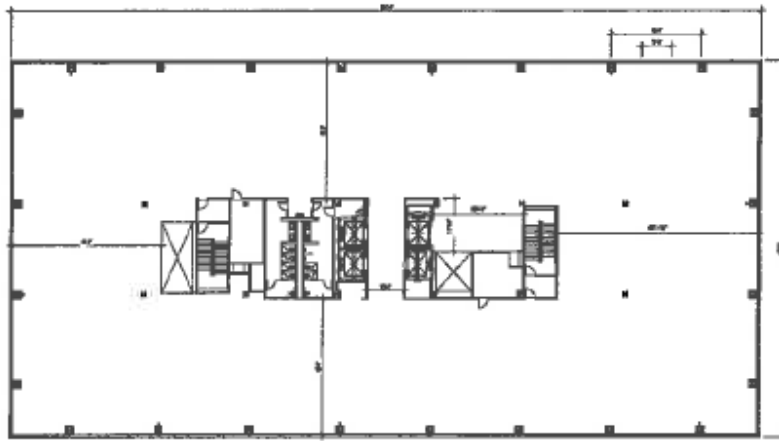


EXHIBIT B

Operating Expenses (Net)

(a) From and after the Commencement Date, Tenant shall pay to Landlord, as additional rent, Tenant's Share of all Operating Expenses, as defined in Section (f) below, incurred by Landlord in the operation of the Building and the Project. The term "Tenant's Share" means that portion of any Operating Expenses determined by multiplying the cost of such item by a fraction, the numerator of which is the Floor Area and the denominator of which is the total rentable square footage, of (i) the Building, for expenses determined by Landlord to benefit or relate substantially to the Building rather than the entire Project, and (ii) all or some of the buildings in the Project, for expenses determined by Landlord to benefit or relate substantially to all or some (including the Building) of the buildings in the Project rather than any specific building. Landlord shall not allocate to the entire Project any Operating Expenses which may benefit or substantially relate to a particular building within the Project. In the event that Landlord determines that any building with the Project (including the Building) incurs a non-proportional benefit from any expense, or is the non-proportional cause of any such expense, Landlord shall allocate a greater percentage of such Operating Expense to such building. In the event that any management and/or overhead fee payable or imposed by Landlord for the management of Tenant's Premises is calculated as a percentage of the rent payable by Tenant and other tenants of Landlord, then the full amount of such management and/or overhead fee which is attributable to the rent paid by Tenant shall be additional rent payable by Tenant, in full, provided, however, that Landlord may elect to include such full amount as part of Tenant's Share of Operating Expenses. Notwithstanding the foregoing, throughout the Term of this Lease, Tenant's Share of Operating Expenses (exclusive of Property Taxes, capitalized costs (to the extent permitted as a Project Cost) and utility and insurance costs) shall not be increased on an annual basis by more than five percent (5%) on a cumulative and compounded basis.

(b) Commencing prior to the start of the first full "**Expense Recovery Period**" of the Lease (as defined in Item 7 of the Basic Lease Provisions), and prior to the start of each full or partial Expense Recovery Period thereafter, Landlord shall give Tenant a written estimate reasonably determined by Landlord of the amount of Tenant's Share of Operating Expenses for the applicable Expense Recovery Period. Commencing on the Commencement Date, Tenant shall pay the estimated amounts to Landlord in equal monthly installments, in advance, concurrently with payments of Basic Rent. If Landlord has not furnished its written estimate for any Expense Recovery Period by the time set forth above, Tenant shall continue to pay monthly the estimated Tenant's Share of Operating Expenses in effect during the prior Expense Recovery Period; provided that when the new estimate is delivered to Tenant, Tenant shall, at the next monthly payment date, pay any accrued estimated Tenant's Share of Operating Expenses based upon the new estimate. Landlord may from time to time change the Expense Recovery Period to reflect a calendar year or a new fiscal year of Landlord, as applicable, in which event Tenant's Share of Operating Expenses shall be equitably prorated for any partial year.

(c) Within 180 days after the end of each Expense Recovery Period, Landlord shall furnish to Tenant a statement (a "**Reconciliation Statement**") showing in reasonable detail the actual or prorated Tenant's Share of Operating Expenses Incurred by Landlord during such Expense Recovery Period, and the parties shall within 30 days thereafter make any payment or allowance necessary to adjust Tenant's estimated payments of Tenant's Share of Operating Expenses, if any, to the actual Tenant's Share of Operating Expenses as shown by the Reconciliation Statement. Any delay or failure by Landlord in delivering any Reconciliation Statement shall not constitute a waiver of Landlord's right to require Tenant to pay Tenant's Share of Operating Expenses pursuant hereto. Any amount due Tenant shall be credited against installments next coming due (or promptly refunded to Tenant if respect to the last year of the Term) under this **Exhibit B**, and any deficiency shall be paid by Tenant together with the next installment. Should Tenant fail to object in writing to Landlord's determination of Tenant's Share of Operating Expenses, or fail to give written notice of its intent to audit Landlord's Operating Expenses pursuant to the provisions of the next succeeding paragraph, within 180 days following delivery of Landlord's Reconciliation Statement. Landlord's determination of Tenant's Share of Operating Expenses for the applicable Expense Recovery Period shall be conclusive and binding on Tenant for all purposes and any future claims by Tenant to the contrary shall be barred.

Notwithstanding the foregoing, if Tenant's audit timely conducted pursuant to the paragraph next below establishes that the same component of Operating Expenses for the subject Expense Recovery Period was also overstated by 3% or more in previous Expense Recovery Period(s), then Landlord shall also correct and reimburse Tenant for such overstatement in such previous Expense Recovery Period(s).

Provided no Default has occurred, Tenant shall have the right to cause its Chief Financial Officer or a certified public accountant, engaged on a non-contingency fee basis, to audit Operating Expenses by inspecting Landlord's general ledger of expenses not more than once during any Expense Recovery Period. However, to the extent that insurance premiums or any other component of Operating Expenses is determined by Landlord on the basis of an internal allocation of costs utilizing information Landlord in good faith deems proprietary, such expense component shall not be subject to audit so long as it does not exceed the amount per square foot typically imposed by landlords of other comparable class business parks in the vicinity of the Project. Tenant shall give notice to Landlord of Tenant's intent to audit within 180 days after delivery of Landlord's Reconciliation Statement which sets forth Tenant's Share of Landlord's actual Operating Expenses to Tenant. Landlord shall promptly mail or email the applicable records to Tenant for the audit. If Tenant's audit determines that actual Operating Expenses have been overstated by more than 3%, then subject to Landlord's right to review and/or contest the audit results, Landlord shall reimburse Tenant for the reasonable out-of-pocket costs of such audit. Tenant's rent shall be appropriately adjusted to reflect any overstatement in Operating Expenses. All of the information obtained by Tenant and/or its auditor in connection with such audit, as well as any compromise, settlement, or adjustment reached between Landlord and Tenant as a result thereof, shall be held in strict confidence and, except as may be required by law, court order or pursuant to litigation, shall not be disclosed to any third party (other than Tenant's attorneys, brokers, members, prospective financial partners and purchasers, tax and financial advisors, lenders and investors, and prospective subtenants, to the extent such parties have a need to know, provided that such parties are informed of the confidentiality of such information), directly or indirectly, by Tenant or its auditor or any of their officers, agents or employees. Landlord may require Tenant's auditor to execute a separate confidentiality agreement affirming the foregoing as a condition precedent to any audit. In the event of a violation of this confidentiality covenant in connection with any audit, then in addition to any other legal or equitable remedy available to Landlord, Tenant shall forfeit its right to any reconciliation or cost reimbursement payment from Landlord due to said audit {and any such payment theretofore made by Landlord shall be promptly returned by Tenant), and Tenant shall have no further audit rights under this Lease for the next 3 year period during the Term.

(d) Even though this Lease has terminated and the Tenant has vacated the Premises, when the final determination is made of Tenant's Share of Operating Expenses for the Expense Recovery Period in which this Lease terminates, Tenant shall within 30 days of written notice pay the entire increase over the estimated Tenant's Share of Operating Expenses already paid. Conversely, any overpayment by Tenant shall be rebated by Landlord to Tenant not later than 30 days after such final determination. However, in lieu thereof, Landlord may deliver a reasonable estimate of the anticipated reconciliation amount to Tenant prior to the Expiration Date of the Term, in which event the appropriate party shall fund the amount by the Expiration Date. Notwithstanding the foregoing or anything to the contrary contained in this Lease, Tenant shall have no obligation to pay any Operating Expenses that are fairly allocable to any time period after the expiration or earlier termination of the Term and Tenant's vacation of the Premises.

(e) Subject to the provisions of this **Exhibit B**, if, at any time during any Expense Recovery Period, any one or more of the Operating Expenses are increased to a rate(s) or amount(s) in excess of the rate(s) or amount(s) used in calculating the estimated Tenant's Share of Operating Expenses for the year, then the estimate of Tenant's Share of Operating Expenses may be increased by written notice from Landlord for the month in which such rate(s) or amount(s) becomes effective and for all succeeding months by an amount equal to the estimated amount of Tenant's Share of the increase (provided that the same component of Operating Expenses shall not be increased on an annual basis by more than five percent (5%) on a cumulative and compounded basis.)

Landlord shall give Tenant written notice of the amount or estimated amount of the increase, the month in which the increase will become effective, Tenant's Share thereof and the months for which the payments are due. Tenant shall pay the increase to Landlord as part of the Tenant's monthly payments of estimated expenses as provided in paragraph (b) above, commencing with the month in which effective.

(f) The term "**Operating Expenses**" shall mean and include all Project Costs, as defined in Section (g) below, and Property Taxes, as defined in Section (h) below.

(g) The term "**Project Costs**" shall mean all expenses of operation, management, repair, replacement and maintenance of the Building and the Project, including without limitation all appurtenant Common Areas (as defined in Section 6.2 of the Lease), and shall include the following charges by way of illustration but not limitation: water and sewer charges; insurance premiums, deductibles, or reasonable premium equivalents or deductible equivalents should Landlord elect to self insure any risk that Landlord is authorized to insure hereunder ; license, permit, and inspection fees: light; power; window washing: trash pickup; janitorial services to any interior Common Areas; heating, ventilating and air conditioning; supplies; materials; equipment: tools; reasonable fees for consulting services; access control/security costs, inclusive of the reasonable cost of improvements made to enhance access control systems and

procedures; costs incurred in connection with compliance with any new laws or changes in laws applicable to the Building or the Project ("**Compliance Costs**") (provided that, except for new laws or changes in laws that pertain particularly to Tenant or use of the Premises (as opposed to office uses by tenants in general), which shall be the sole responsibility of Tenant at its cost, to the extent such laws or change in laws require expenditures of a "capital" nature, then such "capital" expenditure exceeding the amount of \$75,000.00 shall be amortized (using a market cost of funds as reasonably determined by Landlord) over the useful life of such asset and only the amortized cost thereof shall be includable in Project Costs during the remaining Term of the Lease); the cost of any capital improvements or replacements (other than tenant improvements for specific tenants) to the extent of the amortized amount thereof over the useful life of such capital improvements or replacements (or, if such capital improvements or replacements are anticipated to achieve a cost savings as to the Operating Expenses, any shorter estimated period of time over which the cost of the capital improvements or replacements would be recovered from the estimated cost savings) calculated at a market cost of funds, all as reasonably determined by Landlord, for each year of useful life or shorter recovery period of such capital expenditure whether such capital expenditure occurs during or prior to the Term; provided that such capital expenditures shall be limited to (1) improvements which are reasonably intended to increase or enhance building security and/or safety (such as lighting, life/fire safety systems, etc.), (2) repairs or replacements of the Building, or its systems, or the roof membrane or to the Common Areas for functional (and not aesthetic) reasons, (3) Compliance Costs; and/or (4) expenditures incurred as a cost or labor saving measure or to affect other economies in the operation or maintenance of the Building or the Common Areas (collectively, "**Permitted Capital Items**"); costs associated with the maintenance of an air conditioning, heating and ventilation service agreement, and maintenance of any communications or networked data transmission equipment, conduit, cabling, wiring and related telecommunications facilitating automation and control systems, remote telecommunication or data transmission infrastructure within the Building and/or the Project, and any other maintenance, repair and replacement costs associated with such infrastructure; capital costs associated with a requirement related to demands on utilities by Project tenants, including without limitation the cost to obtain additional voice, data and modem connections; labor; reasonably allocated wages and salaries, fringe benefits, and payroll taxes for administrative and other personnel directly applicable to the Building and/or Project, including both Landlord's personnel and outside personnel; any expense incurred pursuant to Sections 6.1, 6.2, 7.2, 10.2, and **Exhibits C and F** of the Lease; and reasonable overhead and/or management fees not to exceed 2% of the Basic Rent (without taking into account any abated Basic Rent) owing under this Lease for the professional operation of the Project. It is understood and agreed that Project Costs may include competitive charges for direct services (including, without limitation, management and/or operations services) provided by any subsidiary, division or affiliate of Landlord.

(h) The term "**Property Taxes**" as used herein shall include any form of federal, state, county or local government or municipal taxes, fees, charges or other impositions of every kind (whether general, special, ordinary or extraordinary) related to the ownership, leasing or operation of the Premises, Building or Project, including without limitation, the following: (i) all real estate taxes or personal property taxes levied against the Premises, the Building or Project, as such property taxes may be reassessed from time to time; and (ii) other taxes, charges and assessments which are levied with respect to this Lease or to the Building and/or the Project, and any improvements, fixtures and equipment and other property of Landlord located in the Building and/or the Project, (iii) all assessments and fees for public improvements, services, and facilities and impacts thereon, including without limitation arising out of any Community Facilities Districts, "Mello Roos" districts, similar assessment districts, and any traffic impact mitigation assessments or fees; (iv) any tax, surcharge or assessment which shall be levied in addition to or in lieu of real estate or personal property taxes, and (v) taxes based on the receipt of rent (including gross receipts or sales taxes applicable to the receipt of rent), and (vi) costs and expenses incurred in contesting the amount or validity of any Property Tax by appropriate proceedings. In the case of any Property Taxes that may be paid in annual or other periodic installments, for the purpose of calculating Property Taxes under this Lease, Landlord shall elect to cause such bonds to be issued or such assessment to be paid in installments over the maximum period permitted by applicable law. Notwithstanding the foregoing, Property Taxes shall not include, and Tenant shall have no obligation to pay or reimburse Landlord for any of the following: (1) general net income, franchise, estate, inheritance, succession or transfer taxes of Landlord; (2) any income, profits or revenue tax or charge upon the net income of Landlord from all sources; (3) any penalties or interest charges (through no fault of Tenant), and (4) any supplemental real estate taxes related to any period of time before or after the Lease Term. Tenant shall have the right to request Landlord to contest Property Taxes assessed against the Premises, Building, or Tenant's personal property. Tax refunds shall be credited against Property Taxes, as applicable, it being understood that this obligation shall survive the termination of this Lease regardless of when received, based on the Lease year to which the refund is applicable during the Term; it being understood that this obligation shall survive the termination of this Lease.

(i) Notwithstanding the foregoing provisions of this Exhibit B, Operating Expenses shall exclude the following:

(1) All costs and expenses of operation of any child care in the Building;

(2) The wages and benefits of any employee who does not devote substantially all of his or her employed time to the Project unless such wages and benefits are prorated to reflect time spent on operating and managing the Project vis-a-vis time spent on matters unrelated to operating and managing the Project; provided that in no event shall Operating Costs include wages and/or benefits attributable to personnel above the level of portfolio property manager or chief engineer;

(3) Interest on debt or amortization on any Mortgage or Mortgages encumbering the Building;

(4) All costs relating to activities for the marketing, solicitation and execution or renewal of leases of space in the Project, including, without limitation, accounting and legal fees, advertising, printing costs and brochures, space planning, tenant allowances, leasehold improvements and other tenant concessions;

(5) Costs associated with the sale, syndicating, or refinancing of the Project, including, without limitation, attorneys' fees, accounting costs, closing costs, consulting or brokerage commissions, origination fees or points, and interest cost or charges;

(6) Costs associated with the acquisition of the fee, ground lease (including payments due under a ground lease), air rights or development rights with respect to the Project;

(7) Cost of decorating, redecorating, or tenant installations incurred in connection with preparing rentable space for a new tenant (or retaining a tenant);

(8) Expenses in connection with services or other benefits which are not provided to Tenant or for which Tenant is charged for directly but which are provided to another tenant or occupant of the Project;

(9) Costs incurred by Landlord for repairs, replacements and/or restoration to or of the Building to the extent that Landlord is actually reimbursed by insurance or condemnation proceeds or by tenants (other than through Operating Expense pass-through), warrantors or other third persons;

(10) Costs incurred by Landlord for improvements or replacements (including structural additions), repairs, equipment and tools which are of a "capital nature and/or which are considered "capital improvements or replacements under GAAP, except to the extent included in Project Costs by the express terms of Section (g) of this Exhibit B;

(11) Overhead and profit increments paid to subsidiaries or affiliates of Landlord for services provided to the Building or any other portion of the Project to the extent the same exceeds the costs that would generally be charged for such services if rendered on a competitive basis (based upon a standard of similar office buildings in the general market area of the Premises) by unaffiliated third parties capable of providing such service;

(12) The cost of alterations of rentable space in the Building or Project leased to Tenant and other tenants;

(13) Costs arising from the active or gross negligence or intentional misconduct of Landlord or its employees, contractors or agents;

(14) Costs incurred to remove, remedy, contain, or treat or otherwise related to any hazardous material, which hazardous material is brought onto the Project (A) before the date of this Lease and (B) after the date hereof by Landlord or any other tenant of the Project or any other person other than Tenant, its employees, agents, licensees, subtenants or invitees, and is of such a nature, at that time, that a federal, state or municipal governmental authority, if it had then had knowledge of the presence of such hazardous material, in the state, and under the conditions, that it then exists on the Project, would have then required the removal of such hazardous material or other remedial or containment action with respect thereto;

(15) Penalties and interest charges as a result of Landlord not paying bills when due or within any grace period:

(16) Ground rent or similar payments to a ground lessor,

(17) Costs related to Landlord's charitable or political contributions;

(18) Attorneys' fees and other costs and expenses incurred in connection with negotiations or disputes with present or prospective tenants, or in connection with any disputes between Landlord and its employees, between Landlord and Project management, or between Landlord and other tenants, or other occupants of the Project, except those attorneys' fees and other costs and expenses incurred in connection with negotiations, disputes or claims relating to the maintenance of standards required of Landlord under this Lease;

(19) Electric power costs or other utility costs for which any tenant directly contracts with the utility company;

(20) All costs associated with the operation of the business of the entity which constitutes "Landlord" (as distinguished from the costs of operating, maintaining, repairing, replacing and managing the Building or Project) including, but not limited to, Landlord's or Landlord's managing agent's general corporate overhead and general administrative expenses;

(21) Attorneys' fees and other costs and expenses incurred in connection with negotiations or disputes with present or prospective tenants or other occupants of the Building, except those attorneys' fees and other costs and expenses Incurred in connection with negotiations, disputes or claims relating to the maintenance of standards required of Landlord under this Lease;

(22) Costs, fines or penalties incurred by Landlord due to the violation by Landlord of (i) any governmental rule or regulation (provided that costs of complying with such governmental requirements may be included unless otherwise provided herein);

(23) any bad debt loss, rent loss, or reserves for bad debts or rent loss, amortization or other expense reserves other than reserves for expenses for anticipated expenses and which reserves are applied to Operating Expenses in the same calendar year;

(24) costs occasioned by the violation of any laws, CC&Rs or other private restrictions applicable to the Project by Landlord, any other occupant of the Project, or their respective agents, employees or contractors;

(25) rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment which if purchased the cost of which would be excluded from Project Costs as a capital cost, except equipment not affixed to the Project which is used in providing janitorial or similar services and, further excepting from this exclusion such equipment rented or leased to remedy or ameliorate an emergency condition in the Project;

(26) costs relating to the repair, maintenance or replacement of the structural elements of the Building or the Project, including, without limitation, exterior and load bearing walls, the roof structure (but not the roof membrane which may be included in Operating Expenses), the foundation, pipes and conduit located in the Common Areas, footings, structural floors, ceilings, and columns;

(27) amounts reimbursed or costs covered pursuant to contractor's or manufacturer's warranties or guarantees; provided that any charges for obtaining or maintaining such warranties or guarantees or enforcing warranty or guarantee claims shall be Included in Operating Expenses, but Landlord shall not be obligated to commence any suit or arbitration proceeding to enforce or collect any such warranty or guarantee claims, and if Landlord reasonably determines it is not prudent to pursue enforcement of such warranties or guaranties, Landlord will not be obligated to pursue such enforcement;

(28) *[Intentionally Deleted]*

(29) rent for any office space occupied by Project management personnel to the extent the size or rental rate of such office space exceeds the size or fair market rental value of office space occupied by management personnel of the buildings comparable to and in the vicinity of the Building, with adjustment where appropriate for the size of the applicable project; and

(30) the cost of correcting defects in the original construction of the Building.

Notwithstanding the foregoing, in any given Expense Recovery Period earthquake, flood or terrorism insurance deductibles included in Project costs shall be limited to an amount (the "Annual Limit") not to exceed 0.5% of the total insurable value of the Project per occurrence (provided, however, that, notwithstanding anything else herein to the contrary, if, for any occurrence, the earthquake insurance deductible exceeds the Annual Limit, then, after such deductible is included (up to the Annual Limit) in Project Costs for the applicable Expense Recovery Period, such excess may be included (up to the Annual Limit) in Project Costs for the immediately succeeding Expense Recovery Period, and any portion of such excess that is not so included in Project Costs for such immediately succeeding Expense Recovery Period may be included (up to the Annual Limit) in Project Costs for the next succeeding Expense Recovery Period, and so on with respect to each subsequent Expense Recovery Period; provided further, however, that in no event shall the portions of such deductible that are included in Project Costs for any one or more Expense Recovery Periods exceed, in the aggregate, 5.0% of the total insurable value of the Project). Further, exterior Building painting costs, and Project parking lot resurfacing costs, in each case in excess of \$75,000 per occurrence shall be amortized over the actual useful life of the repair in question (as reasonably determined by Landlord), in which case such amortized costs shall be included in Operating Expenses on a monthly basis only for that portion of the useful life of the repair in question that falls within the Lease Term.

EXHIBIT C

UTILITIES AND SERVICES

1. **Utilities and Other Services.** Tenant shall be responsible for and shall pay promptly, directly to the appropriate supplier, all charges for electricity separately metered to the Premises, telephone, telecommunications service, janitorial service, and all other utilities, materials and services contracted by and furnished directly to Tenant or the Premises during the Term, together with any taxes thereon. Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of water, gas, sewer, refuse pickup and any other utilities and services that are not separately metered, but are provided to the Premises in common with other tenants in the Building and/or Project, and Tenant shall pay such amount to (and without any markup by) Landlord, as an item of additional rent, within 30 days after delivery of Landlord's statement or invoice therefor, along with reasonable supporting backup documentation. Alternatively, Landlord may elect to include such cost in the definition of Project Costs in which event Tenant shall pay Tenant's proportionate share of such costs in the manner set forth in Exhibit B. Tenant shall also pay to Landlord as an item of additional rent, within 30 days after delivery of Landlord's statement or invoice therefor, Landlord's "standard charges" (as hereinafter defined, which shall be in addition to the electricity charge paid to the utility provider) for **"after hours"** usage by Tenant of each HVAC unit servicing the Premises and that also serve other leased premises in the Building. The term **"after hours"** shall mean usage of said unit(s) before 6:00 A.M. or after 6:00 P.M. on Mondays through Fridays, before 9:00 AM. or after 1:00 P.M. on Saturdays, and all day on Sundays and nationally-recognized holidays, subject to reasonable adjustment of said hours by Landlord. If the HVAC unit(s) serve only the Premises, "after hours" shall mean more than 66 hours of usage during any week during the Term. "After hours" usage shall be determined based upon the operation of the applicable HVAC unit during each of the foregoing periods on a "non-cumulative" basis (that is, without regard to Tenant's usage or nonusage of other unit(s) serving the Premises, or of the applicable unit during other periods of the Term). Tenant agrees to pay Landlord for those after-hour services at rates that Landlord may establish from time to time. Landlord's current charge for after-hours HVAC is \$45.00 per hour (in addition to the applicable electricity charges paid to the utility provider). Notwithstanding the foregoing, Tenant shall have no obligation to pay HVAC after-hours charges so long as Tenant is the sole occupant of the Building (for purposes hereof, Tenant shall be deemed the sole occupant of the Building so long as a third-party tenant is not leasing more than 50% of the second floor of the Building).

2. **Access.** Tenant shall have access to the Premises and the Common Areas of the Project 24 hours per day, 7 days per week, 52 weeks per year (except, however, the Project amenities are subject to Landlord's reasonable rules and regulations, including specific hours of use); provided that Landlord may install access control systems as it deems advisable for the Building. Landlord may impose a reasonable charge for access control cards and/or keys issued to Tenant, which charge shall not exceed \$25.00 for each card or key. Notwithstanding the foregoing, Landlord shall provide Tenant with 478 access cards to the Premises at no cost to Tenant. Landlord shall have no liability to Tenant for the provision by Landlord of improper access control services, for any breakdown in service, or for the failure by Landlord to provide access control services. Tenant further acknowledges that Landlord's access systems may be temporarily inoperative during building emergency and system repair periods. Tenant agrees to assume responsibility for compliance by its employees with any reasonable regulations established by Landlord with respect to any card key access or any other system of building access as Landlord may establish. Notwithstanding the foregoing, Tenant may install its own access control system to the Premises (excluding certain areas of the Premises designated by Landlord such as access to the roof, fire control rooms, etc.) at Tenant's sole cost provided that the plans and specifications must be submitted in advance to Landlord and approved in writing by Landlord, which approval shall not be unreasonably withheld. Tenant's access control system shall be deemed a Required Removal and removed on or before the Expiration Date of this Lease.

3. **Supplemental HVAC Equipment.** Tenant shall have the right to install supplemental HVAC unit(s) ("**Supplemental HVAC Equipment**") in the Premises and/or on the roof of the Building to service the Premises. The installation of the Supplemental HVAC Equipment, including any required screening for the Supplemental HVAC Equipment and any required conduit from the Premises to the Supplemental HVAC Equipment, shall be deemed to constitute an Alteration subject to the provisions of Section 7.3 of the Lease, provided that Landlord shall not unreasonably withhold its approval of the same. Landlord may require appropriate screening for the Supplemental HVAC Equipment on the roof of the Building as a condition of Landlord's approval of the installation of the Supplemental HVAC Equipment. Upon the expiration or sooner termination of the Lease, Tenant shall remove the Supplemental HVAC Equipment and all related equipment, and shall restore all affected areas affected by such removal to their original condition, reasonable wear and tear and damage caused by casualty excepted, all at its sole cost and expense.

EXHIBIT D

TENANT'S INSURANCE

The following requirements for Tenant's insurance shall be in effect during the Term, and Tenant shall also cause any subtenant to comply with the requirements. Landlord reserves the right to adopt reasonable nondiscriminatory modifications and additions to these requirements, provided that such modifications and additions are consistent with what landlord of other comparable building projects in the City of Santa Clara market are then requiring their tenants to carry.

1. Tenant shall maintain, at its sole cost and expense, during the entire Term: (i) commercial general liability insurance with respect to the Premises and the operations of Tenant in, on or about the Premises, on a policy form that is at least as broad as Insurance Service Office (ISO) CGL 00 01 (if alcoholic beverages are sold on the Premises, liquor liability shall be explicitly covered), which policy(ies) shall be written on an "occurrence" basis and for not less than \$2,000,000 combined single limit per occurrence for bodily injury, death, and property damage liability; (ii) workers' compensation insurance coverage as required by law, together with employers' liability insurance coverage of at least \$1,000,000 each accident and each disease; (iii) with respect to Alterations constructed by Tenant under this Lease, builder's risk insurance, in an amount equal to the replacement cost of the work; and (iv) insurance against fire, vandalism, malicious mischief and such other additional perils as may be included in a standard "special form" policy, insuring all Alterations, trade fixtures, furnishings, equipment and items of personal property in the Premises, in an amount equal to not less than 90% of their replacement cost (with replacement cost endorsement), which policy shall also include business interruption coverage in an amount sufficient to cover 1 year of loss. In no event shall the limits of any policy be considered as limiting the liability of Tenant under this Lease.

2. All policies of insurance required to be carried by Tenant pursuant to this Exhibit D shall be written by insurance companies authorized to do business in the State of California and with a general policyholder rating of not less than "A" and financial rating of not less than "VIII" in the most current Best's Insurance Report. The deductible or other retained limit under any policy carried by Tenant shall be commercially reasonable, and Tenant shall be responsible for payment of such deductible or retained limit with waiver of subrogation in favor of Landlord. Any insurance required of Tenant may be furnished by Tenant under any blanket policy carried by it or under a separate policy. A certificate of insurance, certifying that the policy has been issued, provides the coverage required by this Exhibit and contains the required provisions, together with endorsements acceptable to Landlord evidencing the waiver of subrogation and additional insured provisions required below, shall be delivered to Landlord prior to the date Tenant is given the right of possession of the Premises. Proper evidence of the renewal of any insurance coverage shall also be delivered to Landlord prior to the expiration of the coverage. In the event of a loss covered by any policy under which Landlord is an additional insured, Landlord shall be entitled to review a copy of such policy.

3. Tenant's commercial general liability insurance shall contain a provision that the policy shall be primary to and noncontributory with any policies carried by Landlord, together with a provision including Landlord and any other parties in interest designated by Landlord as additional insureds. Tenant's policies described in Subsections 1 (ii), (iii) and (iv) above shall each contain a waiver by the insurer of any right to subrogation against Landlord, its agents, employees, contractors and representatives. Tenant also waives its right of recovery for any deductible or retained limit under same policies enumerated above. All of Tenant's policies shall contain a provision that the insurer will not cancel or change the coverage provided by the policy without first giving Landlord 15 days prior written notice (and if such a provision is not reasonably available, Tenant shall notify Landlord in writing of such cancellation by the deadline set forth above). Tenant shall also name Landlord as an additional insured on any excess or umbrella liability insurance policy carried by Tenant.

NOTICE TO TENANT: IN ACCORDANCE WITH THE TERMS OF THIS LEASE, TENANT MUST PROVIDE EVIDENCE OF THE REQUIRED INSURANCE TO LANDLORD'S MANAGEMENT AGENT PRIOR TO BEING AFFORDED ACCESS TO THE PREMISES.

EXHIBIT E

RULES AND REGULATIONS

The following Rules and Regulations shall be in effect at the Building. Landlord reserves the right to adopt reasonable nondiscriminatory modifications and additions at any time. In the case of any conflict between these regulations and the Lease, the Lease shall be controlling.

1. The sidewalks, halls, passages, elevators, stairways, and other common areas shall not be obstructed by Tenant or used by it for storage, for depositing items, or for any purpose other than for ingress to and egress from the Premises. Should Tenant have access to any balcony or patio area, Tenant shall not place any furniture other personal property in such area without the prior written approval of Landlord.
2. Neither Tenant nor any employee or contractor of Tenant shall go upon the roof of the Building without the prior written consent of Landlord.
3. Tenant shall, at its expense, be required to utilize the third party contractor designated by Landlord for the Building (but only if and to the extent such contractor is available to perform the work at a commercially reasonable cost) to provide any telephone wiring services from the minimum point of entry of the telephone cable in the Building to the Premises.
4. No antenna or satellite dish shall be installed by Tenant without the prior written agreement of Landlord.
5. The sashes, sash doors, windows, glass lights, solar film and/or screen, and any lights or skylights that reflect or admit light into the halls or other places of the Building shall not be covered or obstructed. If Landlord, by a notice in writing to Tenant, shall reasonably object to any curtain, blind, tinting, shade or screen attached to, or hung in, or used in connection with, any window or door of the Premises, the use of that curtain, blind, tinting, shade or screen shall be immediately discontinued and removed by Tenant. Interior of the Premises visible from the exterior must be maintained in a visually professional manner and consistent with a first class office building. Tenant shall not place any unsightly items (as determined by Landlord in its reasonable discretion) along the exterior glass line of the Premises including, but not limited to, boxes, and electrical and data cords. No awnings shall be permitted on any part of the Premises.
6. The installation and location of any unusually heavy equipment in the Premises, including without limitation file storage units, safes and electronic data processing equipment, shall require the prior written approval of Landlord. The moving of large or heavy objects shall occur only between those hours as may be designated by, and only upon previous notice to, Landlord. No freight, furniture or bulky matter of any description shall be received into or moved out of the lobby of the Building or carried in any elevator other than the freight elevator (if available) designated by Landlord unless approved in writing by Landlord.
7. Any pipes or tubing used by Tenant to transmit water to an appliance or device in the Premises must be made of copper or stainless steel, and in no event shall plastic tubing be used for that purpose.
8. Tenant shall not place any lock(s) on any door in the Premises or Building without Landlord's prior written consent, which consent shall not be unreasonably withheld. Upon the termination of its tenancy, Tenant shall deliver to Landlord all the keys to offices, rooms and toilet rooms and all access cards which shall have been furnished to Tenant or which Tenant shall have had made.
9. Tenant shall not install equipment requiring electrical or air conditioning service in excess of that to be provided by Landlord under the Lease without prior written approval from Landlord.
10. Tenant shall not use space heaters within the Premises.
11. Tenant shall not do or permit anything to be done in the Premises, or bring or keep anything in the Premises, which shall in any way increase the insurance on the Building, or on the property kept in the Building, or interfere with the rights of other tenants, or conflict with any government rule or regulation.
12. Tenant shall not use or keep any foul or noxious gas or substance in the Premises.

13. Tenant shall not permit the Premises to be occupied or used in a manner offensive or reasonably objectionable to Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business with other tenants.

14. Tenant shall not permit any pets or animals in or about the Building. Bona fide service animals are permitted provided such service animals are pre-approved by Landlord, remain under the direct control of the individual they serve at all times, and do not disturb or threaten others.

15. Neither Tenant nor its employees, agents, contractors, invitees or licensees shall bring any firearm, whether loaded or unloaded, into the Project at any time.

16. Smoking tobacco, including via personal vaporizers or other electronic cigarettes, anywhere within the Premises, Building or Project is strictly prohibited except that smoking tobacco may be permitted outside the Building and within the Project only in areas designated by Landlord. Smoking, vaping, distributing, growing or manufacturing marijuana or any marijuana derivative anywhere within the Premises, Building or Project is strictly prohibited.

17. Tenant shall not install an aquarium of any size in the Premises unless otherwise approved by Landlord.

18. Tenant shall not utilize any name selected by Landlord from time to time for the Building and/or the Project as any part of Tenant's corporate or trade name. Landlord shall have the right to change the name, number or designation of the Building or Project without liability to Tenant. Tenant shall not use any picture of the Building in its advertising, stationery or in any other manner.

19. Tenant shall, upon request by Landlord, supply Landlord with the names and telephone numbers of personnel designated by Tenant to be contacted on an after-hours basis should circumstances warrant.

20. Landlord may from time to time grant tenants individual and temporary variances from these Rules, provided that any variance does not have a material adverse effect on the use and enjoyment of the Premises by Tenant.

EXHIBIT F

PARKING



Such parking shall be without obligation for payment of additional parking charges during the initial 127-month Term of this Lease. All parking spaces shall be used only for parking of vehicles no larger than full size passenger automobiles, sport utility vehicles, vans or pickup trucks. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers or invitees to be loaded, unloaded or parked in areas other than those designated by Landlord for such activities. If Tenant permits or allows any of the prohibited activities described above, then Landlord shall have the right, with notice, in addition to such other rights and remedies that Landlord may have, to remove or tow away the vehicle involved and charge the costs to Tenant. Parking within the Common Areas shall be limited to striped parking stalls, and no parking shall be permitted in any driveways, access ways or in any area which would prohibit or impede the free flow of traffic within the Common Areas. There shall be no parking of any vehicles for longer than a forty-eight (48) hour period unless otherwise authorized by Landlord, and vehicles which have been abandoned or parked in violation of the terms hereof may be towed away at the owner's expense. Nothing contained in this Lease shall be deemed to create liability upon Landlord for any damage to motor vehicles of visitors or employees, for any loss of property from within those motor vehicles, or for any injury to Tenant, its visitors or employees, unless ultimately determined to be caused by the active negligence or willful misconduct of Landlord or its agents, employees or contractors. Landlord shall have the right to establish, and from time to time amend, and to enforce against all users all reasonable rules and regulations (including the designation of areas for employee parking) that Landlord may deem necessary and advisable for the proper and efficient operation and maintenance of parking within the Common Areas. Landlord shall have the right to construct, maintain and operate lighting facilities within the parking areas; to change the area, level, location and arrangement of the parking areas and improvements therein; to restrict parking by tenants, their officers, agents and employees to employee parking areas; and to do and perform such other acts in and to the parking areas and improvements therein as, in the use of good business judgment, Landlord shall determine to be advisable. Any person using the parking area shall observe all directional signs and arrows and any posted speed limits. In no event shall Tenant interfere with the use and enjoyment of the parking area by other tenants of the Project or their employees or invitees. Parking areas shall be used only for parking vehicles. Washing, waxing, cleaning or servicing of vehicles, or the storage of vehicles for longer than 48-hours, is prohibited unless otherwise authorized by Landlord. Tenant shall be liable for any damage to the parking areas caused by Tenant or Tenant's employees, suppliers, shippers, customers or invitees, including without limitation damage from excess oil leakage caused by vehicles owned by Tenant. Tenant shall have no right to install any fixtures, equipment or personal property in the parking areas. Tenant shall not assign or sublet any of the vehicle parking spaces, either voluntarily or by operation of law, without the prior written consent of Landlord, except in connection with an authorized assignment of this Lease or subletting of the Premises.

EXHIBIT G

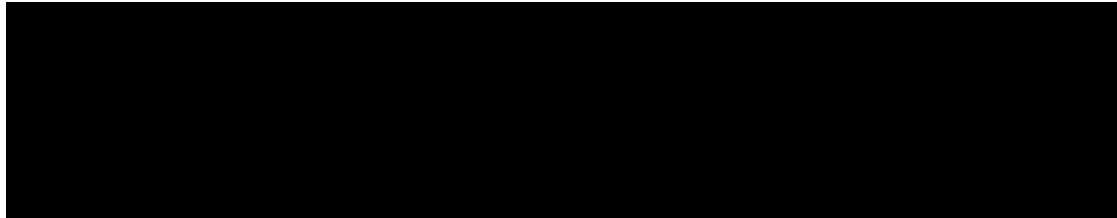
ADDITIONAL PROVISIONS

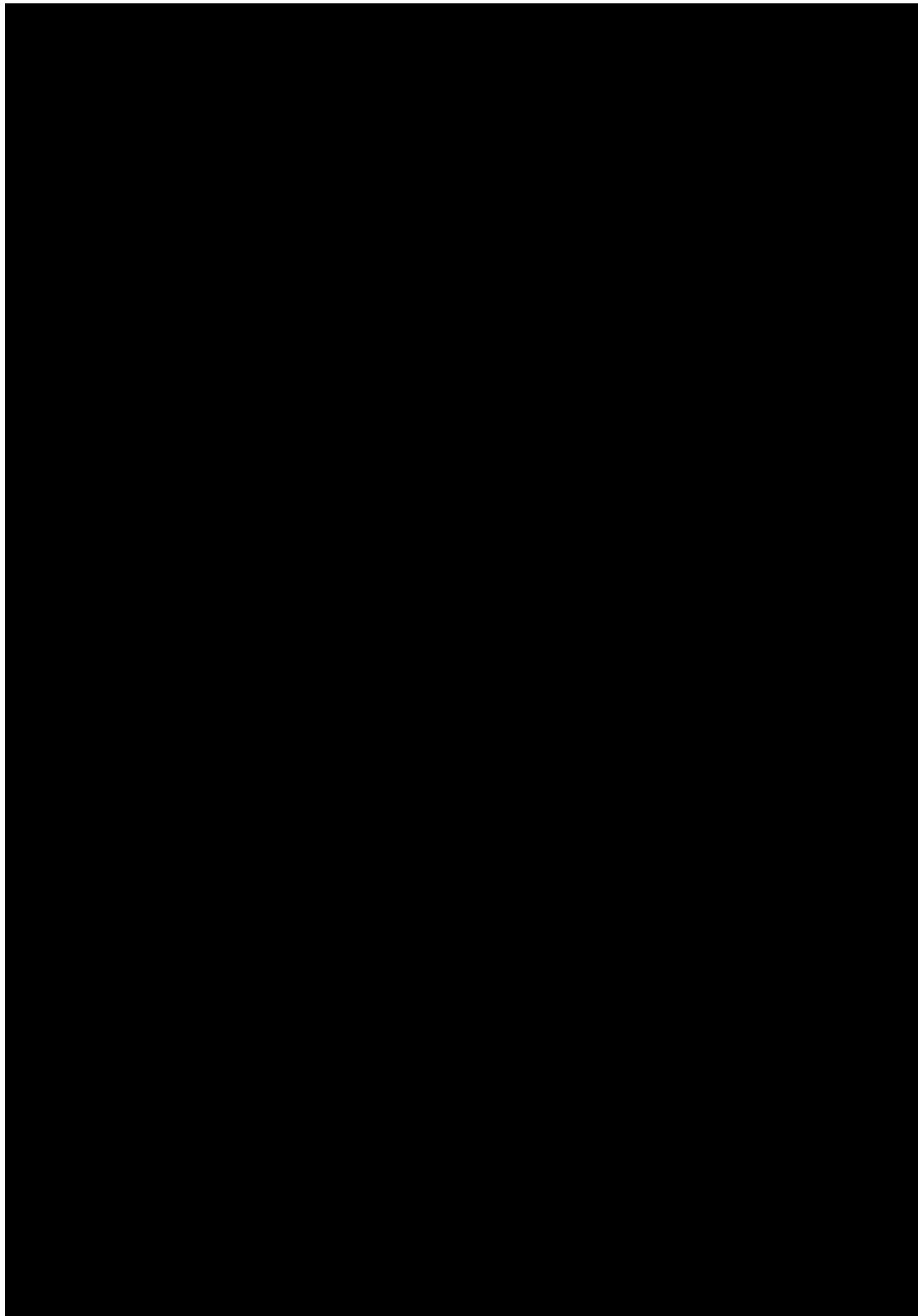
The following additional provisions shall be binding on Landlord and Tenant:

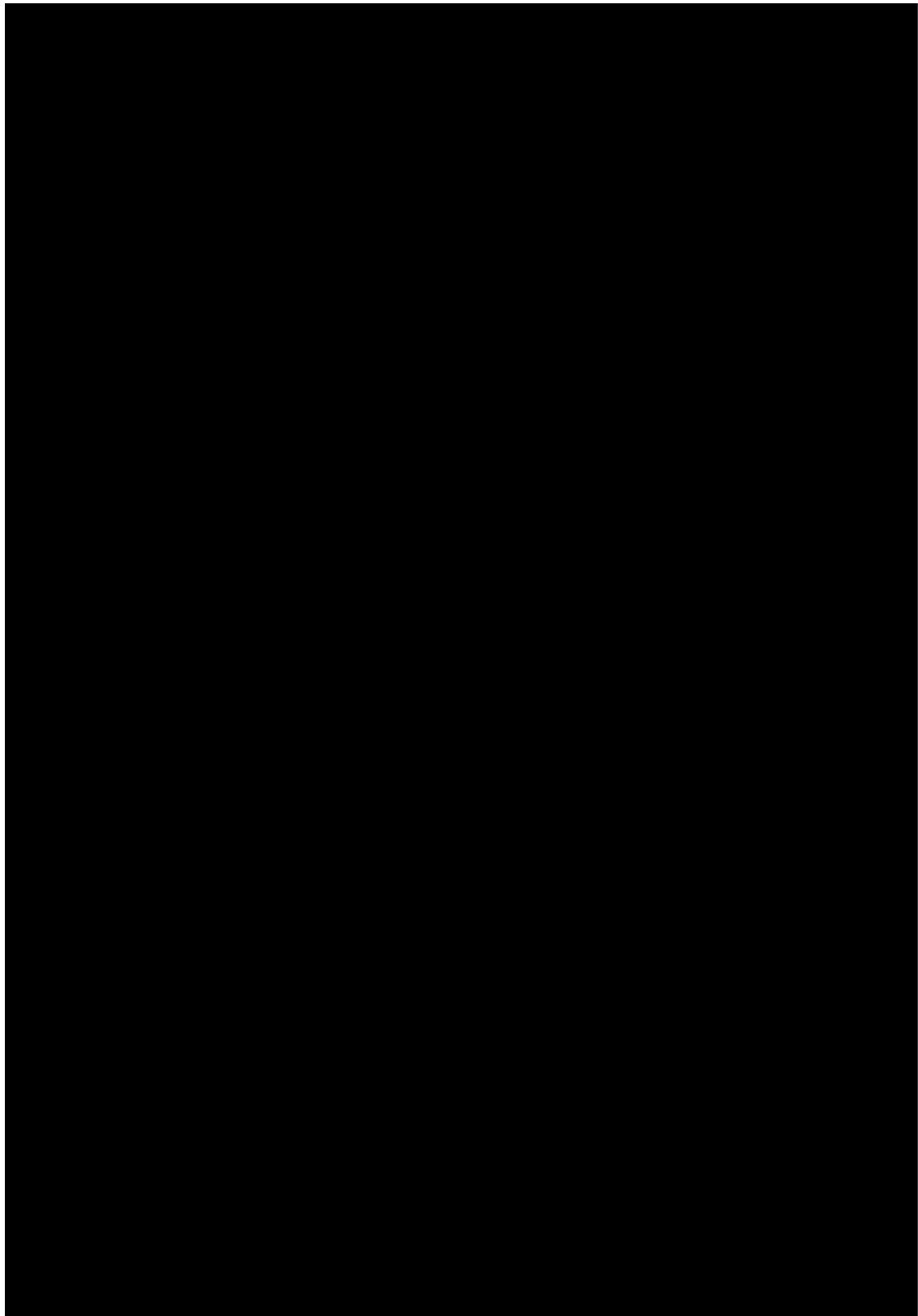
1. **MEETING ROOM.** Landlord currently provides a meeting room in the Project which is capable of accommodating groups of people for use by Building tenants (including Tenant) on a reserved basis (the "**Meeting Room**"). Tenant shall, subject to availability by reservation, have the use of the Meeting Room subject to Landlord's procedures and charges. The use of the Meeting Room shall be provided to Tenant free of charge, but subject to the reasonable rules and regulations (including rules regarding hours of use and priorities for the tenants of the particular building in which a Meeting Room is located, set up and clean up charges, etc.) established from time to time by Landlord for the Meeting Room. Landlord and Tenant acknowledge that the terms and provisions of Sections 10.2 (Tenant's Indemnity) and 10.5 of the Lease shall apply to Tenant's use of the Meeting Room. Further, Landlord shall have no liability whatsoever with respect to the existence, condition or availability of the Meeting Room and Tenant hereby expressly waives all claims against Landlord with respect to the same. No expansion, contraction, elimination, unavailability or modification of the Meeting Room, and no termination of or interference with Tenant's rights to the Meeting Room, shall entitle Tenant to an abatement or reduction in rent or constitute a constructive eviction or an event of default by Landlord under this Lease. Tenant's right to use the Meeting Room shall belong solely to Tenant and any permitted or approved sublessee of the Premises or assignee of the Lease, and may not otherwise be transferred or assigned without Landlord's prior written consent, which may be withheld by Landlord in Landlord's sole discretion.

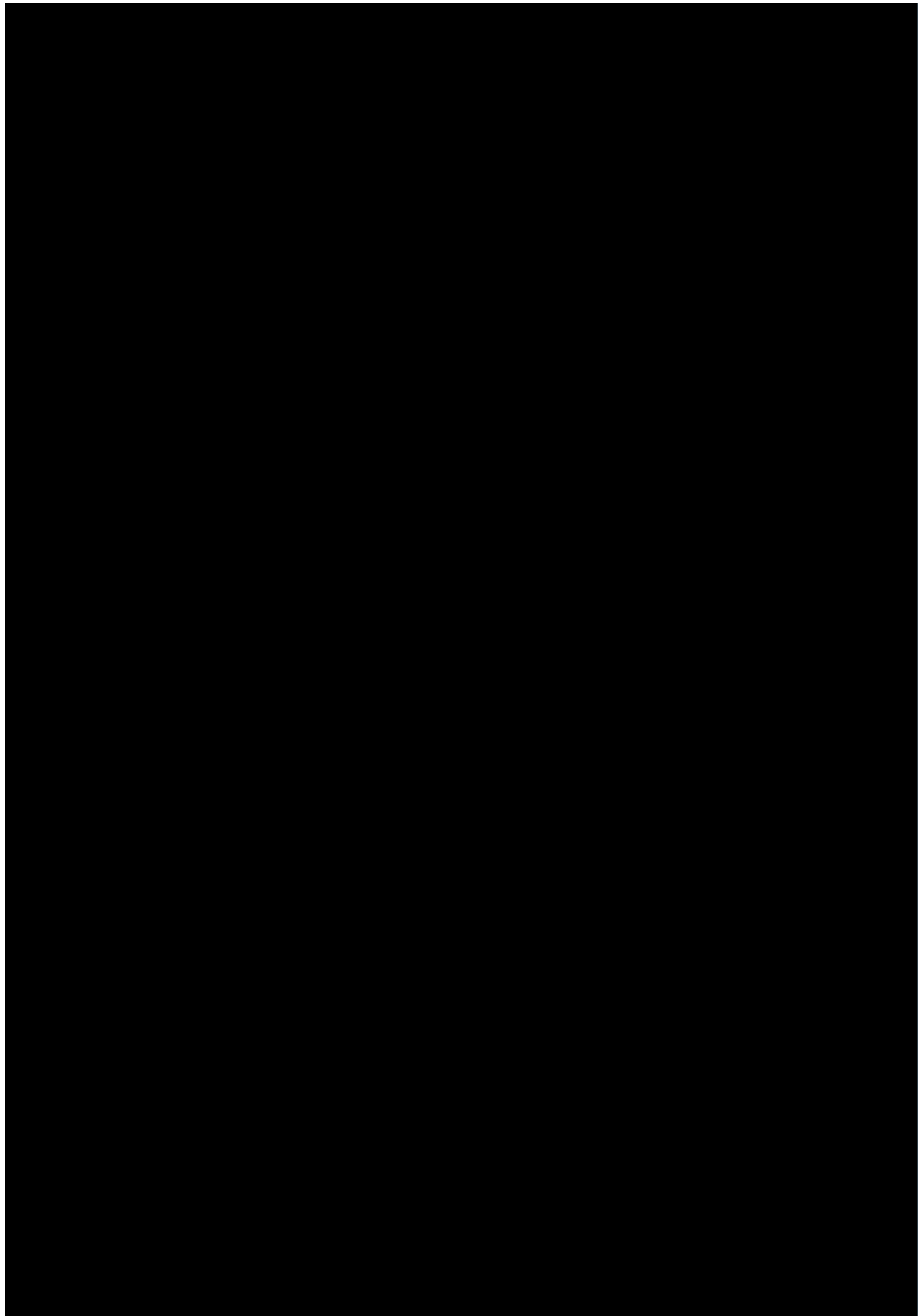
2. **FITNESS CENTER.** Provided: (a) this Lease is in effect, and (b) Tenant's employees execute Landlord's standard waiver of liability form, then Tenant's employees (the "**Fitness Center Users**") shall be entitled to use the fitness center located at the Project as of the date of this Lease ("**Fitness Center**") on the terms and conditions herein provided. No separate charges shall be assessed to Fitness Center Users for the use of the Fitness Center (with the exception of towel laundry fees) during the Term of this Lease, provided, however, that the costs of operating, maintaining and repairing the Fitness Center shall be included as part of Operating Expenses. The use of the Fitness Center by the Fitness Center Users shall be subject to the reasonable rules and regulations (including rules regarding hours of use) established from time to time by Landlord. Landlord and Tenant acknowledge that the use of the Fitness Center by the Fitness Center Users shall be at their own risk and that the terms and provisions of Section 10.3, 10.4 and 10.5 of the Lease shall apply to Tenant and the Fitness Center User's use of the Fitness Center. Landlord shall have the right, in Landlord's reasonable discretion, to expand, contract, eliminate or otherwise modify the Fitness Center. No expansion, contraction, elimination or modification of the Fitness Center shall entitle Tenant to an abatement or reduction in Basic Rent, constitute a constructive eviction, or result in an event of default by Landlord under this Lease. Tenant's right to use the Fitness Center shall belong solely to Tenant and any permitted or approved sublessee of the Premises or assignee of the Lease and may not be transferred or assigned without Landlord's prior written consent, which may be withheld by Landlord in Landlord's sole discretion.


3. **FOOD SERVICE.** Landlord operates, as of the date of this Lease, a food service in the Project known as "The Commons" adjacent to the Building ("**Food Service**"). The Food Service is for the nonexclusive use by tenants, their employees and invitees. Tenant acknowledges that the provisions of this Section shall not be deemed to be a representation by Landlord that Landlord shall operate a Food Service in The Commons, and Landlord shall have the right, at Landlord's sole discretion, to expand, contract, eliminate or otherwise modify the Food Service. No expansion, contraction, elimination or modification of the Food Service, and no termination of Tenant's or the Food Service users' rights to the Food Service shall entitle Tenant to an abatement or reduction in Basic Rent constitute a constructive eviction, or result in an event of default by Landlord under this Lease.











8. COMMUNICATIONS EQUIPMENT. Landlord hereby grants to Tenant a non-exclusive license (the "**License**") to install, maintain and operate on the roof of the Building a single antenna or satellite dish or other communication device not exceeding forty-eight inches ("**48**") in height or three meters in diameter (the "**Antenna**") in accordance with and subject to the terms and conditions set forth below. The Antenna shall be installed at a location designated by Landlord and reasonably acceptable to Tenant ("**Licensed Area**"). The Licensed Area shall be considered to be a part of the Premises for all purposes under the Lease, and except as otherwise expressly provided in this Section all provisions applicable to the use of the Premises under the Lease shall apply to the Licensed Area and its use by Tenant.

(1) The Term of the License shall be coterminous with this Lease;

(2) Tenant shall not be obligated to pay any license fee for the use of the Licensed Area pursuant to this Section during the Term of this Lease.

(3) Tenant shall use the Licensed Area only for the Installation, operation, repair, replacement and maintenance of the Antenna and the necessary mechanical and electrical equipment to service said Antenna and for no other use or purpose. The installation of the Antenna and all equipment and facilities related thereto, including any required screening for the Antenna and any required conduit from the Premises to the Antenna, shall be deemed to constitute an Alteration subject to the provisions of Section 7.3 of the Lease, provided that Landlord shall not unreasonably withhold its approval of the same. Landlord may require reasonable and appropriate screening for the Antenna as a condition of Landlord's approval of the installation of the Antenna. Tenant may have access to the Licensed Area for such uses during normal business hours and at times upon reasonable prior notice to Landlord and shall reimburse Landlord for any reasonable out-of-pocket expenses incurred by Landlord in connection therewith;

(4) The Antenna shall be used only for transmitting and/or receiving data, audio and/or video signals to and from Tenant's facilities within the Premises for Tenant's use, and shall not be used or permitted to be used by Tenant for purposes of broadcasting signals to the public or to provide telecommunications or other communications transmitting or receiving services to any third parties:

(5) Landlord reserves the right upon reasonable prior written notice to Tenant to require the removal and relocation of the Antenna should Landlord reasonably determine that its presence results in material damage to the Building unless Tenant makes satisfactory (in the reasonable discretion of Landlord) arrangements to protect Landlord therefrom;

(6) Tenant shall require its employees, when using the Licensed Area, to stay within the immediate vicinity thereof. In addition, in the event any pre-existing communications system or broadcast or receiving facilities are operating in the area, Tenant shall at all times during the term of the License use commercially reasonable efforts to conduct its operations so as minimize any material interference to such system or facilities as a result of such operations by Tenant. Upon notification from Landlord of any such material Interference, Tenant agrees to promptly take the necessary commercially reasonable steps to ameliorate such situation;

(7) During the term of the License, Tenant shall comply with any standards promulgated by applicable governmental authorities or otherwise reasonably established by Landlord regarding the generation of electromagnetic fields. Should Landlord determine in good faith at any time that the Antenna poses a material health or safety hazard to occupants of the Building, Landlord may require Tenant to make arrangements reasonably satisfactory to Landlord to mitigate such hazard or, If Tenant either fails or is unable to make such satisfactory arrangements, to remove the Antenna. Any claim or liability resulting from the use of the Antenna or the Licensed Area shall be subject to the

indemnification, release and waiver provisions of Sections 10.3, 10.4 and 10.5 of this Lease applicable to Tenant's use of the Premises;

(8) During the term of the License, Tenant shall pay all taxes attributable to the Antenna and other equipment owned and Installed by Tenant, and Tenant shall assure and provide Landlord with evidence that the Licensed Area and Tenant's use thereof are subject to the insurance coverages otherwise required to be maintained by Tenant as to the Premises pursuant to Exhibit D; and

(9) Upon the expiration or sooner termination of the Lease, Tenant shall remove the Antenna and all related equipment and facilities, including any conduit from the Premises to the Antenna, from the Licensed Area and any other portions of the Building within or upon which the same may be installed, and shall restore the Licensed Area and all other areas affected by such removal to their original condition, reasonable wear and tear and damage caused by casualty excepted, all at its sole cost and expense.

(10) Tenant's exterior rights under this Section belong solely to the original Tenant, any transferee pursuant to a Permitted Transfer, and any approved assignee of this Lease or sublessee of the entire Premises, and any other attempted assignment or transfer of such rights shall be void and of no force and effect.

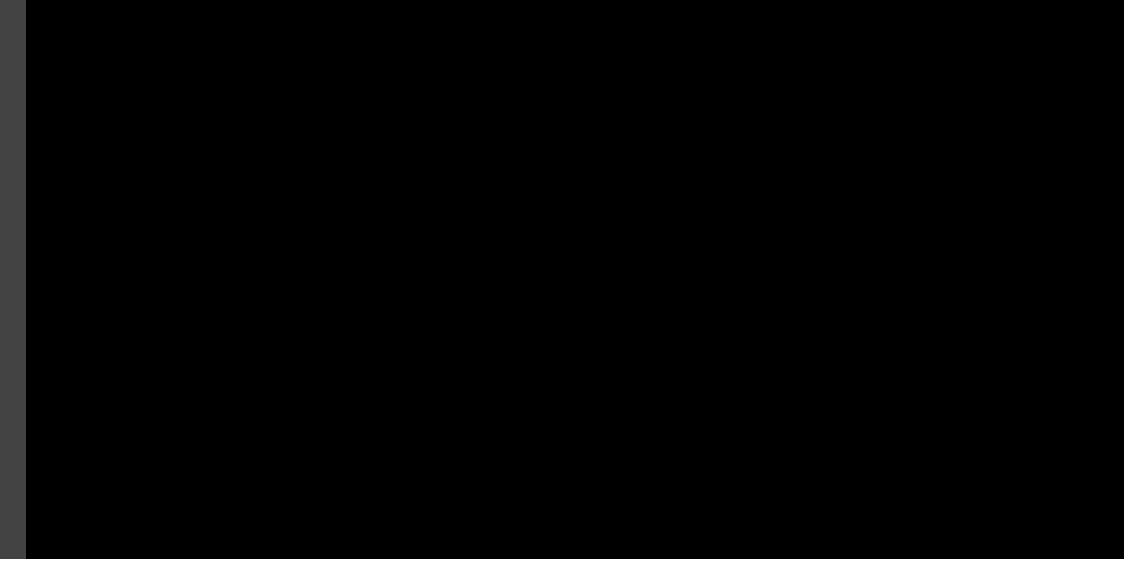
9. CAR CHARGING STATIONS. As of the date of this Lease, Landlord has installed electric car charging stations for use by Tenant and its employees, and other tenants of the Project in the Project's parking structure (the collectively, "**Charging Stations**"). The use of the Charging Stations shall be subject to the reasonable rules and regulations established from time to time by Landlord and the vendor thereof, and each of Tenant's and other Project tenants' employees using the Charging Stations shall be subject to uniform hourly and/or electricity usage charges therefor. At Landlord's election, the costs of operating (exclusive of any hourly and/or electricity usage charges charged to users thereof), maintaining and repairing (but not the original installation costs of), the Charging Stations may be included as part of Operating Expenses. Any claim or liability resulting from the use of the Car Charging Stations by Tenant or its employees shall be subject to the indemnification waiver and release provisions of Sections 10.3, 10.4 and 10.5 of this Lease applicable to Tenant's use of the Premises. Tenant's right to use the Charging Stations shall belong solely to Tenant and may not be transferred or assigned (except in conjunction with an assignment or sublease by Tenant that does not require Landlord's consent or as to which Landlord consents) without Landlord's prior written consent. Notwithstanding the foregoing, if at any time Landlord determines that charging stations are generally no longer provided by other landlords of first class office projects in the vicinity of the Project, then Landlord shall have no further obligation to continuously operate and maintain the Charging stations in the Project. In addition to the foregoing, Tenant shall be permitted to utilize up to 12 of its allotted parking spaces for the installation of additional electric car charging stations for use by Tenant and its employees ("**Exclusive Charging Stations**"). The Exclusive Charging Stations shall be in a location designated by Landlord and depicted on Exhibit G-3 attached hereto. The costs to install, maintain and operate the Exclusive Charging Stations shall be at Tenant's sole cost and expense, except Landlord shall pay for and cause electrical power to be distributed to the Exclusive Charging Stations as part of the Initial Installation.

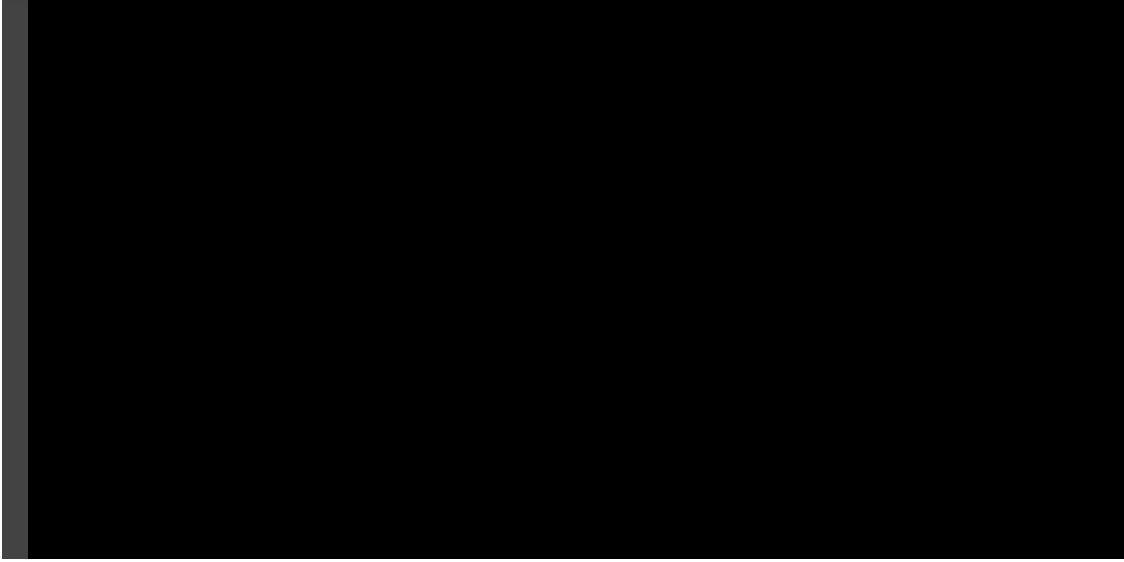
10. EMERGENCY GENERATOR. Landlord grants Tenant the right to install, at Tenant's sole cost and expense, as part of the construction of the Tenant Improvements or at any time thereafter, an emergency generator in the location shown on Exhibit G-4 attached to this Lease together with supplemental fuel lines and related connections to the Building (collectively, the "**Generator**"). Any fuel container used in connection with the Generator must be maintained by Tenant above-ground and in compliance with all applicable legal requirements. The plans and specifications for the Generator and its installation shall be subject to Landlord's prior approval, which shall not be unreasonably withheld, and Landlord may condition same upon the construction by Tenant of an enclosure reasonably acceptable to Landlord to screen the Generator. All work shall be performed by a contractor approved by Landlord and in accordance with Landlord's construction rules and insurance requirements. The Generator shall be deemed to be a part of the Premises for purposes of the indemnification and insurance provisions of this Lease; provided, however, Tenant shall not be charged any rent therefor. Repair and maintenance of the Generator shall be the sole responsibility of Tenant. At Landlord's option, Landlord may require that Tenant remove the Generator and all related facilities upon the expiration or earlier termination of the Term and repair all damage to the Building resulting from the installation or removal of the Generator, reasonable wear and tear and damage caused by casualty excepted, at Tenant's sole cost and expense. The Generator shall be used by Tenant only during testing, regular maintenance and periods of electrical power outage or power reduction in the Building.

11. EXCLUSIVITY Provided that Tenant is occupying the entire Premises and has not assigned its interest in this Lease (other than to a Permitted Transfer), Landlord shall agree that it will not lease any additional space in the Project to (1) Dell/EMC, (2) Commvault or (3) Veeam ("**Competitive Tenant**"). The foregoing covenant shall terminate

in the event of an assignment of this Lease by Tenant, other than a "Permitted Transfer" (as defined in Section 9.4 hereof).

EXHIBIT G-1





EXCLUSIVE CHARGING STATIONS LOCATIONS

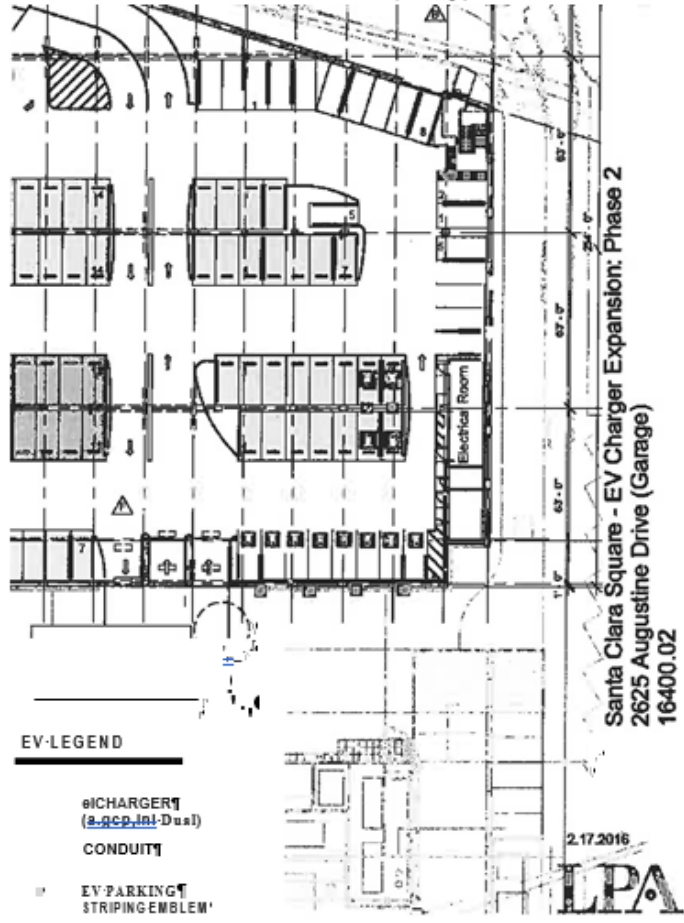
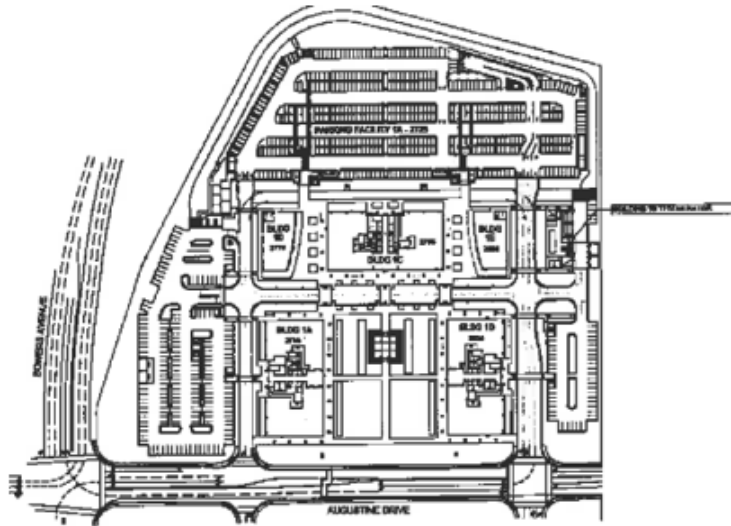


EXHIBIT G-4

EMERGENCY GENERATOR LOCATION



+

EXHIBIT H

LANDLORD'S DISCLOSURE

[INTENTIONALLY LEFT BLANK]

EXHIBIT I

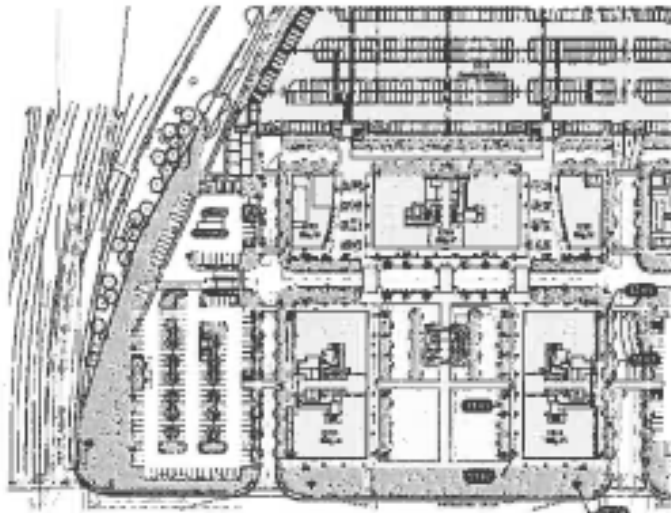
TENANT'S SIGNAGE

VERITAS

SANTA CLARA SQUARE EXTERIOR SIGNAGE

2029 AUGUSTINE DRIVE
SANTA CLARA, CA 95054

SHOP DRAWINGS



KEY

1	EXISTING WALL
2	NEW WALL
3	GLASS CURTAIN WALL
4	GLASS PARTITION

REVISIONS

NO.	DESCRIPTION	DATE
1	ISSUED FOR PERMIT	10/15/11
2	ISSUED FOR PERMIT	10/15/11
3	ISSUED FOR PERMIT	10/15/11

SEE PLAN 100-100

TPH ARCHITECTURAL STUDIO

PROJECT NO.	100-100
DATE	10/15/11
SCALE	AS SHOWN
DRAWN BY	TPH
CHECKED BY	TPH
DATE	10/15/11

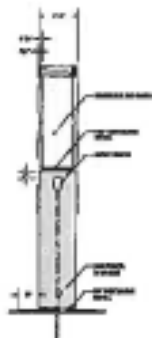
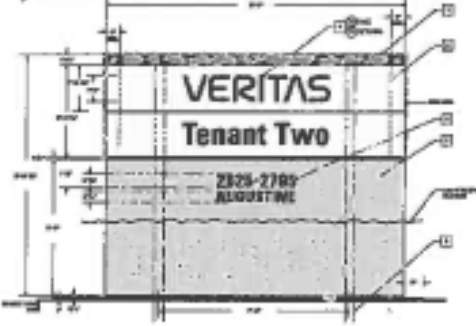
Room No.	2825
Room Name	2825
Room Description	2825

DOOR SCHEDULE

NO.	DESCRIPTION	MARK	FINISH	GLASS
1	WOOD DOOR	100	WOOD	GLASS
2	WOOD DOOR	200	WOOD	GLASS

- NOTES AND SPECIFICATIONS**
1. SEE SPECIFICATIONS FOR MATERIALS AND FINISHES.
 2. SEE SPECIFICATIONS FOR MATERIALS AND FINISHES.
 3. SEE SPECIFICATIONS FOR MATERIALS AND FINISHES.
 4. SEE SPECIFICATIONS FOR MATERIALS AND FINISHES.

3) OVERLOOKING WALLS - SEE PLAN 100-100



KEY

1	EXISTING WALL
2	NEW WALL

REVISIONS

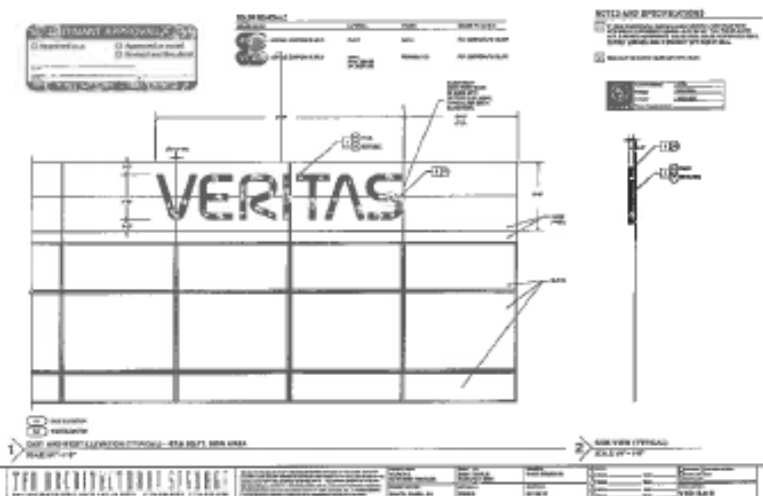
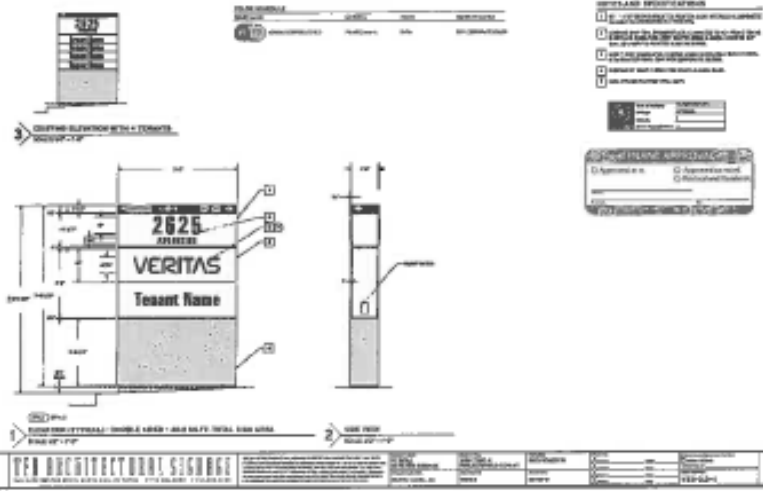
NO.	DESCRIPTION	DATE
1	ISSUED FOR PERMIT	10/15/11
2	ISSUED FOR PERMIT	10/15/11

1) SEE PLAN 100-100 FOR WALL AND DOOR SCHEDULES. SEE PLAN 100-100 FOR WALL AND DOOR SCHEDULES.

SEE PLAN 100-100

TPH ARCHITECTURAL STUDIO

PROJECT NO.	100-100
DATE	10/15/11
SCALE	AS SHOWN
DRAWN BY	TPH
CHECKED BY	TPH
DATE	10/15/11



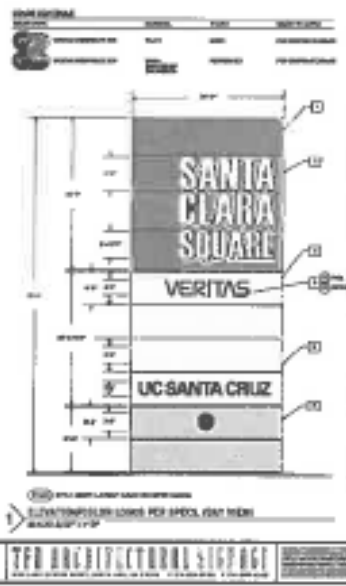
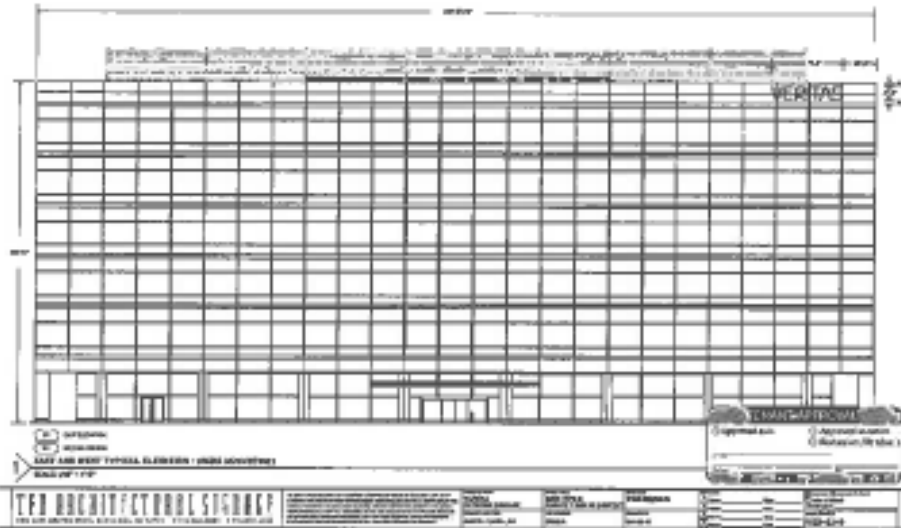


EXHIBIT J

HAZARDOUS MATERIAL SURVEY FORM

The purpose of this form is to obtain information regarding the use of hazardous substances on the Project. Prospective tenants and contractors should answer the questions in light of their proposed activities on the premises. Existing tenants and contractors should answer the questions as they relate to ongoing activities on the premises and should update any information previously submitted.

If additional space is needed to answer the questions, you may attach separate sheets of paper to this form. When completed, the form should be sent to the following address:

AUGUSTINE BOWERS LLC MANAGEMENT OFFICE
5451 Great America Parkway, Suite 201
Santa Clara, CA 95054

Your cooperation in this matter is appreciated. If you have any questions, please call your property manager at (649) 720-4400 for assistance.

1. GENERAL INFORMATION

Name of Responding Company: _____
Check all that apply: Tenant () Contractor ()
Prospective () Existing ()

Mailing Address: _____
Contact person & Title: _____
Telephone Number: () _____

Current TIC Tenant(s):
Address of Lease Premises: _____
Length of Lease or Contract Term: _____

Prospective TIC Tenant(s):
Address of Leased Premises: _____
Address of Current Operations: _____

Describe the proposed operations to take place on the property, including principal products manufactured or services to be conducted. Existing tenants and contractors should describe any proposed changes to ongoing operations.

2. HAZARDOUS MATERIALS. For the purposes of this Survey Form, the term "hazardous material" means any raw material, product or agent considered hazardous under any state or federal law. The term does not include wastes which are intended to be discarded.

2.1 Will any hazardous materials be used or stored on site?

Chemical Products Yes () No ()
Biological Hazards/
Infectious Wastes Yes () No ()
Radioactive Materials Yes () No ()
Petroleum Products Yes () No ()

2.2 List any hazardous materials to be used or stored, the quantities that will be on-site at any given time, and the location and method of storage (e.g., bottles in storage closet on the premises).

Hazardous Materials	Location and Method of Storage	Quantity
_____	_____	_____
_____	_____	_____
_____	_____	_____

2.3 Is any underground storage of hazardous materials proposed or currently conducted on the premises? Yes () No ()

If yes, describe the materials to be stored, and the size and construction of the tank. Attach copies of any permits obtained for the underground storage of such substances.

3. **HAZARDOUS WASTE.** For the purposes of this Survey Form, the term "hazardous waste" means any waste (including biological, infectious or radioactive waste) considered hazardous under any state or federal law, and which is intended to be discarded.

3.1 List any hazardous waste generated or to be generated on the premises, and indicate the quantity generated on a monthly basis.

Hazardous Materials	Location and Method of Storage	Quantity

3.2 Describe the method(s) of disposal (including recycling) for each waste. Indicate where and how often disposal will take place.

Hazardous Materials	Location and Method of Storage	Disposal Method

3.3 Is any treatment or processing of hazardous, infectious or radioactive wastes currently conducted or proposed to be conducted on the premises? Yes () No ()

If yes, please describe any existing or proposed treatment methods.

3.4 Attach copies of any hazardous waste permits or licenses issued to your company with respect to its operations on the premises.

4. **SPILLS**

4.1 During the past year, have any spills or releases of hazardous materials occurred on the premises? Yes () No ()

If so, please describe the spill and attach the results of any testing conducted to determine the extent of such spills.

4.2 Were any agencies notified in connection with such spills? Yes () No ()

If so, attach copies of any spill reports or other correspondence with regulatory agencies.

4.3 Were any clean-up actions undertaken in connection with the spills? Yes () No ()

If so, briefly describe the actions taken. Attach copies of any clearance letters obtained from any regulatory agencies involved and the results of any final soil or groundwater sampling done upon completion of the clean-up work.

5. WASTEWATER TREATMENT/DISCHARGE
- 5.1 Do you discharge industrial wastewater to:
 ___ storm drain? ___ sewer?
 ___ surface water? ___ no industrial discharge
- 5.2 Is your industrial wastewater treated before discharge? Yes () No ()
 If yes, describe the type of treatment conducted.

- 5.3 Attach copies of any wastewater discharge permits issued to your company with respect to its operations on the premises.

6. AIR DISCHARGES
- 6.1 Do you have any air filtration systems or stacks that discharge into the air?
 Yes () No ()
- 6.2 Do you operate any equipment that requires air emissions permits?
 Yes () No ()
- 6.3 Attach copies of any air discharge permits pertaining to these operations.

7. HAZARDOUS MATERIALS DISCLOSURES
- 7.1 Does your company handle an aggregate of at least 500 pounds, 55 gallons or 200 cubic feet of hazardous material at any given time? Yes () No ()
- 7.2 Has your company prepared a Hazardous Materials Disclosure – Chemical Inventory and Business Emergency Plan or similar disclosure document pursuant to state or county requirements?
 Yes () No ()
 If so, attach a copy.
- 7.3 Are any of the chemicals used in your operations regulated under Proposition 65?
 If so, describe the procedures followed to comply with these requirements.

- 7.4 Is your company subject to OSHA Hazard Communication Standard Requirements?
 Yes () No ()
 If so, describe the procedures followed to comply with these requirements.

8. ANIMAL TESTING
- 8.1 Does your company bring or intend to bring live animals onto the premises for research or development purposes? Yes () No ()
 If so, describe the activity.

- 8.2 Does your company bring or intend to bring animal body parts or bodily fluids onto the premises for research or development purposes? Yes () No ()
 If so, describe the activity.

9. ENFORCEMENT ACTIONS, COMPLAINTS
- 9.1 Has your company ever been subject to any agency enforcement actions, administrative orders, lawsuits, or consent orders/decrees regarding environmental compliance or health and safety? Yes () No ()
 If so, describe the actions and any continuing obligations imposed as a result of these actions.

- 9.2 Has your company ever received any request for information, notice of violation or demand letter, complaint, or inquiry regarding environmental compliance or health and safety? Yes () No ()
- 9.3 Has an environmental audit ever been conducted which concerned operations or activities on premises occupied by you? Yes () No ()
- 9.4 If you answered "yes" to any questions in this section, describe the environmental action or complaint and any continuing compliance obligation imposed as a result of the same.

By: _____
 Name: _____
 Title: _____
 Date: _____

EXHIBIT K

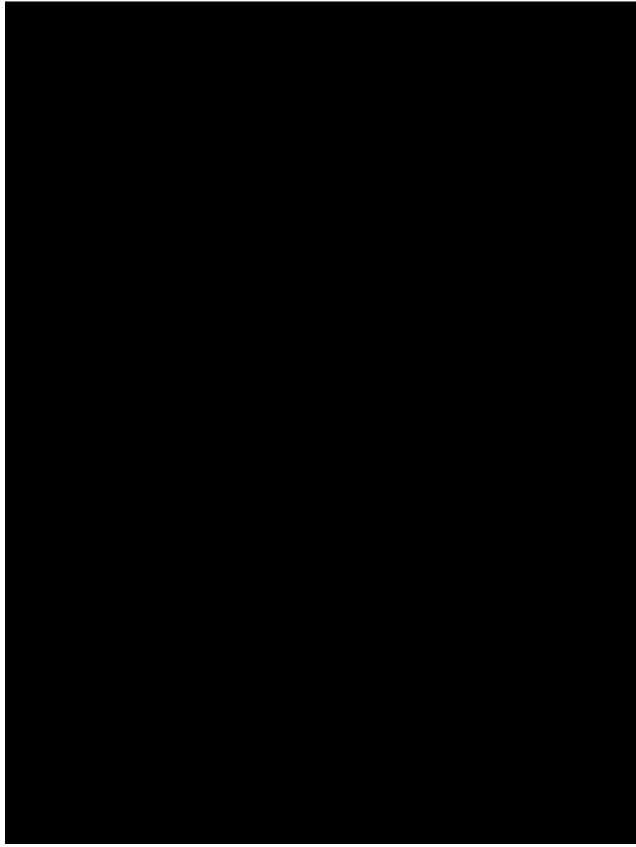
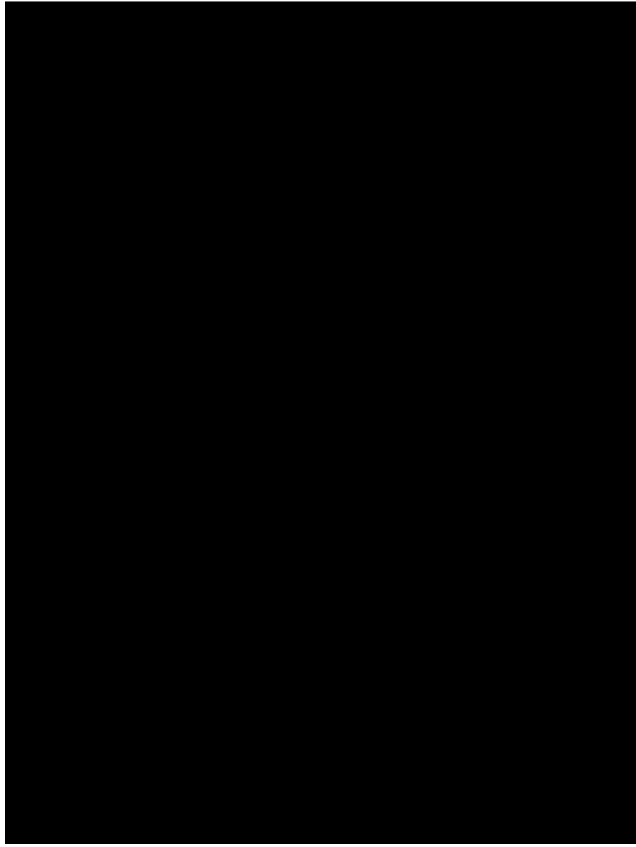
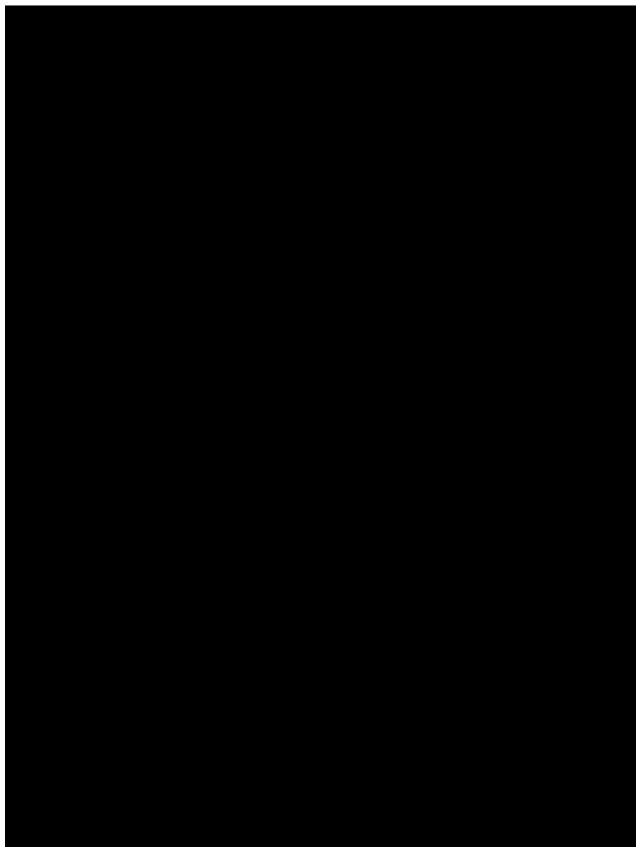
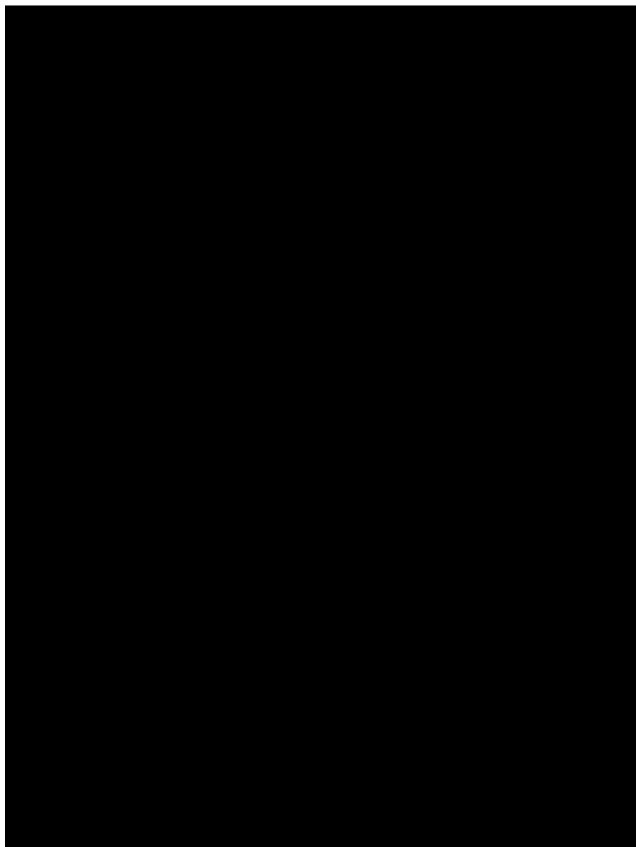
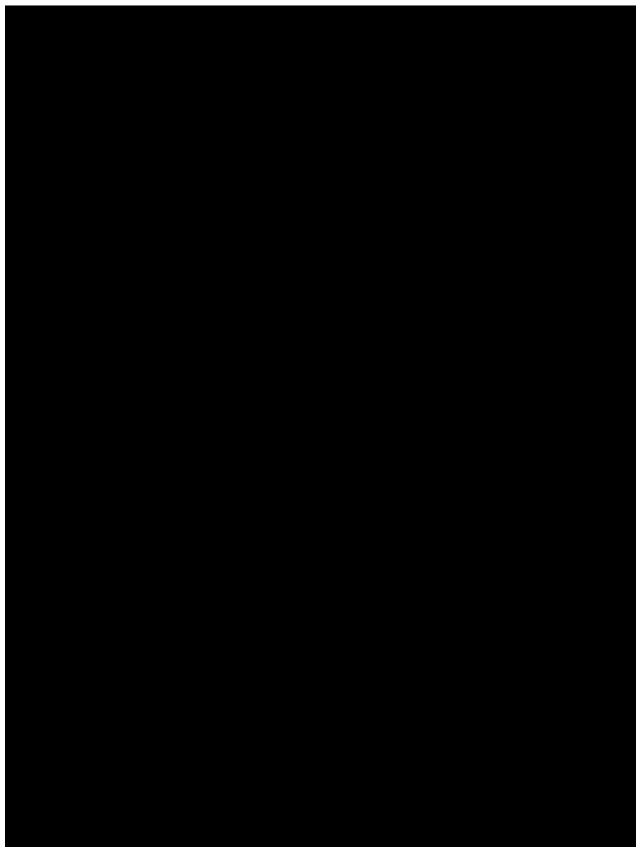


EXHIBIT L









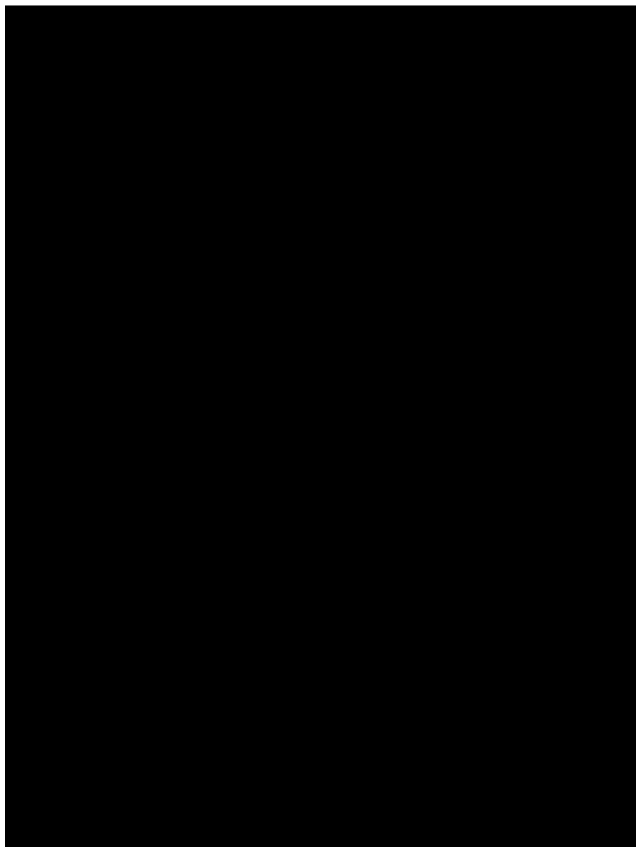


EXHIBIT k

WORK LETTER

(Tenant Buildout with Landlord's Contribution)

Landlord represents to Tenant that the base, shell, and core of the Building has been constructed in compliance with all current codes for new construction, including but not limited to all codes relating to fire sprinkler, access and exiting, plumbing (including restrooms) and life safety and all other Applicable Laws {collectively, the "Base, Shell and Core" and/or "Base Building"), and substantially in accordance with the "Outline Specifications - Santa Clara Square Phase, set forth in Schedule I attached hereto (the "Shell Building Outline Specifications"), Landlord represents to Tenant that the Base Building has been constructed by Landlord and includes all improvements, equipment and systems as depicted or described in the Shell Building Outline Specifications (including Landlord's building standard improvements, materials and specifications for the main entry lobby, the elevator lobbies and restrooms in the Building).

I. TENANT IMPROVEMENTS

The tenant improvement work {"Tenant Improvements" or the "Tenant Improvement Work") shall consist of the work required to complete certain improvements to the Premises pursuant to approved "Working Drawings and Specifications" {as defined below). Tenant shall employ M Moser Architects PC or another licensed architect reasonably acceptable to Landlord (the "Architect") for preparation of the "Preliminary Plan" and "Working Drawings and Specifications" (as hereinafter defined), and shall cause the Architect to inspect the Premises to become acquainted with all existing conditions. Tenant shall contract with the "TI Contractor" (as defined below) to construct the Tenant Improvements. The Tenant Improvement Work shall be undertaken and prosecuted in accordance with the following requirements:

- A. Tenant shall submit the following to Landlord: (i) a preliminary space plan for the Tenant Improvements prepared by the Architect, which shall include interior partitions, ceilings, interior finishes, interior doors, suite entrance, floor coverings, window coverings, lighting, electrical and telephone outlets, plumbing connections, heavy floor loads and other special requirements ("Preliminary Plan"), (ii) working drawings and specifications prepared by the Architect based on the approved Preliminary Plan (the "Working Drawings and Specifications"), and (iii) any change proposed by Tenant to the approved Working Drawings and Specifications ("Change"). Within 3 business days following its submission to Landlord, Landlord shall approve (by signing a copy thereof) or shall disapprove in writing the Preliminary Plan and/or any Change, and within 10 business days following its submission to Landlord, Landlord shall approve or shall disapprove in writing the Working Drawings and Specifications; it being understood that Landlord shall not unreasonably withhold, delay or condition any of the foregoing requests for approval. If Landlord disapproves the Preliminary Plan, Working Drawings and Specifications or Change, Landlord shall specify in detail the reasons for disapproval and Tenant shall cause the Architect to make appropriate modifications to the Preliminary Plan, Working Drawings and Specifications or Change, and Landlord and Tenant shall promptly thereafter cooperate with one another in good faith to reach agreement regarding the Preliminary Plan, Working Drawings and Specifications or Change at issue. If Landlord shall fail to provide its express approval or disapproval (and if disapproved, the reasons for such disapproval), within the foregoing time frames, then Landlord's approval shall be deemed given. Tenant agrees and acknowledges that Landlord will not check the Preliminary Plan, the Working Drawings and Specifications and/or any Change for building code compliance (or other federal, state or local law, ordinance or regulations compliance), and that Tenant and its Architect shall be solely responsible for such matters. Further, Tenant may make Changes to the Approved Working Drawings and Specifications and Landlord shall not have any right to approve such Changes to extent such work (i) is required by the City of Santa Clara or other applicable governmental body having jurisdiction over the Tenant Improvements, or is due to unforeseen conditions, and (a) is consistent with the design intent of the Approved Working Drawings and Specifications, and (b) will not cost more than Seventy-Five Thousand Dollars (\$75,000.00) per occurrence; or (ii) consists of minor field changes that (c) are consistent with the intent or required for the proper execution of the Approved Working Drawings and Specifications, and (d) that will not materially adversely affect the design, use, or operation of the Premises or Tenant Improvements.
- B. The Tenant Improvements shall only include actual improvements to the Premises approved by Landlord as provided above, and shall exclude (but not by way of limitation) Tenant's furniture, trade

fixtures, partitions, equipment and signage improvements, if any. Further, to the extent applicable and otherwise reasonably practicable, the Tenant Improvements shall incorporate Landlord's building standard materials and specifications for the Project as set forth in Schedule I ("Standard Improvements"). No deviations from the Standard Improvements ("Non-Standard Improvements") may be required by Tenant with respect to doors and frames, finish hardware, entry graphics, the ceiling system, light fixtures and controls, mechanical systems, fire life and safety systems and/or window coverings; without the prior written approval of Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, provided, however that Landlord shall in no event be required to approve any Non-Standard Improvement if such Improvement(s) (i) is of a materially lesser quality than the corresponding Standard Improvement, (ii) fails to conform to applicable governmental requirements, (iii) requires building services materially beyond the level Landlord has agreed to provide Tenant under this Lease (unless Tenant agrees to be responsible for performing such services), (iv) interferes in any manner with the proper functioning of, or Landlord's access to, any mechanical, electrical, plumbing or HVAC systems, facilities or equipment in or serving the Building, or (v) would have an adverse aesthetic impact to the Premises.

- C. Tenant shall contract with BCCI Construction Company or another licensed general contractor reasonably approved by Landlord (the "TI Contractor") for construction of the Tenant Improvements. If required by Landlord, Tenant shall use the electrical, mechanical, plumbing and fire/life safety engineers and contractors approved by Landlord, which approval shall not be unreasonably withheld. Tenant shall enter into a construction contract (the "TI Contract") with the TI Contractor for construction of the Tenant Improvements. If requested by Landlord, Tenant shall deliver copy of the TI Contract to Landlord. Tenant shall cause the Tenant Improvements to be constructed in a good and workmanlike manner in accordance with the approved Working Drawings and Specifications.
- D. With respect to any Tenant Improvements costing in excess of \$750,000.00, Tenant shall only enter into a TI Contract with a general contractor that is bondable.
- E. Prior to the commencement of the Tenant Improvement Work, Tenant shall deliver to Landlord a copy of the final application for permit and issued permit for the work.
- F. The TI Contractor shall comply with all commercially reasonable and standard Landlord's requirements as generally imposed on third party contractors, including without limitation reasonable insurance coverage requirements and the obligation to furnish appropriate certificates of insurance to Landlord, prior to commencement of construction of the Tenant Improvement Work.
- G. A construction schedule shall be provided to Landlord prior to commencement of the construction of the Tenant Improvement Work, and regular updates shall be supplied during the progress of the work.
- H. Tenant shall give Landlord 10 business days prior written notice of the commencement of construction of the Tenant Improvement Work so that Landlord may cause an appropriate notice of non-responsibility to be posted.
- I. The Tenant Improvement Work shall be subject to inspection at all times by Landlord and its construction manager, and Landlord and/or its construction manager shall be permitted to attend weekly job meetings with the TI Contractor.
- J. Upon completion of the Tenant Improvement Work, Tenant shall cause to be provided to Landlord a close-out package which shall include, without limitation, the following: (i) as built drawings of the Tenant Improvements work signed by the TI Contractor, (ii) CAD files of the improved space compatible with Landlord's reasonable CAD standards, (iii) a final punch list signed by Tenant, (iv) final and unconditional lien waivers from the TI Contractor and all subcontractors performing work in excess of \$10,000, and (v) all governmental sign-offs and approvals required for the completion of the Tenant Improvements (collectively, the "Close-Out Package").
- K. The Tenant Improvements work shall be prosecuted at all times in accordance with all state, federal and local laws, regulations and ordinances, including without limitation all OSHA and other safety laws, the Americans with Disabilities Act ("ADA") and all applicable governmental permit and code requirements.

- L. All of the applicable provisions of this Lease (including, without limitation, the provisions of Sections 7.4, 10.1, 10.3 and 10.5, specifically excepting the covenants to pay rent, shall apply to and shall be binding on Tenant with respect to the construction of the Tenant Improvements.
- M. Tenant hereby designates Gary LaMonte, Telephone (407) 867-7996, Email: gary.lamonte@veritas.com as its representative, agent and attorney-in-fact for the purpose of receiving notices, approving submittals and issuing requests for Changes, and Landlord shall be entitled to rely upon authorizations and directives of such person(s) as if given directly by Tenant. Any notices or submittals to, or requests of, Tenant related to this Work Letter and/or the Tenant Improvement Work may be sent to Tenant's Construction Representative at the email address above provided. Tenant may amend the designation of its construction representative(s) at any time upon delivery of written notice to Landlord. Landlord hereby designates Scott McRobie, Telephone (949) 463- 4480, Email: smcrobie@irvinecompany.com as its representative, agent and attorney-in-fact for the purpose of receiving notices, approving submittals and issuing approvals for Changes, and Tenant shall be entitled to rely upon authorizations and directives of such person(s) as if given directly by Landlord. Any notices or submittals to, or requests of, Landlord related to this Work Letter and/or the Tenant Improvement Work may be sent to Landlord's Construction Representative at the email address above provided. Landlord may amend the designation of its construction representative(s) at any time upon delivery of written notice to Tenant.
- N. Tenant and the TI Contractor and its subcontractors shall be permitted to enter the Premises prior to the Commencement Date of the Lease to construct the Tenant Improvements. The foregoing license to enter the Premises prior to the Commencement Date is, however, conditioned upon the compliance by the TI Contractor with all commercially reasonable and standard requirements imposed by Landlord on third party contractors, including without limitation the maintenance of workers' compensation and public liability and property damage insurance by the TI Contractor in amounts and with companies and on forms reasonably satisfactory to Landlord, with certificates of such insurance being furnished to Landlord prior to proceeding with any such entry. Landlord shall make available all utility services required for the Tenant Improvements. The provisions of Article 10 of the Lease shall apply to Tenant's Tenant Improvement Work. The Commencement Date shall occur as provided in Section 3.1 of the Lease, provided that the Commencement Date shall be extended by the number of days of actual delay of the Substantial Completion of the Tenant Improvements in the Premises to the extent caused by a "Commencement Date Delay," as that term is defined, below, but only to the extent such Commencement Date Delay causes the Substantial Completion of the Tenant Improvements to be delayed. As used herein, the term "Commencement Date Delay" shall mean only a "Force Majeure Delay" or a "Landlord Caused Delay," as those terms are defined below in this Section of this Work Letter. As used herein, the term "Force Majeure Delay" shall mean only an actual delay resulting from strikes, fire, wind, damage or destruction to the Building, explosion, casualty, flood, hurricane, tornado, the elements, acts of God or the public enemy, sabotage, war, terrorist acts, invasion, insurrection, rebellion, civil unrest, riots, or earthquakes, and the undue and prolonged delay by any governmental authority to process and issue necessary permits and approvals within the typical and reasonable period of time for the issuance of same. As used in this Work Letter, "Landlord Caused Delay" shall mean actual delays to the extent resulting from (i) the failure of Landlord to timely approve or disapprove any Construction Drawings or any other matters that are subject to Landlord's approval under this Work Letter; or (ii) interference (when judged in accordance with industry custom and practice) by Landlord, its agents or Landlord Parties (except as otherwise allowed under this Work Letter) with the Substantial Completion of the Tenant Improvements and which objectively preclude or delay the construction of Tenant Improvements in the Building by any person, which interference relates to access by Tenant, or Tenant's Agents to the Building, to the extent such failure is not due to a delay caused by Tenant; it being understood that any such interference shall include any delay in the Substantial Completion of the Tenant Improvements caused by any defects in the Base, Shell and Core or the failure of Landlord's Base, Shell and Core improvements to comply with any applicable governmental laws, ordinances, rules or regulations. If Tenant contends that a Commencement Date Delay has occurred, Tenant shall notify Landlord in writing of (i) the event which constitutes such Commencement Date Delay and (ii) the date upon which such Commencement Date Delay is anticipated to end. If such action, inaction or circumstance described in the Notice set forth in (i) above of this Section N of this Work Letter (the "Delay Notice") are not cured by Landlord within one (1) business day of Landlord's receipt of the Delay Notice and if such action, inaction or circumstance otherwise qualify as a Commencement Date Delay, then a Commencement Date Delay shall be deemed to have occurred commencing as of the date of Landlord's receipt of the Delay Notice and

ending as of the date such delay ends. For purposes of this Section IVA. "Substantial Completion of the Tenant Improvements" shall mean completion of construction of the Tenant Improvements in the Premises pursuant to the approved construction drawings, with the exception of any punch list items and the Premises is ready for occupancy by Tenant.

0. All of the Tenant Improvements shall become the property of Landlord and shall be surrendered with the Premises at the expiration or sooner termination of this Lease, except that Landlord shall have the right, by notice to Tenant given at the time of Landlord's approval of the Preliminary Plan, the Working Drawings and Specifications and any Change, to require Tenant either to remove all or any of the Non-Standard Improvements (as defined in the Lease) approved in the Preliminary Plan or in the Working Drawings and Specifications or by way of such Change, to repair any damage to the Premises or the Common Areas arising from such removal, and to replace any Non Standard Improvements so approved with the applicable Building Standard Improvement. Any such removals, repairs and replacements by Tenant shall be completed by the Expiration Date or sooner termination of this Lease. Notwithstanding the foregoing, Landlord confirms and agrees, however, that no removal or replacement shall be required for any of the Non-Standard Improvements shown in the approved Plan provided that: (i) the materials used by Tenant are of a quality equal to or greater than Landlord's Building Standard Improvements, (ii) the improvements are typically found in comparable buildings in the City of Santa Clara submarket, and (iii) the improvements would not be unusually difficult or expensive to remove, including but not limited to, internal staircases, raised floors, clean rooms, and tenant-specific telecommunications equipment.

II. COST OF THE TENANT IMPROVEMENTS WORK

- A. [REDACTED] as hereinafter defined), with any excess cost of the Tenant Improvements to be borne solely by Tenant. If the actual cost of completion of the Tenant Improvements is less than the maximum amount provided for the Landlord's Contribution, such savings shall inure to the benefit of Tenant as a credit against Rent due under the Lease.
- B. The "Completion Cost" shall mean the costs of completing the Tenant Improvements in accordance with the approved Working Drawings and Specifications, including but not limited to the following: (i) payments made to the TI Contractor, architects, engineers, subcontractors and other third party consultants in the performance of the work, (ii) permit fees and other sums paid to governmental agencies, and (iii) costs of all materials incorporated into the work or used in connection with the work. The Completion Cost shall also include an administrative/overhead fee to be paid to Landlord or to Landlord's management agent in the amount of 1.5% of the Completion Cost, and Landlord's reasonable "peer review" fees for the review of the Preliminary Plan and Working Drawings and Specifications by Landlord's project architect and its MEP engineers, which fees shall be paid from the Landlord's Contribution.
- C. Landlord shall fund the Landlord Contribution (less deductions for the above-described administrative/overhead fee and all "peer review" charges) in installments (not more frequently than monthly) as and when costs are incurred and a payment request therefor is submitted by Tenant, which payment request shall include a copy of all supporting invoices, lien waivers (in the form prescribed by the California Civil Code), and pertinent back-up (all of which can be in the form of an email (i.e. PDF copies)). Landlord shall fund the payment request within 20 days following receipt of the application and supporting materials; provided that a 10% retention shall be held on payments to Tenant until Landlord receives the complete Close-Out Package. The remaining balance of the Landlord Contribution towards the Completion Cost shall be funded within 20 days following Landlord's receipt of the completed Close-Out Package.

D.

III. DISPUTE RESOLUTION

- A. All claims or disputes between Landlord and Tenant arising out of, or relating to, this Work Letter shall be decided by the JAMS/ENDISPUTE ("JAMS"), or its successor, with such arbitration to be held in Santa Clara County, California, unless the parties mutually agree otherwise. Within 10 business days following submission to JAMS, JAMS shall designate three arbitrators and each party may, within 5 business days thereafter, veto one of the three persons so designated. If two different designated arbitrators have been vetoed, the third arbitrator shall hear and decide the matter. If less than 2 arbitrators are timely vetoed, JAMS shall select a single arbitrator from the non-vetoed arbitrators originally designated by JAMS, who shall hear and decide the matter. Any arbitration pursuant to this section shall be decided within 30 days of submission to JAMS. The decision of the arbitrator shall be final and binding on the parties. In no event shall the arbitrator be empowered or authorized to award consequential or punitive damages (including any award for lost profit or opportunity costs or loss or interruption of business or income). All costs associated with the arbitration shall be awarded to the prevailing party as determined by the arbitrator.
- B. Notice of the demand for arbitration by either party to the Work Letter shall be filed in writing with the other party to the Work Letter and with JAMS and shall be made within a reasonable time after the dispute has arisen. The award rendered by the arbitrator shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof. Except by written consent of the person or entity sought to be joined, no arbitration arising out of or relating to this Work Letter shall include, by consolidation, joinder or in any other manner, any person or entity not a party to the Work Letter unless (1) such person or entity is substantially involved in a common question of fact or law, (2) the presence of such person or entity is required if complete relief is to be accorded in the arbitration, or (3) the interest or responsibility of such person or entity in the matter is not insubstantial.
- C. The agreement herein among the parties to arbitrate shall be specifically enforceable under prevailing law. The agreement to arbitrate hereunder shall apply only to disputes arising out of, or relating to, this Work Letter, and shall not apply to other matters of dispute under the Lease except as may be expressly provided in the Lease.

SCHEDULE I

SHELL BUILDING OUTLINE SPECIFICATIONS



Santa Clara Square Phase I

Santa Clara, California

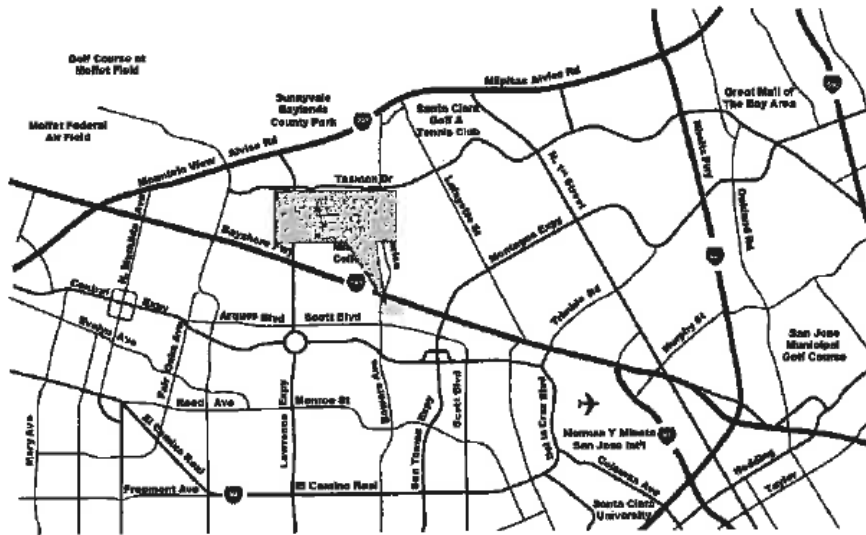
Outline Specifications

2625 Augustine Drive
2755 Augustine Drive
2755 Augustine Drive

 **IRVINE COMPANY**
Since 1864

The specifications set forth in this document are subject to modification here into or here as determined to be necessary or appropriate by the Developer. Such modifications shall be provided by addendum during the final bidding agreement phase, which shall constitute.

December 17, 2010



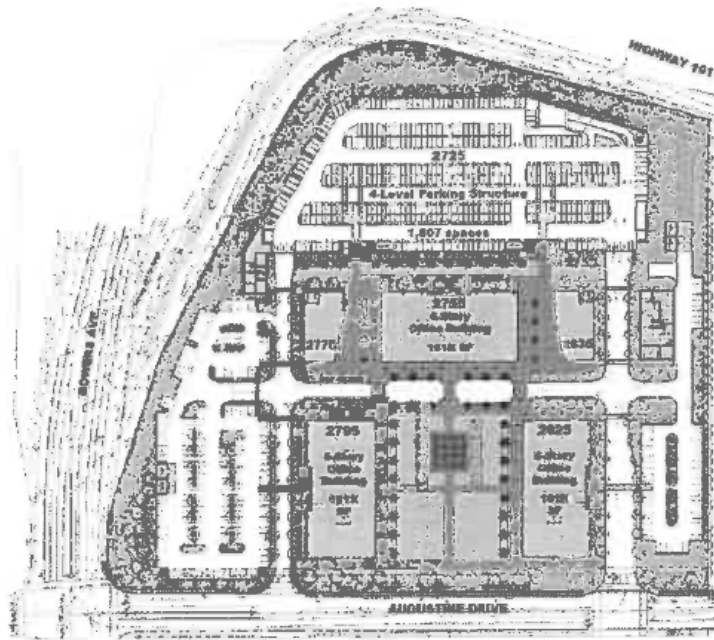
Regional Map

IRVINE COMPANY
Since 1961

Santa Clara Square - Phase I

The specifications set forth in this document are subject to modification by the developer, and to be necessary or appropriate for the developer. Street building improvements to be provided by the developer during the street building improvement phase, unless noted otherwise.

Santa Clara, CA
December 11, 2014



Site Plan

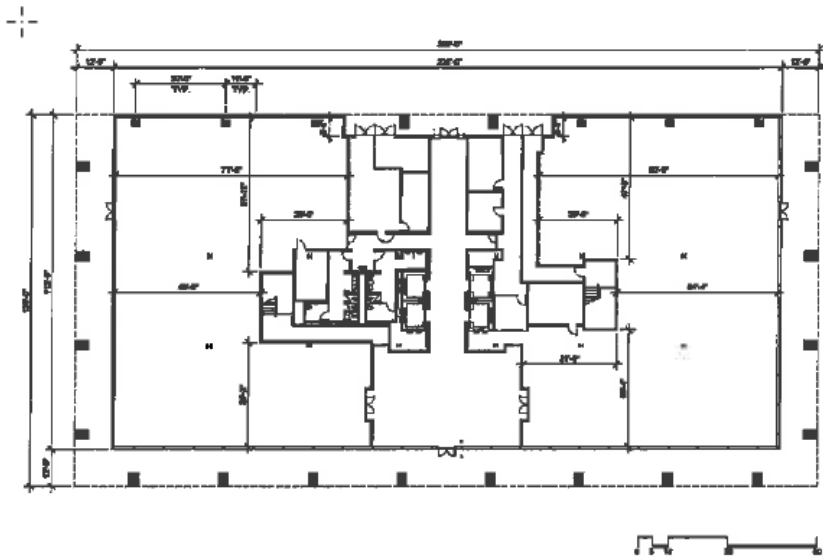
● IRVINE COMPANY
Since 1964

Santa Clara Square - Phase I

Santa Clara, CA

December 11, 2013

The specifications set forth in this document are subject to modification from time to time as determined in the discretion of the architect. Such building improvements to be provided by landlord during the initial building improvement phase, unless noted otherwise.



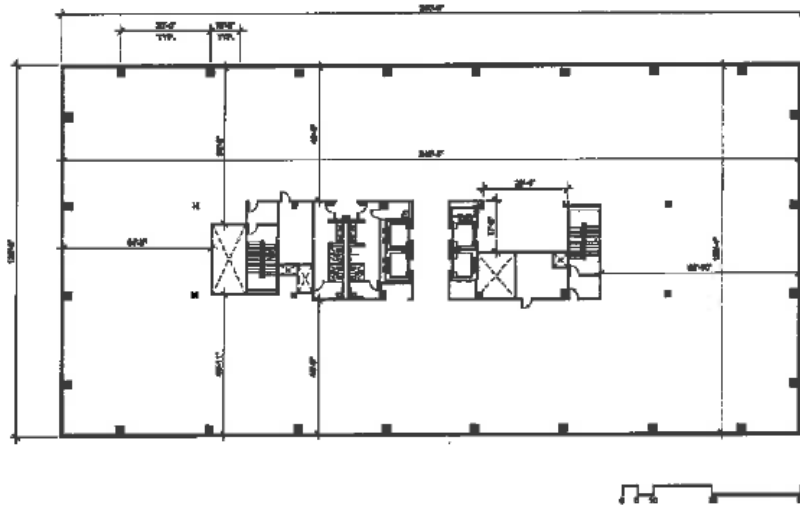
2625 & 2755 - Ground Level Floor Plan

IRVINE COMPANY
Rev. 08/14

Santa Clara Square - Phase I

Santa Clara, CA
December 17, 2018

The specifications on this set of documents are subject to modification from time to time as determined by the contractor or approved by the architect. The building requirements to be provided by the contractor are shown on the building department plan. Other items are shown on the building department plan. Other items are shown on the building department plan.



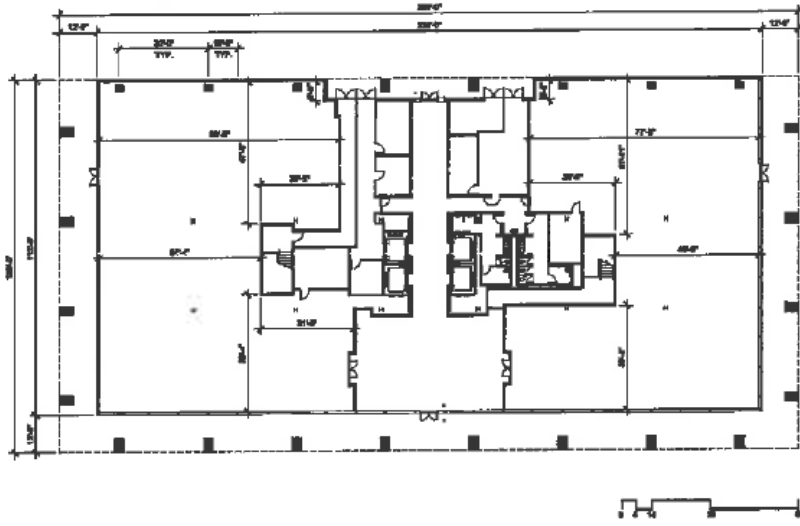
2625 & 2755 - Typical Upper Level Floor Plan

● IRVINE COMPANY
Since 1861

Santa Clara Square - Phase I

Santa Clara, CA
 December 11, 2013

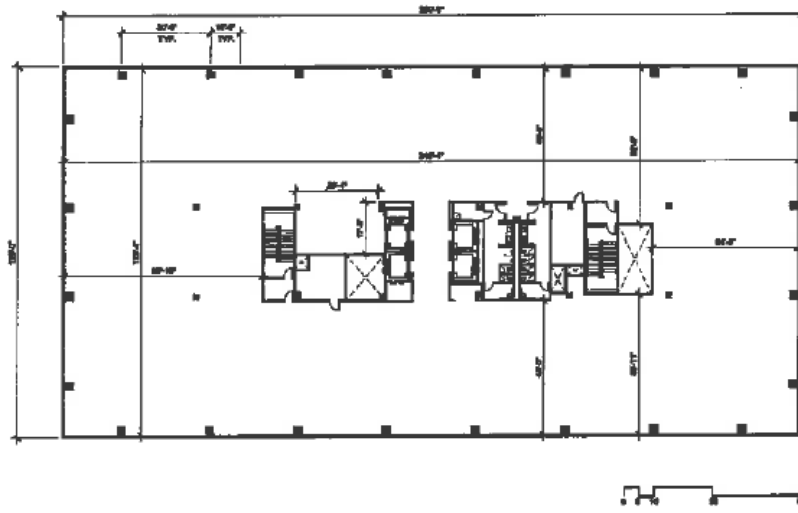
The specifications and items in this document are subject to modification from time to time as determined by the architect or engineer for his or her client. Such building improvements as are indicated by dashed lines during the shell building improvement phase, unless noted otherwise.



2795 - Ground Level Floor Plan
 IRVINE COMPANY
 Since 1944

Santa Clara Square - Phase I
 Santa Clara, GA
 December 17, 2013

The specifications and notes in this document are subject to modification throughout the course of construction as it may be necessary or appropriate by the Architect. Such building improvements to be provided by the client during the pre-construction period shall be noted on the drawings.



2795 - Typical Upper Level Floor Plan

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Rev. 10/14

Santa Clara Square - Phase I

Santa Clara, CA
December 17, 2013

The specifications set forth in this document are subject to modification from time to time as determined by the architect or applicable to the drawings. Such modifications shall be indicated by a legend or otherwise. The architect shall be responsible for the accuracy of the information provided in this document. The architect shall not be responsible for the accuracy of the information provided in this document.

OVERVIEW:

Overall Dimensions:	
Number of 6-story buildings per phase	8
6-story Building Dimensions:	250'-0" x 125'-0"
6-story Building Height:	85'-10"

Floor/Ceiling Heights:	
2 nd floor to 2 nd floor:	20'-0"
Typical Floor-to-Floor:	13'-0"
Top floor to roof:	Varies
1 st floor tenant finished ceiling height:	15'-0"
Typical upper floor tenant ceiling height:	10'-0"

Module/Finishing Heights:	
Finishing module is 10'.	
Window openings are Floor-to-Ceiling typical:	
2 nd floor:	20'-0"
Upper floors:	18'-0"
Perimeter structural columns occur behind glass.	

SITE PLANNING:

Site Areas:	
Net Site Area:	356.53 Acres (173,623 SF)
Building Footprint Area:	556,534 SF
Floor Area Ratio:	0.77

Construction:

Asphalt, with concrete curbs, integral concrete gutters wherever storm water will collect and flow adjacent to curb.

Integral color concrete plazas and walkways with varying textures and finishes.

Site Lighting:

LED luminaires are provided along the primary vehicular access driveways and throughout the parking areas, as required by code.

LED are provided in pedestrian areas, as required.

Outdoor lighting shall be controlled by an automatic lighting control system.

SITE PLANNING (CONTINUED)

Parking:	
Parking, including accessible parking, will be provided by surface parking and parking structures.	
Provided on-grade:	238 spaces
Provided within Parking Structures:	1,402 spaces
Total Parking Spaces Provided Phase 1:	1,640 spaces
Parking Ratio:	3.1/1000
Typical Parking Stall Size:	9'-0" x 18'-0"
Compact Parking Stall Size:	8'-0" x 18'-0"

Parking Structures:

Structured parking will be provided within a 6-level parking garage located adjacent to the office buildings. Vertical circulation is facilitated through the use of two (2) elevators in each lobby and two stairways. The two points of vehicular entry and exit are equipped to accommodate a gated access control system.

Autocourt & Fencement Plans:

Concrete Finish:

Paving will be characterized by integral color concrete with an architectural finish.

Trees:

A horizontal canopy of mature trees will integrate with a grid of vertical palm trees to form a continuous canopy/shyem.

Accent Planting:

At the courtyard, accent planters will contain specimen trees and flowering perennial color.

Planting:

Planting will be characterized by a strong spatial strategy of hedge, hedge row, hedge, and ground plane treatments.

Site Furnishings:

Shade structure, tables, benches, landscape pottery, Class 2 bicycle racks and waste receptacles will be provided.

SITE PLANNING (continued)	Perimeter Edges The freeway edge of the property will be planted with existing Oleander. The eastern edge is planted with a row of pines. Augustine shall be planted with existing and new redwoods.
Structural Elements	Wall & Ceiling Areas Painted metal spandrel panels and column covers EPS plaster system with film coat et soft. Painted metal clad canopy over ground floor front entry. Window and Glazing Areas Glazing: Vitrocon VRE 11-54 16 unit with 4 1/2" x 10" aluminum extrusion profiles. The curtain wall is a 20' x 12' unitized window wall system with Duranor XL Bright Silver finish. Mechanical Screens 12" wide horizontal metal panels finished to match building column covers and wall panels. Ground Floor Entry Areas: Glazing: Vitrocon VRE 11-54 16 unit with 4 1/2" x 12" aluminum extrusion profiles. The curtain wall is a 10' x 12' unitized window wall system with Duranor XL Bright Silver finish. Entrance Doors: Glass swing doors, center pivoted, with narrow stainless steel stiles with full-height door pulls. Column Covers: Painted metal Stairfront & Column Base: Honed Granite

MECHANICAL/ELECTRICAL	Main Lobby Floors: Honed Granite Walls: Honed granite architecture walls in elevator lobby. Wood veneer panels over gypsum board and metal stud wall assembly. Ceiling: Gypsum board with Level 5 skin coat/finish and recessed down lights. Lighting: satin stainless steel elevator doors and transoms with satin stainless steel elevator door frames. Lobby Tenant Doors: Glass doors with satin stainless steel trim and full-height door pulls. Electrical Distribution: Electromet Dielectric System Typical Elevator Lobby (In-Hall-Tenant): Floors: Honed Granite Walls: Gypsum board with painted finish over metal stud wall assembly. Ceiling: Gypsum board with painted level 2 skin coat finish and recessed downlights. 4 side perforator construction in lobby zone. Smoke Guard system at each elevator entry recessed in cove. Elevators: Satin stainless steel elevator doors and transoms with satin stainless steel door frames.
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BUILDING CORE ELEVATOR (CONTINUED):		Elevator and Cab:
Elevators		
Number of cabs:	Four (4)	
Type:	MRL	
Speed:	330 feet per minute	
Capacity:	4,000 pounds	
Control:	Destination Based	
Cab dimensions (Passenger):	7'-6" x 5'-4"	
Cab dimensions (Passenger/Service):	7'-8" x 5'-5"	
Finish size:	4'-0" x 8'-0"	
Ceiling Height:	9'-2"	
Cab return end door:	304L stainless steel	
Cab floor:	Hardwood	
Cab walls:	Hardwood	
Cab ceiling:	Wood veneer panels	
Cab roof:	304L stainless steel	
Cab lighting:	304L stainless steel	
Access control:	Recessed downlights Proximity card reader	
Call Stations:		
Walls:		
Opposite display over 4" or 6" x 30 gauge metal stools with a painted finish.		
Floor Finish Material:		
Sealed concrete		
Truss & Lintels:		
Steel channel splices with lightweight concrete filled metal pre-treads.		

BUILDING CORE ELEVATOR (CONTINUED):		Toilet Rooms:	
Partitions for Hand-Free Restrooms:			
Men:	3 toilets	Women:	5 toilets
	2 urinals		2 lavatories
	2 mirrors		
Restroom Finish:			
1 1/2" x 1 1/2" ceramic tile over 1/2" sub.			
Walls:			
Men: 1 1/2" x 6" full height, ceramic tile over 5/8" tile backer board on 4" or 6" x 30 gauge metal studs to structure above. 4" or 6" acoustic batt insulation.			
Ceilings:			
GRABBAR drywall with painted finish. Recessed downlights with accent cove lighting.			
Trunk Enclosures:			
304L stainless steel, floor-mounted.			
Countertops:			
Polished granite countertop with under-counter mount porcelain sinks. Two stools per restroom.			
Polished chrome faucets.			
Mirrors:			
Vision quality clear vanity mirror above lavatories, full-height vanity mirror (wall-mounted).			
Accessories:			
304L stainless steel, recessed. Automated paper towel dispensers.			
ARCHITECTURAL MECHANICALS:		Roofing:	
Field applied elastomeric roof deck air/ing system over concrete filled metal deck.			
Window Washing Equipment:			
Service all areas above the second floor, with roof cartage system located on the main roof.			
Exterior Service Doors:			
Painted metal clad on insulated hollow metal doors.			
Column Finishing Detail/Column Note:			
3-1/2", 16 ga. metal studs, constructed 6" above ceiling.			
Ceiling grid height 18'-0" at First Floor and 19'-0" at all upper floors.			
5/8" Type X drywall.			
Facing to be smooth and sanded to receive paint or wall covering.			

Outline Specifications - Shell Building Improvements

IRVINE COMPANY
Form 104

Page 3

Santa Clara Square - Phase I

Santa Clara, CA

December 17, 2010

The specifications set forth in this document are subject to modification from time to time as determined by necessity or appropriate by the developer. Such required improvements to be detailed by contract during the shell building improvement phase, unless otherwise noted.

MECHANICAL MECHANICAL (CONTINUED)	MECHANICAL MECHANICAL	MECHANICAL MECHANICAL	MECHANICAL MECHANICAL
<p>Installation:</p> <p>R-19 batts at underside of roof deck.</p> <p>R-11 batts at exterior walls.</p> <p>Resisting insulation between edge of deck and perimeter walking slab assembly.</p> <p>Fireproofing:</p> <p>Spray-applied cementitious fireproofing material.</p>			
<p>MECHANICAL MECHANICAL</p> <p>Central Mail Facility (Multi-Tenant):</p> <p>Front loading keyed mailroom units, clear anodized aluminum finish, with the following total compartment sizes:</p> <p>Size 6 (1'-1/2" WxD" x 1'-1/2" D)</p> <p>Size 8 (2'-1/2" WxD" x 1'-1/2" D)</p> <p>U.S. Mail / Overnight / express mail drop-off area.</p>			
<p>MECHANICAL MECHANICAL</p> <p>Typical Saniter Rooms</p> <p>Saniter Rooms are provided at floors 2, 4, & 6 at office building.</p> <p>Floor mounted service sink with wall-mounted soap rack.</p> <p>Sealed concrete floor and rubber base.</p> <p>Plumbing reinforced plastic wall panels located adjacent to sink.</p>			
<p>MECHANICAL MECHANICAL</p> <p>On-grade Floor System:</p> <p>5" thick concrete slab on grade with #4 reinforcing bars at 16" on center each way.</p> <p>Elevated Floor System:</p> <p>Steel beams and columns supporting a composite metal deck with concrete fill.</p> <p>Steel moment frames for the lateral force-resisting system.</p> <p>Floor system designed to accommodate 200 psf tenant load (85 psf live load / 15 psf partition load).</p>			<p>MECHANICAL MECHANICAL</p> <p>Each building will be served by a built-up mechanical system located at the penthouse level. The system consists of water-cooled chillers, cooling towers, and the associated pumps. Chilled water will be piped to main chilled water ceiling coil located in penthouse fan room. Main supply and return fans will deliver conditioned air distributed through mechanical shafts and looped on each floor for future tenant variable air volume terminal boxes. The system will have 100% air-side economizer for free cooling where outside conditions allow. Heating will be provided by three hot water boilers and pumps. Hot water will be piped and looped throughout each floor for future connections to exterior zone variable air volume terminal boxes.</p> <p>Exhaust air will be provided for each restroom and also for future tenant connections.</p> <p>For Multi-Tenant buildings, Tenant's 44/2 air conditioning equipment has been planned to connect to the building's dedicated closed-circuit cooler system at the condenser water riser located on each floor.</p> <p>Plumbing:</p> <p>Plumbing system shall include domestic hot and cold water systems, recycled water system, sanitary sewer systems, soil and gas drainage systems, and connections to plumbing fixtures and other equipment supplied under other sections of the specifications.</p> <p>Domestic and recycled cold water supply will be from the street water main.</p> <p>The domestic hot water system will be circulated and supplied from electric storage-type water heaters located in the Janitor's Closet.</p> <p>The sanitary sewer system will be connected by gravity to the site sewer system. Fuel gas system, consisting of piping and connections to mechanical boiler.</p> <p>The storm drainage system will be connected by gravity to a site drainage system.</p> <p>Domestic and recycled water meters will be located in unenclosed vault.</p> <p>The gas meter will be located above ground.</p> <p>Centrally located wet columns, at both sides of core, consisting of 4" waste, 1" vent, and 2-1/4" cold water with shut-off valve caps.</p> <p>Refrigerated water 45-to drinking fountain provided at restroom vestibule at each floor.</p> <p>(Note: The plumbing infrastructure is designed to accommodate future tenant requirements provided by the tenant during the tenant improvement phase.)</p>

Outline Specifications – Shell Building Improvements

Santa Clara Square – Phase I

FIRE PROTECTION SYSTEMS:

Fire Protection

Ordinary Hazard Group 2 Fire protection design criteria: hydraulically calculated overhead automatic fire sprinkler and standpipe systems, complete with detector chest, escalator down guide, fire pump and fire storage water tank, fire department connections, electric gas shut-off valves, flow and tamper switches, fire pump test outlets and fire extinguishers.
Piping system will be sized to accommodate tenant improvements.
Fully recessed heads with concealed caps at ground floor lobby, elevator lobbies, exterior soffits, and restrooms.
Open-accessed heads with white enamel trimmed escutcheons at a utility room and staff corridors.
[Note: New sprinkler drops from the existing distribution loop and semi-recessed heads to be provided by the tenant during the Tenant Improvement phase.]

ELECTRICAL SYSTEMS:

Electrical Systems

All buildings are served via a 12 KV service feed from Silicon Valley Power.

Privately metered 4000A 277/480V 3Phase, 4 wire service to each building.
Parking Structure: Privately metered 1100A 277/480V 3Phase 4 Wire service.

Each floor of each building is provided with one (1) 600 amp, 277/480 volt, 3 phase, 4-wire distribution panel, two (2) 150 kVA -84 transformers, two (2) 400 amp, 120/208V, 3 phase, 4 wire distribution boards and six (6) 225 amp, 120/208V, 3 phase, 4 wire panels.
[Note: The electrical infrastructure is designed to accommodate future tenant requirements provided by the Tenant during the Tenant Improvement phase.]

Each building is provided with an extensive communication support infrastructure including the following components:

- Ten (10) 4" conduits, located in the main telecom room on the first floor, provide for a variety of telecommunication service providers. Four (4) additional 4" conduits provide for inter-building connectivity. Designated floor rack out space to accommodate twelve (12) 4" conduit sleeves between all floors.
- Four (4) 2" conduits are provided from the upper most floor telecom room to the roof for tenant installed satellite telecommunication requirements.

ELECTRICAL SYSTEMS (CONTINUED):

Life-Safety:

Life Safety Fire Alarm System conforming to the requirements of the National Electric Code which will include the following:

- Fire Department central control station on the ground floor level.
- Approved fire alarm signaling systems and visual strobes.
- Smoke detectors, pull stations, water-flow switches, tamper switches, duct smoke detectors connected to a centralized system.
- Two-way fire department communication system to the elevators, lobbies, and stairway vestibules. [Note: The Life Safety

[Note: The Fire Alarm system is designed to accommodate future tenant improvements. All additional code required components will be provided by the tenant during the tenant improvement phase.]

Future Tenant Furnishable Generators

Tenant generator will be accommodated within the dielectric enclosure. six (6) 4" conduits and six (6) 1" conduits extend from the future tenant generator location into the building's main electrical room.

Access Control Systems (ACS):

Main lobby entrances and elevator cabs are equipped with proximity readers for access control. Contact provided at stairwells of all floors for future access control.

[Note: All future tenant improvement access control needs shall be provided by the Tenant during the Tenant Improvement phase.]

End of Shell Building Outline Specifications

Outline Specifications – Shell Building Improvements

IRVINE COMPANY
Irvine, CA

Santa Clara Square – Phase I

Santa Clara, CA
December 17, 2010

The specifications set forth in this document are subject to modification from time to time as determined to be necessary or appropriate by the contractor. Shell building improvements to be provided by Contractor during the shell building improvement phase, unless noted otherwise.

**MULTI-TENANT
CORRIDOR**

ARCHITECTURAL

Corridor Partitions

1 1/2" x 25 ga. metal studs, 24" o.c. with seismic bracing as required.
5/8" type "X" gypsum, one layer each side of studs w/ acoustic batt
Insulation installed within wall cavity.
Partitions taped smooth and sprayed to receive paint or wall covering on
tenant side and wall covering on corridor side.

Corridor Ceiling:

Floor 1 : Suspended acoustical ceiling to be 15'-0"
above concrete floor.
Upper Floors: Suspended acoustical ceiling to be 10'-0" above
concrete floor.

Armstrong Sphero 24" x 24" 1/2" hot-dip steel ceiling grid.
Armstrong, Model 652 "New texture," 2" x 2" x 3/4", beveled regular
acoustical ceiling tile.
Insul-Quik acoustical blankets installed above suspended acoustical
ceiling, extending four feet into tenant space.

Carpet and Base:

Karastar, Waffle Weave #WVW-806 - Color: New Taupe
Straight rubber base, tufted, 2-1/2" high, 244 - Off white, carpet-type
wall stock.

**FIRE PROTECTION
SYSTEMS**

Fire Sprinklers:

Drop heads from existing distribution.
Fully recessed heads with flush concave caps. Color to match adjacent
ceiling.

**ELECTRICAL
SYSTEMS**

Corridor Light Fixtures

FOCAL POINT LED LINA, 2' x 2' recessed indirect fixture.
Model: #FICLED-22-L1305.
Color Temperature: 3500 degree Kelvin, 90-CRI.
Earthquake clips and wire.
No rebate air clearance.

**ELECTRICAL
SYSTEMS**

CONTROLS:

Corridor Light Fixtures (continued):

Lighting controlled by time clock to keep all common area lighting on
during normal business hours.
Off-hour lighting requires remote control lighting provisions
(90-95 percent of normal operation).

Exit Signs (Illuminated):

LED edge lit sign with green letters, tied to building emergency circuit.
Cooper Lighting, Sure-Lite, ES Series, Recessed, Ceiling-Mount.

End of Multi-Tenant Corridor Outline Specifications

Outline Specifications - Multi-Tenant Corridor



Santa Clara Square - Phase I

Santa Clara, CA

December 17, 2014

The specifications and items in this document are subject to substitution hereinafter to meet or determine as to necessity or expediency by the architect. Such building improvements to be provided by landlord during the usual building improvement phase, unless noted otherwise.

All tenant improvements to be based on landlord's approved plans and to be provided by tenant during the tenant improvement phase.

**TENANT AREA
ASSEMBLY/DANCE:**

Dancing Partitions:

2 1/2" x 25 ga. metal studs, 24" o.c., with seismic bracing as required.
5/8" Type "X" drywall, one layer each side of studs.
Height from floor slab to ceiling grid, 10'-0", typical. [15'-0" @ 3rd floor]
Partitions taped smooth and sanded to receive paint or wall covering.
Partitions cavity insulation Owens Corning "Noise Barrier" (or equal) 2 R", R-4 studs.
Stagger and caulk around electrical outlet and other boxes; caulk around conduits and other through-the-wall penetrations. Caulk entire perimeter of wall at floor, exterior wall and ceiling between 1/2" metal finished gypsum board and intersecting surface.
Straight line termination at building columns only. Wall closure trim (columns match material), with noptone grille at ceiling termination.
Above ceiling of partition provide ceiling insulation 4"R" each side of partition. Owens Corning "Sono Batts" (flat face up) 2-1/2" batts (or equal).
Inert-Gard acoustic blankets hung from deck above—parallel to partition—extending 2'-0" onto acoustic blankets.
Continuous compressible tape between top track and ceiling grid.

Interior Partitions:

2 1/2" x 25 ga. metal studs, 24" o.c. constructed to underside of ceiling with seismic bracing as required.
[Ceiling grid height 15'-0" at 1st floor, 10'-0" at upper floors.]
5/8" Type "X" drywall, one layer each side of studs.
Partitions taped smooth and sanded to receive paint or wall covering.
1/2" metal at termination of partition at ceiling.
Straight line termination at building columns.

Note: Water-resistant and mold-resistant wallboard shall be used at all wet walls. Wet walls shall consist of walls within cabinets containing plumbing for items such as kitchen sinks, water filtration systems, dishwashers, etc.

**TENANT AREA
ASSEMBLY/DANCE
(CONTINUED):**

Area Separation Partitions:

2 1/2" x 25 ga. metal studs, 24" o.c. constructed to underside of floor above.
5/8" Type "X" drywall, one layer each side of studs.
Partitions cavity insulation Owens Corning "Noise Barrier" (or equal), 2 R" R-4 studs.
Partitions taped smooth and sanded to receive paint or wall covering.
Straight line termination at building columns.

Interior Column Finishing:

2 1/2" x 25 ga. metal studs, constructed 6" above ceiling.
[Ceiling grid height 15'-0" at 1st floor, 10'-0" at upper floors.]
5/8" type "x" drywall.
Furring taped smooth and sanded to receive paint or wall covering.

First floor sub-slab construction:

All future sub-slab construction shall be reviewed and approved by the Irvine Company prior to start of construction.

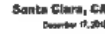
Window Coverings:

Mechosthede Thompson 1500 Series (RM)

Outline Specifications – Tenant Improvements



Santa Clara Square – Phase I



The specifications set forth in this document are subject to modification from time to time as determined to be necessary or appropriate by the provisions. Such building improvements to be provided by landlord during the initial building improvement phase, unless stated otherwise.

**TENANT AREA
ARCHITECTURAL
COMMENTS:**

Slab Entry Door:

5'-0" x 8'-10" x 1-3/4" solid core wood door with premium grade 5-ply white oak veneer with matching hardwood edges. Factory finish with clear varnish. 20-minute fire-rated with rating label attached to hinge side of door.
5'-0" x 8'-10" x 1-3/4" thermal aluminum door frame. 20-minute fire-rated with rating label attached to hinge side of frame. Color: TIC standard, door smoothed factory finish.
Jacks, L-Series merite lockset. L9459-05A-026. Same finish both sides, 626-actin chromum. 3/8" AFF to centerline of lever.
4-1/2" x 4-1/2" Hager 88-1275 (and are acceptable alternative). Built hinges, two pair. Finish to match lever.
Horns 8522 panel of one door closer. Flush to match lever.
Quality 8591 floor stop for doors without thresholds. Finish to match lever.
SOSO Series "Double Guard" fire door gasket.
Color: Black.

Interior Doors:

5'-0" x 8'-10" x 1-3/4" solid core wood door with premium grade 5-ply white oak veneer with matching hardwood edges. Factory finish with clear varnish. 20-minute fire-rated with rating label attached to hinge side of door.
5'-0" x 8'-10" x 1-3/4" aluminum door frame. Color: TIC standard, clear anodized (factory finish).
Jacks, L-Series merite lockset or lockset as specified. Passage (L9459-05A-026), office lock (L9459-05A-026). Same finish both sides, 626-actin chromum. 3/8" AFF to centerline of lever.

4-1/2" x 4-1/2" Hager 88-1275 built hinges, two pair. Finish to match lever.
Quality 8591 floor stop. Finish to match lever.

Tenant Ceilings:

Floor 1: Suspended acoustic ceiling to be 15'-0" above finished floor.
Upper Floors: Suspended acoustic ceiling to be 10'-0" above concrete floor.

Armstrong 88h or 88e 6/16" lock-in ceiling grid.
Par 8201 2x4 recessed drop.
Armstrong, Mesa 882 "The texture," 2' x 2' x 3/4", beveled, beveled, acoustical ceiling tile.

**TENANT AREA
ARCHITECTURAL
COMMENTS:**

Paint:

Two coats of flat latex paint over primer.
Including standard colors.
Carpet and base:

Sealby pattern: Intersect 85 85008301, 80 sq. y./10 group.
Output: Type 6, 6 of nylon, over 5/16 mesh pad.
2-1/2" rubber straight base, color varies with carpet selection.

**ELECTRICAL
SYMBOLS:**

Light Fixtures:

Panel Mount LED Lum, 2' x 4' recessed indirect fixture.
• Interior open office space
Model: RTCLD-24-112-85
• Perimeter office space
Model: RTCLD-26-112-85
Color Temperature: 3500 degree Kelvin, 80+ CRI.
Heat exhaust slots.
Earthquake clip and wire.
Note:
Light fixtures located underneath HVAC duct loop will be required to be supported by a structural support system.

Light Motion Sensors:

For use in perimeter office exclusive of conference rooms and all interior spaces other than large open areas.

Geosense Controls - Model 6200 series Motion Controller, RC series wall-mounted, dual tech ceiling occupancy sensors, and 05 series daylight sensors.

Light Switches:

For use in conference rooms, reception areas, general office and other areas not listed above.
Leviton Decora 5821. Color: White w/ matching cover plate.
Switches paired in double gang box to meet NEC-24 requirements.
Height 40" AFF to centerline of switch.

Outline Specifications – Tenant Improvements

Santa Clara Square – Phase I

The specifications set forth in this document are subject to modification from time to time as determined by the architect or approved by the developer. Any building improvements to be provided by the tenant shall be subject to the building improvement plan, which shall be submitted to the architect for review and approval.

ELECTRICAL SYSTEMS (CONTINUED):

Electrical Wall Outlets

Leviton E3542 (or equal), self-grounding, duplex receptacle. Color: White w/ metal/ins cover plate. 15V, 20 amp, non-fused wall mount, standard. Mounted vertically 18" AFF to center of outlet. Qualifies as Junction box with duplex outlet converter plate at secretarial and office locations.

Telephone Wall Outlets

A double gang box with single gang mounting in wall vertically mounted. 3/4" metal conduit, 4 wire outlet box. Subsequent conduit and pull wire to 7-1/2" above ceiling. Premium rated cable or conduit to be used by tenant. Network covers plates by telephone company. Color: White. Outlet height at 18" AFF to centerline of outlet. (Note: Tenant connection points for all telephone components shall originate from the typical floor electrical room.)

Power Density:

6-story Office Building
Overall Building Capacity: 18.5 W / SF
Overall Building HVAC Power Density: 5.0 W / SF
Tenant Available 277/480V Lighting Power Density: 1.5 W / SF
Tenant Available 277/480V Non-Lighting Power Density: 1.5 W / SF
Tenant Available 120/208V Power Density: 2.0 W / SF

Amenity Building (Cold Use)
Overall Building Capacity: 70.0 W / SF
Overall Building HVAC Power Density: 20.0 W / SF
Tenant Available 277/480V Lighting Power Density: 1.5 W / SF
Tenant Available 277/480V Non-Lighting Power Density: 1.5 W / SF
Tenant Available 120/208V Power Density: 40.0 W / SF

(Note: Tenant connection points for all power components shall originate from the typical floor electrical room.)

ELECTRICAL SYSTEMS (CONTINUED):

Life-Safety:

Approved fire alarm audible speakers and visual strobes. Smoke detectors where required by code. (Note: Tenant connection points for all life-safety components shall originate from the typical floor electrical room.)

Exit Signs (Illustrated):

LED signal sign with green letters, tied to building emergency circuit. Cooper Lighting, Sure-Lite, 66 Series, Recessed, Ceiling-Mount, 50-watt (battery back-up minimum) with test switch.

Fire Protection Systems

Fire Sprinklers

Drop from existing distribution loop. Semi-recessed heads with white-enameled trim, located at center of ceiling tile, by General or equal.

MICROWAVE SYSTEMS:

HVAC:

For exterior zones, single duct, direct digital control (DDC), variable air volume (VAV) boxes with branch ducting connected to existing main supply air loop.

For exterior zones, single duct, direct digital control (DDC), variable air volume (VAV) boxes with hot water reheat coils and branch ducting connected to existing main supply air loop.

2" x 2" supply air registers, perforated face diffuser.

2" x 2" return air grilles, perforated face diffuser.

Thermostats located per code requirements. 40" AFF to centerline. Center above light switches where appropriate. Testing and balancing.

End of Tenant Improvement Outline Specifications

Outline Specifications – Tenant Improvements

Santa Clara Square – Phase I

APPLICABLE CODES

Codes:

2019 California Building Code (with city amendments)
2019 California Plumbing Code
2019 California Mechanical Code
2019 California Electrical Code (with city amendments)
2019 California Fire Code
2019 California Green Building Standards Code
2008 Building Energy Efficiency Standards for Residential & Nonresidential Buildings
2004 Americans with Disabilities Act – Accessibility Guidelines (ADAAG)
Current Edition – NFPA
Current Edition – Title 24
Current Edition – Code of Regulations, Title 8, Industrial Relations - Subchapter 7, General Industry Safety Orders

Code Analysis:

Occupancy: Group B
Construction: Type I-5 @ 8-story Office Buildings and Parking Facility
Type I-5 @ 4-story Assembly Buildings
Fully Specified

Fire Resistant Requirements

8-Story Office Buildings:
Structural Frame: 4 hour
Structural Frame (Penetration): 1 hour
Roof: 1 hour
Roof (Penetration): Non-rated
Floor: 2 hour
Shaft: 2 hour
Permanent Partitions: Non-rated
4-Story Assembly Buildings:
Structural Frame: Non-rated
Roof: Non-rated
Permanent Partitions: Non-rated

End of Applicable Codes

Outline Specifications – Codes



Santa Clara Square – Phase I

Santa Clara, CA
December 17, 2019

The specifications set forth in this document are subject to modification from time to time as determined to be necessary or appropriate by the designer. Such building requirements to be provided by the contractor during the actual building improvement phase, unless otherwise noted.

**PROJECT DEVELOPMENT
TEAM**

Developer:

IRVINE COMPANY
350 Newport Center Drive
Newport Beach, CA 92660
Tel: 949/720-2200
Fax: 949/721-1181

Leasing:

IRVING FORCE COMPANY
1111 Rowland
Irvine, CA 92617
Tel: 949/720-0899
Fax: 949/722-1122

Architect:

PEI COBB FRIED & PARTNERS
88 Pine Street
New York, NY 10006
Tel: 212/751-8322
Fax: 212/675-9448

Associate Architects:

LPA, INC.
5181 California Avenue, Suite 100
Irvine, CA 92617
Tel: 949/261-9007
Fax: 949/261-3181

Mechanical/Electrical/Plumbing Engineer:

WCLSC
17511 Van Buren Avenue
Suite 250
Irvine, CA 92614
Tel: 949/726-0545
Fax: 949/726-0637

Structural Engineer:

CLAF & TAN/REA
30320 Rancho Viejo Road, Suite F
San Juan Capistrano, CA 92675
Tel: 949/249-7898
Fax: 949/249-7294

Landscape Architects:

BURTON LAMBOYNE ARCHITECTURE STUDIO
3075 Calicut Avenue
Sunnyvale, CA 95052
Tel: 650/954-7504
Fax: 650/954-7267

Parking Structure:

ORIGATE PARKING CONSULTANTS, INC.
28885 Van Buren Avenue, Suite 240
Irvine, CA 92618
Tel: 949/474-0880
Fax: 949/474-9420

Civil Engineer:

HUBB ENGINEERS
1570 Colton Road
San Jose, CA 95131
Tel: 408/487-2287
Fax: 408/487-2222

Outline Specifications - Project Team



Santa Clara Square - Phase I

The specifications and data in this document are subject to modification hereinafter in time or otherwise to the extent and on the condition that the building improvements to be provided by the contractor during the initial building improvement phase, unless otherwise stated.

EXHIBIT Y

PROJECT DESCRIPTION

SANTA CLARA SQUARE OFFICES – PHASE I
(comprised of approximately 608,950 rentable square feet)

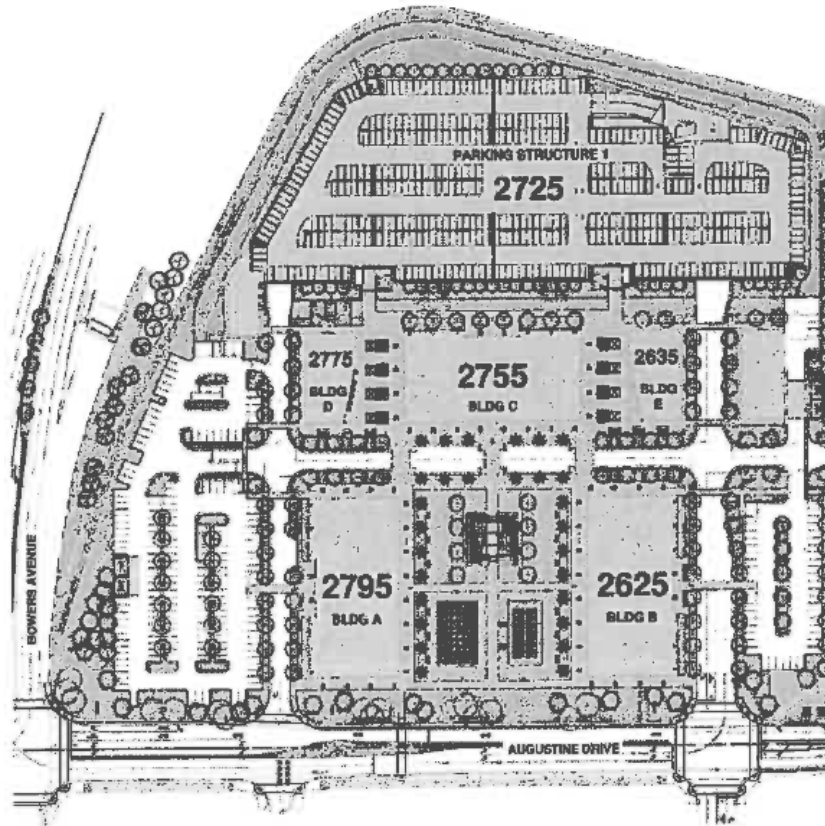


EXHIBIT B

Description of Premises

Suite 601 (comprised of approximately 32,492 rentable square feet)

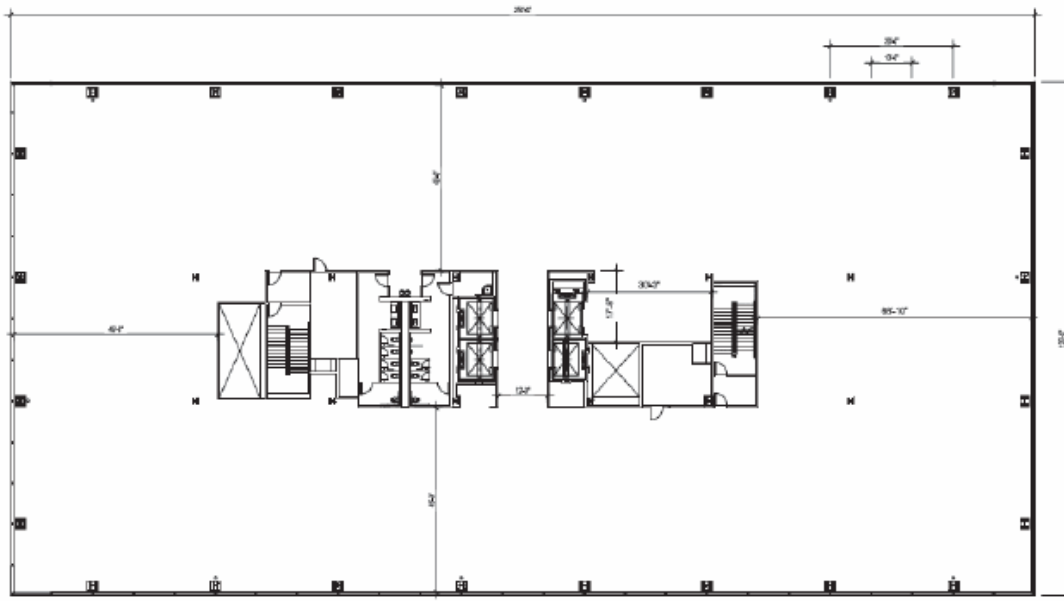


EXHIBIT C

List of Equipment

[Attached]



2185 Oakland Road
San Jose, CA 95131
Phone: 408.232.9000

815 Atlantic Ave.
Suite 105
Alameda, CA 94501

6115 State Farm Drive
Suite A1
Rohnert Park, CA 94928

JOB _____

SHEET NO. _____ OF _____

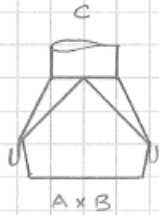
CALCULATED BY PAUL PEÑA DATE _____

CHECKED BY _____ DATE _____

SCALE _____

S & D SQUARE X ROUND

	A	B	C	TOTAL
1.	10	X 8	X 8	$\phi = 1$
2.	12	X 8	X 12	$\phi = 1$
3.	14	X 10	X 8	$\phi = 1$
4.	14	X 10	X 10	$\phi = 1$
5.	14	X 12	X 14	$\phi = 1$
6.	14	X 12	X 18	$\phi = 1$
7.	14	X 12	X 20	$\phi = 1$
8.	16	X 15	X 18	$\phi = 1$
9.	18	X 9	X 12	$\phi = 1$
10.	18	X 17	X 18	$\phi = 1$
11.	20	X 17	X 20	$\phi = 4$
12.	24	X 18	X 20	$\phi = 1$
13.	24	X 18	X 20	$\phi = 5$
14.	24	X 18	X 24	$\phi = 1$
15.	26	X 12	X 20	$\phi = 1$



DUCTMATE SQUARE X ROUND

	A	B	C	TOTAL
1.	12	X 12	X 8	$\phi = 1$
2.	21	X 12	X 14	$\phi = 2$



VAN-CO or VAN-RH (Box's)

	SIZE	TOTAL	C = COIL
1.	6" $\phi = 9$		
2.	10" $\phi = 6$		
3.	10" $\phi = 2$		C
4.	12" $\phi = 1$		
5.	12" $\phi = 2$		C
6.	14" $\phi = 7$		
7.	14" $\phi = 2$		C
8.	16" $\phi = 6$		
9.	16" $\phi = 5$		C



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Rohnert Park, CA 94928

JOB _____

SHEET NO. _____ OF _____

CALCULATED BY PAUL PEÑA DATE _____

CHECKED BY _____ DATE _____

SCALE _____

SADDLE TAPS

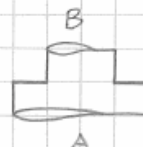
1. 10"φ ON 20"φ = 3
2. 14"φ ON 20"φ = 1

SPIRAL END CAPS

1. 6"φ = 8
2. 8"φ = 1
3. 10"φ = 5
4. 12"φ = 5
5. 14"φ = 3
6. 16"φ = 1
7. 18"φ = 2

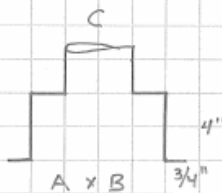
REDUCERS

- | | A | B | TOTAL |
|-----|------|------|-------|
| 1. | 8"φ | 6"φ | = 4 |
| 2. | 12"φ | 8"φ | = 2 |
| 3. | 12"φ | 10"φ | = 1 |
| 4. | 14"φ | 12"φ | = 2 |
| 5. | 16"φ | 10"φ | = 2 |
| 6. | 16"φ | 12"φ | = 3 |
| 7. | 16"φ | 14"φ | = 6 |
| 8. | 18"φ | 16"φ | = 12 |
| 9. | 20"φ | 18"φ | = 1 |
| 10. | 16"φ | 15"φ | = 16 |



WALL CANS

- | | A | B | C | TOTAL |
|----|-----------|-----------|------|-------|
| 1. | 10" x 10" | 10" x 10" | 10"φ | = 6 |
| 2. | 12" x 12" | 12" x 12" | 12"φ | = 5 |
| 3. | 16" x 16" | 16" x 16" | 10"φ | = 3 |
| 4. | 16" x 16" | 16" x 16" | 12"φ | = 6 |
| 5. | 16" x 16" | 16" x 16" | 14"φ | = 20 |
| 6. | 16" x 16" | 16" x 16" | 16"φ | = 5 |
| 7. | 18" x 18" | 18" x 18" | 16"φ | = 1 |
| 8. | 20" x 20" | 20" x 20" | 20"φ | = 3 |



DAIKIN (FAN COIL UNIT)

1. m# FXMQ54PBVJU
s# E002529



2185 Oakland Road
San Jose, CA 95131
Phone: 408.232.9000

815 Atlantic Ave.
Suite 105
Alameda, CA 94501

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Rohnert Park, CA 94928

JOB _____ OF _____

SHEET NO. _____ OF _____

CALCULATED BY PAUL PENA DATE _____

CHECKED BY _____ DATE _____

SCALE _____

SPIRAL PIPE			DAMPERS			DAMPER BLADES		
	SIZE	TOTAL		SIZE	TOTAL		SIZE	TOTAL
1.	12" ϕ =	2	1.	6" ϕ =	11	1.	6" ϕ =	6
2.	16" ϕ =	8	2.	8" ϕ =	2	2.	10" ϕ =	5
3.	18" ϕ =	23	3.	10" ϕ =	29	3.	12" ϕ =	1
4.	20" ϕ =	27	4.	14" ϕ =	12	4.	14" ϕ =	2
5.	22" ϕ =	14	5.	16" ϕ =	1			
6.	24" ϕ =	16						
45° ELBOWS			90° ELBOWS			WIRE FLEX		
	SIZE	TOTAL		SIZE	TOTAL		SIZE	TOTAL
1.	6" ϕ =	26	1.	6" ϕ =	19	1.	6" ϕ =	22
2.	8" ϕ =	8	2.	12" ϕ =	1	2.	8" ϕ =	58
3.	10" ϕ =	1	3.	14" ϕ =	11	3.	10" ϕ =	29
4.	14" ϕ =	1	4.	16" ϕ =	3	4.	12" ϕ =	39
5.	16" ϕ =	19	5.	18" ϕ =	30	5.	14" ϕ =	19
6.	18" ϕ =	64	6.	20" ϕ =	10	6.	16" ϕ =	15
7.	20" ϕ =	35	7.	22" ϕ =	11	7.	18" ϕ =	4
8.	22" ϕ =	27	8.	24" ϕ =	11			
9.	24" ϕ =	26						
HIGH-SIDE TAPS (SQUARE X ROUND)			FLAT ROUND CONICAL TAPS					
1.	6" ϕ =	2	1.	10" ϕ =	3			
2.	8" ϕ =	17	2.	10" ϕ =	3 w/DAMPER			
3.	10" ϕ =	7	3.	12" ϕ =	1 w/DAMPER			
4.	12" ϕ =	3	4.	18" ϕ =	1			
5.	14" ϕ =	6						
6.	16" ϕ =	5						
7.	18" ϕ =	7						
8.	20" ϕ =	8						



2185 Oakland Road
San Jose, CA 95131
Phone: 408.232.9000

815 Atlantic Ave.
Suite 105
Alameda, CA 94501

6115 State Farm Drive
Suite A1
Rohnert Park, CA 94928

JOB _____

SHEET NO. _____ OF _____

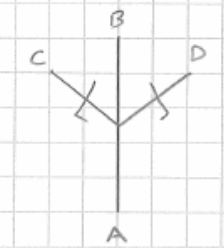
CALCULATED BY PAUL PENNA DATE _____

CHECKED BY _____ DATE _____

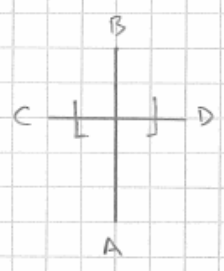
SCALE _____

WYES ○ = DAMPERS

	A	B	C	D	TOTAL			
1.	12	x	10	x	10	x	10	= 1
2.	14	x	10	x	10	x	10	= 1



3. 14 x 14 x 10 x 10 = 3





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JOB _____

SHEET NO. _____ OF _____

CALCULATED BY PAUL PENTA DATE _____

CHECKED BY _____ DATE _____

SCALE _____

WYES				O = DAMPER					
	A	B	C	TOTAL		A	B	C	TOTAL
1.	8	8	6	= 1	36.	20	14	14	= 1
2.	10	8	8	= 1	37.	20	14	14	= 1
3.	10	8	8	= 7	38.	20	16	8	= 2
4.	10	8	8	= 1	39.	20	16	12	= 1
5.	10	10	8	= 1	40.	20	16	14	= 1
6.	12	6	6	= 1	41.	20	16	16	= 3
7.	12	8	6	= 1	42.	20	18	8	= 1
8.	12	8	8	= 4	43.	20	18	12	= 1
9.	12	10	6	= 3	44.	20	18	14	= 1
10.	12	10	8	= 6	45.	20	18	16	= 1
11.	12	10	8	= 1	46.	20	18	18	= 1
12.	12	10	10	= 1	47.	20	20	10	= 2
13.	12	12	6	= 1	48.	20	20	10	= 1
14.	12	12	8	= 2	49.	22	18	14	= 1
15.	12	12	12	= 2	50.	22	20	10	= 1
16.	14	6	6	= 1	51.	22	20	12	= 3
17.	14	10	8	= 1	52.	22	20	14	= 1
18.	14	10	10	= 2	53.	22	22	10	= 2
19.	14	12	6	= 1	54.	22	22	12	= 1
20.	14	12	8	= 1					
21.	14	12	8	= 3					
22.	14	12	10	= 1					
23.	14	12	12	= 2					
24.	14	12	12	= 1					
25.	14	14	8	= 3					
26.	14	14	10	= 1					
27.	16	14	6	= 2					
28.	16	14	8	= 1					
29.	16	14	10	= 5					
30.	16	14	12	= 1					
31.	18	14	14	= 11					
32.	18	16	8	= 2					
33.	18	16	10	= 1					
34.	18	16	12	= 1					
35.	18	18	8	= 5					

WYES				O = DAMPER					
	A	B	C	TOTAL		A	B	C	TOTAL
1.	10	10	8	= 6					
2.	14	14	14	= 1					
3.	16	16	14	= 4					
4.	18	18	8	= 1					
5.	18	18	14	= 6					
6.	20	20	8	= 1					
7.	20	20	14	= 9					
8.	22	22	14	= 4					
9.	24	24	14	= 4					

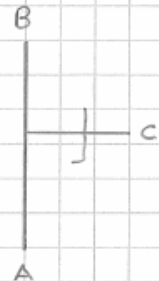
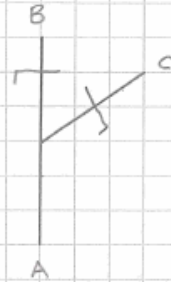


EXHIBIT D

Exclusive Charging Stations

EXHIBIT E

Form of Letter of Credit

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER _____

ISSUE DATE: _____

ISSUING BANK:
SILICON VALLEY BANK
3003 TASMAN DRIVE
2ND FLOOR, MAIL SORT HF210
SANTA CLARA, CALIFORNIA 95054

BENEFICIARY:
VERITAS TECHNOLOGIES LLC
2625 AUGUSTINE DRIVE
SANTA CLARA, CA 95054

APPLICANT:
UPWORK INC.
441 LOGUE AVENUE, STE. 150
MOUNTAIN VIEW, CA 94043

AMOUNT: US\$250,000.00 (TWO HUNDRED FIFTY THOUSAND AND 00/100 U.S. DOLLARS)

EXPIRATION DATE: _____ (1 YEAR FROM ISSUE DATE)

PLACE OF EXPIRATION: ISSUING BANK'S COUNTERS AT ITS ABOVE ADDRESS

DEAR SIR/MADAM:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. SVBSF_____ IN YOUR FAVOR AVAILABLE BY PAYMENT AGAINST YOUR PRESENTATION TO US OF THE FOLLOWING DOCUMENT:

1. BENEFICIARY'S SIGNED AND DATED STATEMENT STATING AS FOLLOWS:

"THE AMOUNT OF THE ACCOMPANYING DRAFT REPRESENTS FUNDS DUE AND OWING TO US PURSUANT TO THE TERMS OF THE SUBLEASE DATED _____ BY AND BETWEEN VERITAS TECHNOLOGIES LLC, AS SUBLESSOR, AND UPWORK INC., AS SUBLESSEE, (AS SUCH SUBLEASE MAY BE AMENDED, RESTATED OR REPLACED) OR ANY AGREEMENT BETWEEN SUCH PARTIES RELATED TO THE SUBLEASE. THE AMOUNT HEREBY DRAWN UNDER THE LETTER OF CREDIT IS US\$ _____, WITH PAYMENT TO BE MADE TO THE FOLLOWING ACCOUNT: [INSERT WIRE INSTRUCTIONS (TO INCLUDE NAME AND ACCOUNT NUMBER OF THE BENEFICIARY)]"

PARTIAL DRAWS AND MULTIPLE PRESENTATIONS ARE ALLOWED.

THIS LETTER OF CREDIT SHALL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL PERIOD OF ONE YEAR, WITHOUT AMENDMENT, FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE UNLESS AT

LEAST 60 DAYS PRIOR TO THE THEN CURRENT EXPIRATION DATE WE SEND TO YOU A NOTICE BY REGISTERED OR CERTIFIED MAIL OR OVERNIGHT COURIER SERVICE AT THE ABOVE ADDRESS THAT THIS LETTER OF CREDIT WILL NOT BE EXTENDED BEYOND THE THEN CURRENT EXPIRATION DATE. IN NO EVENT SHALL THIS LETTER OF CREDIT BE AUTOMATICALLY EXTENDED BEYOND DECEMBER 15, 2028. IN THE EVENT WE SEND SUCH NOTICE OF NON-EXTENSION, YOU MAY DRAW HEREUNDER BY YOUR PRESENTATION TO US OF YOUR SIGNED AND DATED STATEMENT STATING THAT YOU HAVE RECEIVED A NON-EXTENSION NOTICE FROM SILICON VALLEY BANK IN RESPECT OF LETTER OF CREDIT NO. SVBSF _____, YOU ARE DRAWING ON SUCH LETTER OF CREDIT FOR US\$ _____, AND YOU HAVE NOT RECEIVED A REPLACEMENT LETTER OF CREDIT ACCEPTABLE TO YOU.

ALL DEMANDS FOR PAYMENT SHALL BE MADE BY PRESENTATION OF THE REQUIRED DOCUMENTS ON A BUSINESS DAY AT OUR OFFICE (THE "BANK'S OFFICE") AT: SILICON VALLEY BANK, 3003 TASMAN DRIVE, MAIL SORT HF 210, SANTA CLARA, CA 95054, ATTENTION: GLOBAL TRADE FINANCE.

FACSIMILE PRESENTATIONS ARE ALSO PERMITTED. SHOULD BENEFICIARY WISH TO MAKE A PRESENTATION UNDER THIS LETTER OF CREDIT ENTIRELY BY FACSIMILE TRANSMISSION IT NEED NOT TRANSMIT THE ORIGINAL OF THIS LETTER OF CREDIT AND AMENDMENTS, IF ANY. EACH FACSIMILE TRANSMISSION SHALL BE MADE AT: (408)496-2418 OR (408)969-6510; AND UNDER CONTEMPORANEOUS TELEPHONE ADVICE TO: (408)654-7176 OR (408)450-5001, ATTENTION: GLOBAL TRADE FINANCE. ABSENCE OF THE AFORESAID TELEPHONE ADVICE SHALL NOT AFFECT OUR OBLIGATION TO HONOR ANY DRAW REQUEST.

THIS LETTER OF CREDIT IS TRANSFERABLE IN WHOLE BUT NOT IN PART ONE OR MORE TIMES, BUT IN EACH INSTANCE ONLY TO A SINGLE BENEFICIARY AS TRANSFEREE AND FOR THE THEN AVAILABLE AMOUNT. AT THE TIME OF TRANSFER, THE ORIGINAL LETTER OF CREDIT AND ORIGINALS OR COPIES OF ALL AMENDMENTS, IF ANY, TO THIS LETTER OF CREDIT MUST BE SURRENDERED TO US AT OUR ADDRESS INDICATED IN THIS LETTER OF CREDIT TOGETHER WITH OUR TRANSFER FORM ATTACHED HERETO AS EXHIBIT A DULY EXECUTED. THE CORRECTNESS OF THE SIGNATURE AND TITLE OF THE PERSON SIGNING THE TRANSFER FORM MUST BE VERIFIED BY BENEFICIARY'S BANK. BENEFICIARY SHALL PAY OUR TRANSFER FEE OF ¼ OF 1% OF THE TRANSFER AMOUNT (MINIMUM US\$250.00) UNDER THIS LETTER OF CREDIT, PROVIDED THAT PAYMENT OF THE TRANSFER FEE SHALL NOT BE A CONDITION PRECEDENT TO THE EFFECTIVENESS OF THE TRANSFER. EACH TRANSFER SHALL BE EVIDENCED BY EITHER (1) OUR ENDORSEMENT ON THE REVERSE OF THE LETTER OF CREDIT AND WE SHALL FORWARD THE ORIGINAL OF THE LETTER OF CREDIT SO ENDORSED TO THE TRANSFEREE OR (2) OUR ISSUING A REPLACEMENT LETTER OF CREDIT TO THE TRANSFEREE ON SUBSTANTIALLY THE SAME TERMS AND CONDITIONS AS THE TRANSFERRED LETTER OF CREDIT (IN WHICH EVENT THE TRANSFERRED LETTER OF CREDIT SHALL HAVE NO FURTHER EFFECT).

IF ANY INSTRUCTIONS ACCOMPANYING A DRAWING UNDER THIS LETTER OF CREDIT REQUEST THAT PAYMENT IS TO BE MADE BY TRANSFER TO YOUR ACCOUNT WITH ANOTHER BANK, WE WILL ONLY EFFECT SUCH PAYMENT BY FED WIRE TO A U.S. REGULATED BANK, AND WE AND/OR SUCH OTHER BANK MAY RELY ON AN ACCOUNT NUMBER SPECIFIED IN SUCH INSTRUCTIONS EVEN IF THE NUMBER IDENTIFIES A PERSON OR ENTITY DIFFERENT FROM THE INTENDED PAYEE.

WE HEREBY AGREE WITH THE BENEFICIARY THAT DRAFTS DRAWN UNDER AND IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT WILL BE DULY HONORED UPON PRESENTATION TO US ON OR BEFORE THE EXPIRATION DATE OF THIS LETTER OF CREDIT OR ANY AUTOMATICALLY EXTENDED EXPIRATION DATE.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT SETS FORTH IN FULL THE TERMS OF OUR UNDERTAKING. THIS UNDERTAKING IS INDEPENDENT OF AND SHALL NOT IN ANY WAY BE MODIFIED, AMENDED, AMPLIFIED OR INCORPORATED BY REFERENCE TO ANY DOCUMENT, CONTRACT OR AGREEMENT REFERENCED HEREIN OTHER THAN THE STIPULATED ICC RULES AND GOVERNING LAWS.

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (ISP98), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 590.

AUTHORIZED SIGNATURE AUTHORIZED SIGNATURE

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER _____

EXHIBIT A

FORM OF TRANSFER FORM

DATE: _____

TO: SILICON VALLEY BANK
3003 TASMAN DRIVE RE: IRREVOCABLE STANDBY LETTER OF CREDIT
SANTA CLARA, CA 95054 NO. _____ ISSUED BY
ATTN: GLOBAL TRADE FINANCE SILICON VALLEY BANK, SANTA CLARA
STANDBY LETTERS OF CREDIT L/C AMOUNT: _____

GENTLEMEN:

FOR VALUE RECEIVED, THE UNDERSIGNED BENEFICIARY HEREBY IRREVOCABLY TRANSFERS TO:

(NAME OF TRANSFEREE)

(ADDRESS)

ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY TO DRAW UNDER THE ABOVE LETTER OF CREDIT UP TO ITS AVAILABLE AMOUNT AS SHOWN ABOVE AS OF THE DATE OF THIS TRANSFER.

BY THIS TRANSFER, ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY IN SUCH LETTER OF CREDIT ARE TRANSFERRED TO THE TRANSFEREE. TRANSFEREE SHALL HAVE THE SOLE RIGHTS AS BENEFICIARY THEREOF, INCLUDING SOLE RIGHTS RELATING TO ANY AMENDMENTS, WHETHER INCREASES OR EXTENSIONS OR OTHER AMENDMENTS, AND WHETHER NOW EXISTING OR HEREAFTER MADE. ALL AMENDMENTS ARE TO BE ADVISED DIRECTLY TO THE TRANSFEREE WITHOUT NECESSITY OF ANY CONSENT OF OR NOTICE TO THE UNDERSIGNED BENEFICIARY.

THE ORIGINAL OF SUCH LETTER OF CREDIT IS RETURNED HERewith, AND WE ASK YOU TO EITHER (1) ENDORSE THE TRANSFER ON THE REVERSE THEREOF, AND FORWARD IT DIRECTLY TO THE TRANSFEREE WITH YOUR CUSTOMARY NOTICE OF TRANSFER, OR (2) ISSUE A REPLACEMENT LETTER OF CREDIT TO THE TRANSFEREE ON SUBSTANTIALLY THE SAME TERMS AND CONDITIONS AS THE TRANSFERRED LETTER OF CREDIT (IN WHICH EVENT THE TRANSFERRED LETTER OF CREDIT SHALL HAVE NO FURTHER EFFECT).

SIGNATURE AUTHENTICATED

The name(s), title(s), and signature(s) conform to that/those on file with us for the company and the signature(s) is/are authorized to execute this instrument.

(Name of Bank)

(Address of Bank)

(City, State, ZIP Code)

(Authorized Name and Title)

(Authorized Signature)

(Telephone number)

SINCERELY,

(BENEFICIARY'S NAME)

(SIGNATURE OF BENEFICIARY)

(NAME AND TITLE)

SIGNATURE AUTHENTICATED

The name(s), title(s), and signature(s) conform to that/those on file with us for the company and the signature(s) is/are authorized to execute this instrument.

(Name of Bank)

(Address of Bank)

(City, State, ZIP Code)

(Authorized Name and Title)

(Authorized Signature)

(Telephone number)

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephane Kasriel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upwork 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)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
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, 2019

/s/ Stephane Kasriel

Stephane Kasriel

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brian Kinion, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Upwork 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)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
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, 2019

/s/ Brian Kinion

Brian Kinion

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephane Kasriel, Chief Executive Officer of Upwork 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 to the best of my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2019

/s/ Stephane Kasriel

Stephane Kasriel

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brian Kinion, Chief Financial Officer of Upwork 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 to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2019

/s/ Brian Kinion

Brian Kinion
Chief Financial Officer
(Principal Financial and Accounting Officer)