SPLUNK INC.

(Delaware)

(State of incorporation or organization)

250 Brannan Street
San Francisco, California 94107

(Address of principal executive offices)

(Registrant’s telephone number, including area code)

(415) 848-8400

(Exact name of registrant as specified in its charter)

86-1106510

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

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

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

Large accelerated filer ☒
Accelerated filer o
Non-accelerated filer o
Smaller reporting company o

(Do not check if a smaller reporting company)

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

There were 118,569,400 shares of the registrant’s Common Stock issued and outstanding as of June 3, 2014.
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### Condensed Consolidated Balance Sheets

#### (In thousands, except share and per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>April 30, 2014</th>
<th>January 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$667,747</td>
<td>$897,453</td>
</tr>
<tr>
<td>Investments, current portion</td>
<td>159,245</td>
<td>—</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>52,113</td>
<td>83,348</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>11,297</td>
<td>12,019</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$890,402</td>
<td>$992,820</td>
</tr>
<tr>
<td>Investments, non-current</td>
<td>91,638</td>
<td>—</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>18,003</td>
<td>15,505</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>11,391</td>
<td>12,294</td>
</tr>
<tr>
<td>Goodwill</td>
<td>19,070</td>
<td>19,070</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,125</td>
<td>642</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,031,629</td>
<td>$1,040,331</td>
</tr>
<tr>
<td><strong>LIABILITIES AND STOCKHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$2,234</td>
<td>$2,079</td>
</tr>
<tr>
<td>Accrued payroll and compensation</td>
<td>30,119</td>
<td>43,876</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>17,031</td>
<td>12,743</td>
</tr>
<tr>
<td>Deferred revenue, current portion</td>
<td>153,538</td>
<td>149,156</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$202,922</td>
<td>$207,854</td>
</tr>
<tr>
<td>Deferred revenue, non-current</td>
<td>40,474</td>
<td>43,165</td>
</tr>
<tr>
<td>Other liabilities, non-current</td>
<td>4,463</td>
<td>4,404</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>44,937</td>
<td>47,569</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>247,859</td>
<td>255,423</td>
</tr>
<tr>
<td>Commitments and contingencies (Note 3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stockholders’ equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock: $0.001 par value; 1,000,000,000 shares authorized; 118,277,178 shares issued and outstanding at April 30, 2014, and 116,099,516 shares issued and outstanding at January 31, 2014</td>
<td>118</td>
<td>116</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>93</td>
<td>58</td>
</tr>
<tr>
<td><strong>Total stockholders’ equity</strong></td>
<td>1,004,021</td>
<td>954,441</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(220,462)</td>
<td>(169,707)</td>
</tr>
<tr>
<td><strong>Total liabilities and stockholders’ equity</strong></td>
<td>$1,031,629</td>
<td>$1,040,331</td>
</tr>
</tbody>
</table>

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

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

(UNAUDITED)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>$51,274</td>
<td>$36,172</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>34,633</td>
<td>21,035</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$85,907</td>
<td>57,207</td>
</tr>
<tr>
<td><strong>Cost of revenues (1)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>78</td>
<td>69</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>14,109</td>
<td>6,612</td>
</tr>
<tr>
<td><strong>Total cost of revenues</strong></td>
<td>14,187</td>
<td>6,681</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>$71,720</td>
<td>50,526</td>
</tr>
<tr>
<td><strong>Operating expenses (1)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>29,742</td>
<td>14,464</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>71,078</td>
<td>41,313</td>
</tr>
<tr>
<td>General and administrative</td>
<td>21,003</td>
<td>10,446</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>121,823</td>
<td>66,223</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>$(50,103)</td>
<td>$(15,697)</td>
</tr>
<tr>
<td><strong>Interest and other income (expense), net</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>130</td>
<td>61</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>(220)</td>
<td>(94)</td>
</tr>
<tr>
<td><strong>Total interest and other income (expense), net</strong></td>
<td>(90)</td>
<td>(33)</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>$(50,193)</td>
<td>$(15,730)</td>
</tr>
<tr>
<td><strong>Income tax provision</strong></td>
<td>562</td>
<td>404</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$ (50,755)</td>
<td>$(16,134)</td>
</tr>
<tr>
<td><strong>Basic and diluted net loss per share</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ (0.43)</td>
<td>$(0.16)</td>
</tr>
<tr>
<td><strong>Weighted-average shares used in computing basic and diluted net loss per share</strong></td>
<td>117,290</td>
<td>102,015</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenues</td>
<td>$3,806</td>
<td>$705</td>
</tr>
<tr>
<td>Research and development</td>
<td>12,587</td>
<td>3,043</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>19,120</td>
<td>4,322</td>
</tr>
<tr>
<td>General and administrative</td>
<td>7,726</td>
<td>1,765</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these condensed consolidated financial statements.
## Condensed Consolidated Statements of Comprehensive Loss

(*In thousands*)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Net loss</td>
<td>($50,755)</td>
</tr>
<tr>
<td>Other comprehensive income (loss):</td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain on investments</td>
<td>6</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>29</td>
</tr>
<tr>
<td>Comprehensive loss</td>
<td>($50,720)</td>
</tr>
</tbody>
</table>

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

3
### Splunk Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In thousands)*

*(Unaudited)*

<table>
<thead>
<tr>
<th>Three Months Ended April 30,</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(50,755)</td>
<td>$(16,134)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,651</td>
<td>1,425</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>43,239</td>
<td>9,835</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(285)</td>
<td>(88)</td>
</tr>
<tr>
<td>Excess tax benefits from employee stock plans</td>
<td>(479)</td>
<td>(111)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>31,235</td>
<td>26,032</td>
</tr>
<tr>
<td>Prepaid expenses, other current and non-current assets</td>
<td>524</td>
<td>(210)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>386</td>
<td>918</td>
</tr>
<tr>
<td>Accrued payroll and compensation</td>
<td>(13,757)</td>
<td>(6,932)</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>4,461</td>
<td>2,491</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>1,691</td>
<td>2,625</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>18,911</td>
<td>19,851</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |            |            |
| Purchases of investments           | (250,883)  | —          |
| Purchases of property and equipment| (4,238)    | (1,263)    |
| **Net cash used in investing activities** | (255,121) | (1,263)    |

| **Cash flows from financing activities** |            |            |
| Issuance of common stock from exercise of stock options | 5,836 | 6,607 |
| Excess tax benefits from employee stock plans | 479 | 111 |
| **Net cash provided by financing activities** | 6,315 | 6,718 |
| Effect of exchange rate changes on cash and cash equivalents | 189 | 7 |
| **Net increase (decrease) in cash and cash equivalents** | (229,706) | 25,313 |

| **Cash and cash equivalents** |            |            |
| Beginning of period             | 897,453    | 305,939    |
| End of period                   | $667,747   | $331,252   |

| **Supplemental disclosures** |            |            |
| Cash paid for income taxes      | 482        | 181        |

**Non-cash investing and financing activities**

| Accrued purchases of property and equipment | 1,239 | 119 |
| Vesting of early exercised options        | 28    | 28    |

The accompanying notes are an integral part of these condensed consolidated financial statements.
1) Description of the Business and Significant Accounting Policies

Business

Splunk Inc. (“we,” “us,” “our”) provides innovative software products that enable organizations to gain real-time operational intelligence by harnessing the value of their data. Our products enable users to collect, index, search, explore, monitor and analyze data regardless of format or source. Our products address large and diverse data sets, commonly referred to as big data, and are specifically tailored for machine-generated data. Machine data is produced by nearly every software application and electronic device in an organization and contains a definitive, time-stamped record of various activities, such as transactions, customer and user activities and security threats. Our products help users derive new insights from machine data that can be used to, among other things, improve service levels, reduce operational costs, mitigate security risks, demonstrate and maintain compliance, and drive better business decisions. Splunk was incorporated in California in October 2003 and was reincorporated in Delaware in May 2006.

Fiscal Year

Our fiscal year ends on January 31. References to fiscal 2015 or fiscal year 2015, for example, refer to the fiscal year ending January 31, 2015.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet data as of January 31, 2014 was derived from audited financial statements, but does not include all disclosures required by GAAP. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Annual Report on Form 10-K for the fiscal year ended January 31, 2014, filed on March 31, 2014. There have been no changes in the significant accounting policies from those that were disclosed in the audited consolidated financial statements for the fiscal year ended January 31, 2014 included in the Annual Report on Form 10-K.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to state fairly the financial position, results of operations, comprehensive loss and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full fiscal year 2015.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of 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. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date will be the first quarter of fiscal year 2018 using one of two retrospective application methods. We have not determined the potential effects on our condensed consolidated financial statements.

In July 2013, the FASB determined that an unrecognized tax benefit should be presented as a reduction of a deferred tax asset for a net operating loss (“NOL”) carryforward or other tax credit carryforward when settlement in this manner is available under applicable tax law. This guidance is effective for our interim and annual periods beginning February 1, 2014. The adoption of this guidance did not have an impact on our condensed consolidated financial statements.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods covered by the financial statements and accompanying notes. In particular, we make estimates with respect to the fair value of multiple elements in revenue recognition, uncollectible accounts receivable, the assessment of the useful life and recoverability of long-lived assets (property and equipment, goodwill and identified intangibles), stock-based compensation expense, the fair value of assets acquired and liabilities assumed for business combinations, income taxes and contingencies. Actual results could differ from those estimates.

**Segments**

We operate our business as one operating segment: the development and marketing of software products that enable our customers to gain real-time operational intelligence by harnessing the value of their data. Our chief operating decision maker is our Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources.

**Principles of Consolidation**

The accompanying unaudited condensed consolidated financial statements include the accounts of Splunk Inc. and its direct and indirect wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

**Foreign Currency**

The functional currency of our foreign subsidiaries is the respective local currency. Translation adjustments arising from the use of differing exchange rates from period to period are included in Accumulated Other Comprehensive Loss within Stockholders' Equity. Foreign currency transaction gains and losses are included in Other Income (Expense), Net and were not material for the three months ended April 30, 2014. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average exchange rate during the period. Equity transactions are translated using historical exchange rates.

**Investments**

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

(2) **Investments and Fair Value Measurements**

The carrying amounts of certain of our financial instruments including cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term maturities.

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels that are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

- **Level 1**—Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

- **Level 2**—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices 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.
Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our 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 asset or liability.

The following table sets forth the fair value of our financial assets and liabilities that were measured on a recurring basis as of April 30, 2014 and January 31, 2014 (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>April 30, 2014</th>
<th>January 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Money market funds</td>
<td>$ 595,120</td>
<td>$ —</td>
</tr>
</tbody>
</table>

Reported as:

**Assets:**
- Cash and cash equivalents: $ 613,120
- Investments, current portion: 159,245
- Investments, non-current: 91,638
- Total: $ 864,003
- Cash and cash equivalents: $ 864,012
- Investments, current portion: —
- Investments, non-current: —
- Total: $ 864,012

We invested in U.S. treasury securities during the three months ended April 30, 2014, which we have classified as available-for-sale securities. The following table presents our available-for-sale investments as of April 30, 2014 (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amortized Cost</th>
<th>Unrealized Gains</th>
<th>Unrealized Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. treasury securities</td>
<td>$ 18,000</td>
<td>$ —</td>
<td>$ —</td>
<td>$ 18,000</td>
</tr>
<tr>
<td>Investments, current portion:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. treasury securities</td>
<td>159,234</td>
<td>31</td>
<td>(20)</td>
<td>159,245</td>
</tr>
<tr>
<td>Investments, non-current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. treasury securities</td>
<td>91,643</td>
<td>11</td>
<td>(16)</td>
<td>91,638</td>
</tr>
<tr>
<td>Total available-for-sale investments</td>
<td>$ 268,877</td>
<td>$ 42</td>
<td>$ (36)</td>
<td>$ 268,883</td>
</tr>
</tbody>
</table>

As of April 30, 2014, we did not consider any of our investments to be other-than-temporarily impaired.

The contractual maturities of our investments are as follows (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>April 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>$ 177,245</td>
</tr>
<tr>
<td>Due within one to two years</td>
<td>91,638</td>
</tr>
<tr>
<td>Total</td>
<td>$ 268,883</td>
</tr>
</tbody>
</table>

Investments with maturities of less than 12 months from the balance sheet date are classified as current assets, which are available for use to fund current operations. Investments with maturities greater than 12 months from the balance sheet date are classified as long-term assets.

(3) Commitments and Contingencies

**Operating Lease Commitments**
We lease our office spaces under non-cancelable operating leases with rent expense recognized on a straight-line basis over the lease term. Rent expense was $2.2 million and $1.2 million for the three months ended April 30, 2014 and 2013, respectively.

On April 29, 2014, we entered into an office lease for approximately 182,000 square feet located at 270 Brannan Street, San Francisco, California. The lease premises of approximately 182,000 square feet will be allocated to approximately 95,000 square feet of rentable space which we expect to occupy on January 1, 2016 and approximately 87,000 square feet of rentable space which we expect to occupy one year thereafter, for a term of 84 months, subject to the completion of certain pre-occupancy improvements by our landlord. Our total obligation for the base rent is approximately $92.0 million.

The following summarizes our contractual commitments and obligations as of April 30, 2014:

<table>
<thead>
<tr>
<th>Payments Due by Period*</th>
<th>Total</th>
<th>Less Than 1 year</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>More Than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td>$140,593</td>
<td>$9,088</td>
<td>$28,030</td>
<td>$41,195</td>
<td>$62,280</td>
</tr>
</tbody>
</table>

*We entered into a sublease agreement on November 16, 2012 for a portion of our office space in the United Kingdom, and the future sublease rental income of $1.1 million has been included as an offset to our future minimum rental payments.

**Legal Proceedings**

We are subject to certain routine legal proceedings, as well as demands and claims that arise in the normal course of our business. We make a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. In our opinion, resolution of any pending claims (either individually or in the aggregate) is not expected to have a material adverse impact on our consolidated results of operations, cash flows or financial position, nor is it possible to provide an estimated amount of any such loss. However, depending on the nature and timing of any such dispute, an unfavorable resolution of a matter could materially affect our future results of operations or cash flows, or both, in a particular quarter.

**Indemnification Arrangements**

During the ordinary course of business, we may indemnify, hold harmless and agree to reimburse for losses suffered or incurred, our customers, vendors, and each of their affiliates for certain intellectual property infringement and other claims by third parties with respect to our products and services, in connection with our commercial license arrangements or related to general business dealings with those parties.

As permitted under Delaware law, we have entered into indemnification agreements with our officers, directors and certain employees, indemnifying them for certain events or occurrences while they serve as our officers or directors or those of our direct and indirect subsidiaries.

To date, there have not been any costs incurred in connection with such indemnification obligations; therefore, there is no accrual of such amounts at April 30, 2014. We are unable to estimate the maximum potential impact of these indemnifications on our future results of operations.

**Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation and amortization. These assets are depreciated and amortized using the straight-line method over their estimated useful lives. Property and equipment consisted of the following (in thousands):
Depreciation and amortization expense was $1.7 million and $1.4 million for the three months ended April 30, 2014 and 2013, respectively.

(5) Acquisitions, Goodwill and Intangible Assets

BugSense

On September 25, 2013, we acquired BugSense, a privately-held Delaware corporation, which developed and offered as a service an analytics solution for machine data generated by mobile devices. This acquisition has been accounted for as a business combination. The purchase price of $9.0 million paid in cash was preliminarily allocated as follows: $4.7 million to identifiable intangible assets, $0.7 million to net deferred tax liability recorded and $0.7 million to net liabilities assumed, and the excess $5.7 million of the purchase price over the fair value of net assets acquired was recorded as goodwill allocated to our one operating segment. Goodwill is primarily attributable to our ability to further improve the overall performance of our mobile data gathering capabilities, expand our visibility into machine data generated by mobile devices and the value of acquired personnel. This goodwill is not deductible for U.S. income tax purposes. Pro forma results of operations of the acquired business have not been presented as we do not consider the results to have a material effect during any of the periods presented on our Condensed Consolidated Statement of Operations. We are still finalizing the allocation of the purchase price to the individual tax liabilities assumed, which may be subject to change as additional information becomes available to us.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands, except Useful Life):

<table>
<thead>
<tr>
<th>Developed Technology</th>
<th>Customer Relationships</th>
<th>Other acquired intangible assets</th>
<th>Total intangible assets subject to amortization</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,940</td>
<td>1,460</td>
<td>330</td>
<td>$4,730</td>
</tr>
</tbody>
</table>

Cloudmeter

On December 6, 2013, we acquired Cloudmeter, a privately-held Delaware corporation, which developed technology that enables users to capture machine data directly from network traffic. This acquisition has been accounted for as a business combination. The purchase price of $21.0 million paid in cash was preliminarily allocated as follows: $8.5 million to identifiable intangible assets, $0.6 million to net deferred tax liability recorded and $0.2 million to net liabilities assumed, and the excess $13.3 million of the purchase price over the fair value of net assets acquired was recorded as goodwill allocated to our one operating segment. Goodwill is primarily attributable to enhancing the ability of our customers to analyze machine data directly from their networks and correlate it with other machine-generated data to gain insights across our core use cases in application and infrastructure management, IT operations, security and business analytics. This goodwill is not deductible for U.S. income tax purposes. Pro forma results of operations of the acquired business have not been presented as we do not consider the results to have a material effect on any of the periods presented in our Consolidated Statements of Operations. We are still finalizing the allocation of the purchase price to the individual tax liabilities assumed, which may be subject to change as additional information becomes available to us.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands, except Useful Life):
Intangible Assets

Intangible assets subject to amortization obtained from acquisitions as of April 30, 2014 are as follows (in thousands, except Useful Life):

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Gross Fair Value</th>
<th>Accumulated Amortization</th>
<th>Net Book Value</th>
<th>Weighted Average Remaining Useful Life (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed technology</td>
<td>$10,270</td>
<td>$1,335</td>
<td>$8,935</td>
<td>39</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>1,620</td>
<td>(306)</td>
<td>1,314</td>
<td>29</td>
</tr>
<tr>
<td>Other acquired intangible assets</td>
<td>810</td>
<td>(168)</td>
<td>642</td>
<td>25</td>
</tr>
<tr>
<td>Total intangible assets subject to amortization</td>
<td>$12,700</td>
<td>$1,809</td>
<td>$10,891</td>
<td></td>
</tr>
</tbody>
</table>

Additionally, we obtained $0.5 million of in-process research and development upon the acquisition of Cloudmeter, which has an indefinite useful life. We will assess the carrying value and useful life of the asset once the associated research and development efforts are completed.

The expected future amortization expense for acquired intangible assets as of April 30, 2014 is as follows (in thousands):

<table>
<thead>
<tr>
<th>Fiscal Period</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remaining nine months of fiscal 2015</td>
<td>2,767</td>
</tr>
<tr>
<td>Fiscal 2016</td>
<td>3,628</td>
</tr>
<tr>
<td>Fiscal 2017</td>
<td>2,969</td>
</tr>
<tr>
<td>Fiscal 2018</td>
<td>1,527</td>
</tr>
<tr>
<td>Total amortization expense</td>
<td>10,891</td>
</tr>
</tbody>
</table>

(6) Debt Financing Facilities

On May 9, 2013 we entered into a Loan Agreement with Silicon Valley Bank. The agreement provides for a revolving line of credit facility, which expires May 9, 2015. Under the agreement, we are able to borrow up to $25 million. Interest on any drawdown under the revolving line of credit accrues either at the prime rate (3.25% in April 2014) or the LIBOR rate plus 2.75%. As of April 30, 2014, we had no balance outstanding under this agreement. The agreement contains customary financial covenants and other affirmative and negative covenants. We were in compliance with all covenants as of April 30, 2014.

(7) Stock Compensation Plans

The following table summarizes the stock option and restricted stock unit ("RSU") award activity during the three months ended April 30, 2014:
Options Outstanding

<table>
<thead>
<tr>
<th>Shares</th>
<th>Weighted-Average Exercise Price Per Share</th>
<th>Weighted-Average Remaining Contractual Term</th>
<th>Aggregate Intrinsic Value (1)</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances as of January 31, 2014</td>
<td>5,918,773</td>
<td>$4.84</td>
<td>6.42</td>
<td>$800,933</td>
</tr>
<tr>
<td>Additional Shares Authorized</td>
<td>5,804,975</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Options granted</td>
<td>(40,000)</td>
<td>40,000</td>
<td>88.64</td>
<td></td>
</tr>
<tr>
<td>Options exercised</td>
<td></td>
<td>(1,823,540)</td>
<td>3.20</td>
<td></td>
</tr>
<tr>
<td>Options forfeited and expired</td>
<td>82,344</td>
<td>(82,344)</td>
<td>8.79</td>
<td></td>
</tr>
<tr>
<td>RSUs granted</td>
<td></td>
<td></td>
<td></td>
<td>612,000</td>
</tr>
<tr>
<td>RSUs vested</td>
<td></td>
<td></td>
<td></td>
<td>(354,122)</td>
</tr>
<tr>
<td>RSUs forfeited</td>
<td>115,875</td>
<td></td>
<td></td>
<td>(115,875)</td>
</tr>
<tr>
<td>Balances as of April 30, 2014</td>
<td>11,269,967</td>
<td>9,228,554</td>
<td>$5.49</td>
<td>6.56</td>
</tr>
<tr>
<td>Vested and expected to vest</td>
<td>9,016,444</td>
<td>$5.42</td>
<td>6.54</td>
<td>$444,548</td>
</tr>
<tr>
<td>Exercisable as of April 30, 2014</td>
<td>4,895,932</td>
<td>$2.92</td>
<td>5.64</td>
<td>$252,897</td>
</tr>
</tbody>
</table>

(1) The intrinsic value is calculated as the difference between the exercise price of the underlying stock option award and the closing market price of our common stock as of April 30, 2014.

During the three months ended April 30, 2014, we began requiring that employees sell a portion of the shares that they receive upon the vesting of RSUs in order to cover any required withholding taxes, rather than our previous approach of net share settlement.

During the three months ended April 30, 2014, $0.5 million of tax benefits have been realized from exercised stock options. At April 30, 2014, there was a total unrecognized compensation cost of $16.8 million related to these stock options, adjusted for estimated forfeitures, which is expected to be recognized over a weighted-average period of 1.52 years. At April 30, 2014, total unrecognized compensation cost was $499.4 million related to RSUs, adjusted for estimated forfeitures, which is expected to be recognized over the next 3.32 years.

The total intrinsic value of options exercised during the three months ended April 30, 2014 was $148.1 million. The weighted-average grant date fair value of RSUs granted was $88.46 per share for the three months ended April 30, 2014.

(8) Geographic Information

Revenues

Revenues by geography are based on the shipping address of the customer. The following table presents our revenues by geographic region for the periods presented (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>$64,679</td>
<td>$45,003</td>
</tr>
<tr>
<td>International</td>
<td>21,228</td>
<td>12,204</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$85,907</td>
<td>$57,207</td>
</tr>
</tbody>
</table>

Other than the United States, no other individual country exceeded 10% of total revenues during any of the periods presented. At April 30, 2014, there was one channel partner that represented approximately 12% of total accounts receivable and approximately 10% of total revenues during the three months ended April 30, 2014. The accounts receivable and revenues from this channel partner is comprised of a number of customer transactions, none of which were individually greater than 10% of total accounts receivable at April 30, 2014 or total revenues for the three months ended April 30, 2014. At January 31, 2014, no customer or channel partner represented greater than 10% of total accounts receivable.
**Property and Equipment**

The following table presents our property and equipment by geographic region for the periods presented (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>As of April 30, 2014</th>
<th>January 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$16,454</td>
<td>$14,005</td>
</tr>
<tr>
<td>International</td>
<td>1,549</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Total property and equipment, net</strong></td>
<td><strong>$18,003</strong></td>
<td><strong>$15,505</strong></td>
</tr>
</tbody>
</table>

Other than the United States, no other country represented 10% or more of our total property and equipment as of April 30, 2014 and January 31, 2014, respectively.

(9) Income Taxes

For the three months ended April 30, 2014 and 2013, we recorded $0.6 million and $0.4 million in income tax expense, respectively. The increase in income tax expense was primarily due to an increase in taxable income in our international jurisdictions and state franchise tax.

There were no material changes to our unrecognized tax benefits in the three months ended April 30, 2014, and we do not expect to have any significant changes to unrecognized tax benefits through the end of the fiscal year. Because of our history of tax losses, all years remain open to tax audit.

(10) Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, less the weighted-average unvested common stock subject to repurchase or forfeiture. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including preferred stock, stock options, RSUs, and warrants, to the extent dilutive.

The following table sets forth the computation of historical basic and diluted net loss per share (in thousands, except per share data):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td><strong>Numerator:</strong></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (50,755)</td>
</tr>
<tr>
<td><strong>Denominator:</strong></td>
<td></td>
</tr>
<tr>
<td>Weighted-average common shares outstanding</td>
<td>117,343</td>
</tr>
<tr>
<td>Less: Weighted-average unvested common shares subject to repurchase or forfeiture</td>
<td>(53)</td>
</tr>
<tr>
<td>Weighted-average shares used to compute net loss per share, basic and diluted</td>
<td>117,290</td>
</tr>
<tr>
<td>Net loss per share, basic and diluted</td>
<td>$ (0.43)</td>
</tr>
</tbody>
</table>

Since we were in a net loss position for all periods presented, basic net loss per share is the same as diluted net loss per share for all periods as the inclusion of all potential common shares outstanding would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows (in thousands):
(11) Related Party Transactions

Certain members of our board of directors ("Board") serve on the board of directors of and/or are executive officers of, and, in some cases, are investors in, companies that are customers or vendors of ours. Certain of our executive officers also serve on the board of directors of companies that are customers or vendors of ours. We believe the transactions between these companies and us were carried out on terms that are consistent with similar transactions with our other similarly situated customers or vendors. We recognized revenues from sales to these companies of $0.7 million and $0.6 million for the three months ended April 30, 2014 and 2013, respectively. We also recorded $0.5 million and $0.3 million in expenses related to purchases from these companies during the three months ended April 30, 2014 and 2013, respectively. We had $0.5 million and $0 of accounts receivable from these companies as of April 30, 2014 and January 31, 2014, respectively. There were no accounts payable to these companies as of April 30, 2014 or January 31, 2014.

(12) Subsequent Event

On May 13, 2014, we entered into an irrevocable, standby letter of credit with Silicon Valley Bank for $5.97 million to serve as a security deposit for our office lease with 270 Brannan Street, LLC, San Francisco, California.
The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Statements that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would” and similar expressions or variations intended to identify forward-looking statements. Such statements include, but are not limited to, statements concerning our market opportunity, our future financial and operating results; our planned investments, particularly in our product development efforts; our planned expansion of our sales and marketing organization; our growth strategies; our continued efforts to market and sell both domestically and internationally; our expectations about seasonal trends; our expectations regarding our revenues mix; use of non-GAAP financial measures; our expectations regarding our operating expenses, including changes in research and development, sales and marketing, and general and administrative expenses; sufficiency of cash to meet cash needs for at least the next 12 months; exposure to interest rate changes; inflation; anticipated income tax rates; and our expected capital expenditures, cash flows and liquidity.

These statements are based on the beliefs and assumptions of our management based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” included under Part II, Item 1A below. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this report.

Overview

Splunk provides innovative software products that enable organizations to gain real-time operational intelligence by harnessing the value of their data. Our products enable users to collect, index, search, explore, monitor and analyze data regardless of format or source. Our products address large and diverse data sets, commonly referred to as big data, and are specifically tailored for machine-generated data. Machine data is produced by nearly every software application and electronic device that generates data. Machine data contains a definitive, time-stamped record of various activities, such as transactions, customer and user activities and security threats. Outside of an organization's traditional IT and security infrastructure, every processor-based system, including HVAC controllers, smart electrical meters, GPS devices and radio-frequency identification tags, and many consumer-oriented systems, such as mobile devices, automobiles and medical devices that contain embedded electronic devices, are also continuously generating data.

We believe the market for software that provides operational intelligence presents a substantial opportunity as data grows in volume and diversity, creating new risks, opportunities and challenges for organizations. Since our inception, we have invested a substantial amount of resources developing our products and technology to address this market, specifically with respect to machine data.

Our products are designed to accelerate return-on-investment for our customers. They generally do not require customization, long deployment cycles or extensive professional services commonly associated with traditional enterprise software applications. Users can simply download and install the software, typically in a matter of hours, to connect to their relevant machine data sources. Alternatively, they can sign up for our Splunk Cloud service and avoid the need to provision, deploy and manage internal infrastructure. They can also provision a computing instance on Amazon Web Services and use Splunk Enterprise as an Amazon Machine Image. We also offer support, training and professional services to our customers to assist in the deployment of our software.

For Splunk Enterprise, we base our license fees on the estimated daily data indexing capacity our customers require. Prospective customers can download a trial version of our software that provides a full set of features but limited data indexing capacity. Following the 60-day trial period, prospective customers can purchase a license for our product or continue using our product with reduced features and limited data indexing capacity. We primarily license our software under perpetual licenses whereby we generally recognize the license fee portion of these arrangements upfront. As a result, the timing of when we enter into large perpetual licenses may lead to fluctuations in our revenues and operating results because our expenses are largely variable.
fixed in the short-term. Additionally, we license our software under term licenses which are generally recognized ratably over the contract term. From time to time, we enter into transactions that are designed to enable broad adoption of our software within an enterprise, referred to as enterprise adoption agreements. These agreements typically include provisions that require revenue deferral and recognition over time.

Our products include Splunk Cloud, which delivers the core functionalities of Splunk Enterprise as a scalable, reliable cloud service. We also introduced Hunk: Splunk Analytics for Hadoop during fiscal 2014, which is a new software product that enables exploration, analysis and visualization of data in Hadoop. We intend to continue investing for long-term growth. We have invested and expect to continue to invest heavily in our product development efforts to deliver additional compelling features, address customer needs and enable solutions that can address new end markets. In addition, we expect to continue to aggressively expand our sales and marketing organizations to market and sell our software both in the United States and internationally.

Our goal is to make our software the platform for delivering operational intelligence and real-time business insights from machine data. The key elements of our growth strategy are to:

- Extend our technological capabilities.
- Continue to expand our direct and indirect sales organization, including our channel relationships, to acquire new customers.
- Further penetrate our existing customer base and drive enterprise-wide adoption.
- Build premium apps on our core platforms that enable organizations to realize additional value from our software and to use our products in different ways.
- Grow our user communities and partner ecosystem to increase awareness of our brand, target new use cases, drive operational leverage and deliver more targeted, higher value solutions.
- Continue to deliver a rich developer environment to enable rapid development of enterprise applications that leverage machine data and the Splunk platform.

We believe the factors that will influence our ability to achieve our goals include, among other things, our ability to deliver additional functionality; acquire new customers across geographies and industries; cultivate incremental sales from our existing customers by driving increased use of our software within organizations; provide additional solutions that leverage our core machine data engine to help organizations understand and realize the value of their machine data in specific end markets and use cases; add additional OEM and strategic relationships to enable new sales channels for our software as well as extend our integration with third party products; and help software developers leverage the functionality of our machine data engine through SDKs and APIs.

For the three months ended April 30, 2014 and 2013, our total revenues were $85.9 million and $57.2 million, respectively, representing year-over-year growth of approximately 50%. For the three months ended April 30, 2014 and 2013, approximately 25% and 21% of our total revenues were derived from customers located outside the United States, respectively. Our customers and end-users represent the public sector and a wide variety of industries, including financial services, manufacturing, retail and technology, among others. As of April 30, 2014, we had over 7,400 customers.

For the three months ended April 30, 2014 and 2013, our GAAP operating loss was $50.1 million and $15.7 million, respectively, and our non-GAAP operating loss was $3.6 million and $5.3 million, respectively.

For the three months ended April 30, 2014 and 2013, our GAAP net loss was $50.8 million and $16.1 million, respectively, and our non-GAAP net loss was $4.2 million and $5.7 million, respectively.

Our quarterly results reflect seasonality in the sale of our products and services. Historically, a pattern of increased license sales in the fourth fiscal quarter as a result of industry buying patterns has positively impacted sales activity in that period, which can result in lower sequential revenues in the first fiscal quarter. Our gross margins and operating losses have been affected by these historical trends because the majority of our expenses are relatively fixed in the short term. The majority of our expenses are personnel-related and include salaries, stock-based compensation, benefits and incentive-based compensation plan expenses. As a result, we have not experienced significant seasonal fluctuations in the timing of expenses from period to period.
Non-GAAP Financial Results

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide investors with certain non-GAAP financial measures, including non-GAAP gross margin, non-GAAP operating income (loss), non-GAAP net income (loss), non-GAAP operating margin and non-GAAP net income (loss) per share (collectively the “non-GAAP financial measures”). These non-GAAP financial measures exclude stock-based compensation expense, employer payroll tax expense related to employee stock plans and amortization of acquired intangible assets. In addition, non-GAAP financial measures include free cash flow, which represents cash from operations less purchases of property and equipment. The presentation of the non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We use these non-GAAP financial measures for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to key metrics used by our management in its financial and operational decision making. In addition, these non-GAAP financial measures facilitate comparisons to competitors’ operating results.

We exclude stock-based compensation expense because it is non-cash in nature and excluding this expense provides meaningful supplemental information regarding our operational performance. In particular, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC Topic 718, we believe that providing non-GAAP financial measures that exclude this expense allows investors the ability to make more meaningful comparisons between our operating results and those of other companies. We exclude employer payroll tax expense related to employee stock plans in order for investors to see the full effect that excluding that stock-based compensation expense had on our operating results. These expenses are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise, which may vary from period to period independent of the operating performance of our business. We exclude amortization of acquired intangible assets from our non-GAAP financial measures because they are considered by management to be outside of our core operating results. Accordingly, we believe that excluding these expenses provides investors and management with greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods and may also facilitate comparison with the results of other companies in our industry. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that can be used for strategic opportunities, including investing in our business, making strategic acquisitions and strengthening our balance sheet.

There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by our competitors and exclude expenses that may have a material impact upon our reported financial results. Further, stock-based compensation expense has been and will continue to be for the foreseeable future a significant recurring expense in our business and an important part of the compensation provided to our employees. The non-GAAP financial measures are meant to supplement and be viewed in conjunction with GAAP financial measures.

The following table reconciles cash provided by operating activities to free cash flow for the three months ended April 30, 2014 and 2013 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$18,911</td>
</tr>
<tr>
<td>Less purchases of property and equipment</td>
<td>(4,238)</td>
</tr>
<tr>
<td>Free cash flow (Non-GAAP)</td>
<td>$14,673</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(255,121)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>$6,315</td>
</tr>
</tbody>
</table>

The following table reconciles GAAP gross margin to non-GAAP gross margin for the three months ended April 30, 2014 and 2013:
The following table reconciles GAAP operating loss to non-GAAP operating loss for the three months ended April 30, 2014 and 2013 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>GAAP operating loss</td>
<td>$ (50,103)</td>
<td>$ (15,697)</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>43,239</td>
<td>9,835</td>
</tr>
<tr>
<td>Employer payroll tax on employee stock plans</td>
<td>2,388</td>
<td>580</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>903</td>
<td>—</td>
</tr>
<tr>
<td>Non-GAAP operating loss</td>
<td>$ (3,573)</td>
<td>$ (5,282)</td>
</tr>
</tbody>
</table>

The following table reconciles GAAP operating margin to non-GAAP operating margin for the three months ended April 30, 2014 and 2013:

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>GAAP operating margin</td>
<td>(58.3)%</td>
<td>(27.4)%</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>50.3</td>
<td>17.2</td>
</tr>
<tr>
<td>Employer payroll tax on employee stock plans</td>
<td>2.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>1.1</td>
<td>—</td>
</tr>
<tr>
<td>Non-GAAP operating margin</td>
<td>(4.2)%</td>
<td>(9.2)%</td>
</tr>
</tbody>
</table>

The following table reconciles GAAP net loss to non-GAAP net loss for the three months ended April 30, 2014 and 2013 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>GAAP net loss</td>
<td>$ (50,755)</td>
<td>$ (16,134)</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>43,239</td>
<td>9,835</td>
</tr>
<tr>
<td>Employer payroll tax on employee stock plans</td>
<td>2,388</td>
<td>580</td>
</tr>
<tr>
<td>Amortization of acquired intangible assets</td>
<td>903</td>
<td>—</td>
</tr>
<tr>
<td>Non-GAAP net loss</td>
<td>$ (4,225)</td>
<td>$ (5,719)</td>
</tr>
</tbody>
</table>

The following table reconciles the GAAP basic and diluted net loss per share to the non-GAAP basic and diluted net loss per share for the three months ended April 30, 2014 and 2013 (in thousands, except per share amounts):
Table of Contents

<table>
<thead>
<tr>
<th>Components of Operating Results</th>
</tr>
</thead>
</table>

Revenues

License revenues. License revenues reflect the revenues recognized from sales of licenses to new customers and additional licenses to existing customers. We are focused on acquiring new customers and increasing revenues from our existing customers as they realize the value of our software by indexing higher volumes of machine data and expanding the use of our software through additional use cases and broader deployment within their organizations. A majority of our license revenues consists of revenues from perpetual licenses, under which we generally recognize the license fee portion of the arrangement upfront, assuming all revenue recognition criteria are satisfied. Customers can also purchase term license agreements, under which we recognize the license fee ratably, on a straight-line basis, over the term of the license. Due to the differing revenue recognition policies applicable to perpetual and term licenses, shifts in the mix between perpetual and term licenses from quarter to quarter could produce substantial variation in revenues recognized even if our sales remain consistent. In addition, seasonal trends that contribute to increased sales activity in the fourth fiscal quarter often result in lower sequential revenues in the first fiscal quarter, and we expect this trend to continue. Comparing our revenues on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance.

Maintenance and services revenues. Maintenance and services revenues consist of revenues from maintenance agreements and, to a lesser extent, professional services and training. Typically, when purchasing a perpetual license, a customer also purchases one year of maintenance service for which we charge a percentage of the license fee. When a term license is purchased, maintenance service is typically bundled with the license for the term of the license period. Customers with maintenance agreements are entitled to receive support and unspecified upgrades and enhancements when and if they become available during the maintenance period. We recognize the revenues associated with maintenance agreements ratably, on a straight-line basis, over the associated maintenance period. In arrangements involving a term license, we recognize both the license and maintenance revenues over the contract period. We have a professional services organization focused on helping some of our largest customers deploy our software in highly complex operational environments and train their personnel. We recognize the revenues associated with these professional services on a time and materials basis as we deliver the services or provide the training. We expect maintenance and services revenues to become a larger percentage of our total revenues as our installed customer base grows.

Professional services and training revenues as a percentage of total revenues were 8% and 6% for the three months ended April 30, 2014 and 2013, respectively. We have experienced continued growth in our professional services revenues primarily due to the deployment of our software with some customers that have large, highly complex IT environments.

Cost of Revenues

Cost of license revenues. Cost of license revenues includes all direct costs to deliver our product, including salaries, benefits, stock-based compensation and related expenses such as employer taxes, allocated overhead for facilities and IT and amortization of acquired intangible assets. We recognize these expenses as they are incurred.

Cost of maintenance and services revenues. Cost of maintenance and services revenues includes salaries, benefits, stock-based compensation and related expenses such as employer taxes for our maintenance and services organization, allocated overhead for depreciation of equipment, facilities and IT, and amortization. We recognize expenses related to our maintenance and services organization as they are incurred.
Operating Expenses

Our operating expenses are classified into three categories: research and development, sales and marketing and general and administrative. For each category, the largest component is personnel costs, which include salaries, employee benefit costs, bonuses, commissions as applicable, stock-based compensation and related expenses such as employer taxes. Operating expenses also include allocated overhead costs for depreciation of equipment, facilities and IT. Allocated costs for facilities consist of leasehold improvements and rent. Our allocated costs for IT include costs for compensation of our IT personnel and costs associated with our IT infrastructure. Operating expenses are generally recognized as incurred.

Research and development. Research and development expenses primarily consist of personnel and facility-related costs attributable to our research and development personnel. We have devoted our product development efforts primarily to enhancing the functionality and expanding the capabilities of our software and services. We expect that our research and development expenses will continue to increase, in absolute dollars, as we increase our research and development headcount to further strengthen and enhance our software and services and invest in the development of our solutions and apps.

Sales and marketing. Sales and marketing expenses primarily consist of personnel and facility-related costs for our sales, marketing and business development personnel, commissions earned by our sales personnel, and the cost of marketing and business development programs. We expect that sales and marketing expenses will continue to increase, in absolute dollars, as we continue to hire additional personnel and invest in marketing programs.

General and administrative. General and administrative expenses primarily consist of personnel and facility-related costs for our executive, finance, legal, human resources and administrative personnel; our legal, accounting and other professional services fees; and other corporate expenses. We anticipate continuing to incur additional expenses due to growing our operations and being a publicly traded company, including higher legal, corporate insurance and accounting expenses and costs related to maintaining compliance with Section 404 of the Sarbanes-Oxley Act and related regulations.

Interest and other income (expense), net

Interest and other income (expense), net consists primarily of foreign exchange gains and losses, interest income on our investments and cash and cash equivalents balances, and interest expense on outstanding debt.

Provision for income taxes

The provision for income taxes consists of federal, state and foreign income taxes. We recognize deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which we expect the differences to reverse. We record a valuation allowance to reduce the deferred tax assets to the amount that we are more-likely-than-not to realize. Because of our history of U.S. net operating losses, we have established, in prior years, a full valuation allowance against potential future benefits for U.S. deferred tax assets including loss carry-forwards and research and development and other tax credits. We regularly assess the likelihood that our deferred income tax assets will be realized based on the realization guidance available. To the extent that we believe any amounts are not more-likely-than-not to be realized, we record a valuation allowance to reduce the deferred income tax assets. We regularly assess the need for the valuation allowance on our deferred tax assets, and to the extent that we determine that an adjustment is needed, such adjustment will be recorded in the period that the determination is made.

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our total revenues for those periods. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

19
Condensed Consolidated Statement of Operations Data:

Revenues

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30, 2014</th>
<th>Three Months Ended April 30, 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of Revenue</td>
<td>Amount</td>
</tr>
<tr>
<td></td>
<td>$51,274</td>
<td>59.7%</td>
<td>$36,172</td>
</tr>
<tr>
<td>License</td>
<td>34,633</td>
<td>40.3%</td>
<td>21,035</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>$85,907</td>
<td>100.0%</td>
<td>$57,207</td>
</tr>
</tbody>
</table>

Cost of revenues

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30, 2014</th>
<th>Three Months Ended April 30, 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of Revenue</td>
<td>Amount</td>
</tr>
<tr>
<td>License (1)</td>
<td>78</td>
<td>0.2%</td>
<td>69</td>
</tr>
<tr>
<td>Maintenance and services (1)</td>
<td>14,109</td>
<td>40.7%</td>
<td>6,612</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>14,187</td>
<td>16.5%</td>
<td>6,681</td>
</tr>
</tbody>
</table>

Gross profit

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30, 2014</th>
<th>Three Months Ended April 30, 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of Revenue</td>
<td>Amount</td>
</tr>
<tr>
<td></td>
<td>71,720</td>
<td>83.5%</td>
<td>50,526</td>
</tr>
</tbody>
</table>

Operating expenses

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30, 2014</th>
<th>Three Months Ended April 30, 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>29,742</td>
<td>34.6%</td>
<td>14,464</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>71,078</td>
<td>82.7%</td>
<td>41,313</td>
</tr>
<tr>
<td>General and administrative</td>
<td>21,003</td>
<td>24.4%</td>
<td>10,446</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>121,823</td>
<td>141.8%</td>
<td>66,223</td>
</tr>
</tbody>
</table>

Operating loss

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30, 2014</th>
<th>Three Months Ended April 30, 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of Revenue</td>
<td>Amount</td>
</tr>
<tr>
<td></td>
<td>(50,103)</td>
<td>(58.3%)</td>
<td>(15,697)</td>
</tr>
</tbody>
</table>

Interest and other income (expense), net

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30, 2014</th>
<th>Three Months Ended April 30, 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>130</td>
<td>0.2%</td>
<td>61</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>(220)</td>
<td>(0.3%)</td>
<td>(94)</td>
</tr>
<tr>
<td>Total interest and other income (expense), net</td>
<td>(90)</td>
<td>(0.1%)</td>
<td>(33)</td>
</tr>
</tbody>
</table>

Loss before income taxes

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30, 2014</th>
<th>Three Months Ended April 30, 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of Revenue</td>
<td>Amount</td>
</tr>
<tr>
<td></td>
<td>(50,193)</td>
<td>(58.4%)</td>
<td>(15,730)</td>
</tr>
</tbody>
</table>

Income tax provision

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30, 2014</th>
<th>Three Months Ended April 30, 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>562</td>
<td>0.7%</td>
<td>404</td>
</tr>
</tbody>
</table>

Net loss

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30, 2014</th>
<th>Three Months Ended April 30, 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of Revenue</td>
<td>Amount</td>
</tr>
<tr>
<td></td>
<td>(50,755)</td>
<td>(59.1%)</td>
<td>(16,134)</td>
</tr>
</tbody>
</table>

(1) Calculated as a percentage of the associated revenues.

Comparison of the Three Months Ended April 30, 2014 and 2013

Revenues

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30, 2014</th>
<th>Three Months Ended April 30, 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of Revenue</td>
<td>Amount</td>
</tr>
<tr>
<td>License</td>
<td>51,274</td>
<td>59.7%</td>
<td>36,172</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>34,633</td>
<td>40.3%</td>
<td>21,035</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$85,907</td>
<td>100.0%</td>
<td>$57,207</td>
</tr>
</tbody>
</table>

Total revenues increased $28.7 million due to growth in license revenues, as well as maintenance and services revenues. The increase in license revenues was primarily driven by increases in our total number of customers, sales to existing customers and an increase in the number of larger orders. For example, we had 167 and 132 orders greater than $100,000 for the three months ended April 30, 2014 and 2013, respectively. Our total number of customers increased from approximately 5,600 at April 30, 2013 to more than 7,400 at April 30, 2014. The increase in maintenance and services revenues was due to
increases in sales of maintenance agreements as well as sales of professional services resulting from the growth of our installed customer base.

**Cost of Revenues and Gross Margin**

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30,</th>
<th></th>
<th></th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>($ amounts in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td>$ 78</td>
<td>69</td>
<td></td>
<td>13.0%</td>
</tr>
<tr>
<td>Maintenance and services</td>
<td>14,109</td>
<td>6,612</td>
<td></td>
<td>113.4%</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>$ 14,187</td>
<td>6,681</td>
<td></td>
<td>112.3%</td>
</tr>
<tr>
<td>Gross margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License</td>
<td></td>
<td>99.8%</td>
<td>99.8%</td>
<td></td>
</tr>
<tr>
<td>Maintenance and services</td>
<td></td>
<td>59.3%</td>
<td>68.6%</td>
<td></td>
</tr>
<tr>
<td>Total gross margin</td>
<td></td>
<td>83.5%</td>
<td>88.3%</td>
<td></td>
</tr>
</tbody>
</table>

Total cost of revenues increased $7.5 million primarily due to the increase in cost of maintenance and services revenues. The increase in cost of maintenance and services revenues was primarily related to an increase of $4.8 million in salaries and benefits expense, which includes a $3.1 million increase in stock-based compensation expense, due to increased headcount, an increase of $1.4 million of consulting fees and an increase of $0.5 million related to overhead costs.

**Operating Expenses**

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30,</th>
<th></th>
<th></th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ amounts in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>$ 29,742</td>
<td>14,464</td>
<td></td>
<td>105.6%</td>
</tr>
<tr>
<td>Sales and marketing</td>
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<td></td>
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<td>21,003</td>
<td>10,446</td>
<td></td>
<td>101.1%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$ 121,823</td>
<td>66,223</td>
<td></td>
<td>84.0%</td>
</tr>
<tr>
<td>Percentage of revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td></td>
<td>34.6%</td>
<td>25.3%</td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td></td>
<td>82.7</td>
<td>72.2</td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td></td>
<td>24.4</td>
<td>18.3</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>141.8%</td>
<td>115.8%</td>
<td></td>
</tr>
<tr>
<td>(1) Includes stock-based compensation expense:</td>
<td>$ 12,587</td>
<td>$ 3,043</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td></td>
<td>19,120</td>
<td>4,322</td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td></td>
<td>7,726</td>
<td>1,765</td>
<td></td>
</tr>
<tr>
<td>Total stock-based compensation expense</td>
<td>$ 39,433</td>
<td>$ 9,130</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Research and development expense.** Research and development expense increased $15.3 million primarily due to a $13.5 million increase in salaries and benefits, which includes a $9.5 million increase in stock-based compensation expense, as we increased headcount as part of our focus on further developing and enhancing our products. We also had an increase of $1.5 million related to overhead costs.

**Sales and marketing expense.** Sales and marketing expense increased $29.8 million primarily due to a $23.7 million increase in salaries and benefits, which includes a $14.8 million increase in stock-based compensation expense, as we increased headcount to expand our field sales organization and experienced higher commission expense as a result of increased customer
orders. We experienced an increase of $2.2 million in expenses due to increased facilities and overhead expense and an increase of $1.2 million in travel expenses as a result of international expansion and increased headcount. Finally, we also incurred a $1.6 million increase in marketing program fees in conjunction with increased marketing and advertising efforts and $0.5 million related to our sales kickoff.

**General and administrative expense.** General and administrative expense increased $10.6 million due primarily to an increase of $9.7 million related to salaries and benefits, which includes a $6.0 million increase in stock compensation expense, as we increased headcount. Additionally, we incurred an increase of $1.5 million for accounting and legal activities to support the overall growth of the business.

**Interest and Other Income (Expense), net**

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended April 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Interest and other income (expense), net:</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$130</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>(220)</td>
</tr>
<tr>
<td>Total interest and other income (expense), net</td>
<td>$ (90)</td>
</tr>
</tbody>
</table>

Interest and other income (expense), net reflects a net increase in expense primarily due to higher foreign currency exchange losses compared to the same period last year.

**Income Tax Provision**

|                                | Three Months Ended April 30, |
|                                | 2014 | 2013 |
| Income tax provision           | $562 | $404 |

For the three months ended April 30, 2014, we recorded an income tax expense that was primarily attributable to an increase in tax expense from our increased activity in our foreign operations and state franchise tax.

**Liquidity and Capital Resources**

<table>
<thead>
<tr>
<th></th>
<th>April 30, 2014</th>
<th>January 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$667,747</td>
<td>$897,453</td>
</tr>
</tbody>
</table>

|                                | Three Months Ended April 30, |
|                                | 2014 | 2013 |
| Cash provided by operating activities | $18,911 | $19,851 |
| Cash used in investing activities  | (255,121) | (1,263) |
| Cash provided by financing activities | 6,315 | 6,718 |

Since fiscal 2010 we have funded our operations primarily through cash generated from operations. At April 30, 2014, our cash and cash equivalents of $667.7 million were held for working capital purposes, a majority of which was invested in money market funds. We intend to increase our capital expenditures for the remainder of fiscal 2015, consistent with the growth in our business and operations. We believe that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced software and services offerings, the continuing market acceptance of our products and our
planned investments, particularly in our product development efforts or acquisitions of complementary businesses, applications or technologies.

In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us if at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition could be adversely affected.

**Operating Activities**

In the three months ended April 30, 2014, cash inflows from our operating activities were $18.9 million, which reflects our net loss of $50.8 million, adjusted by non-cash charges of $45.1 million, consisting primarily of $43.2 million for stock-based compensation, $2.7 million for depreciation and amortization, partially offset by $0.3 million for deferred income taxes and $0.5 million for excess tax benefits from employee stock plans. Sources of cash inflows were from changes in our working capital, including a $31.2 million decrease in accounts receivable due to strong collections, a $1.7 million increase in deferred revenue, a $4.5 million increase in accrued expenses and other liabilities, $0.5 million decrease in prepaid expense and other current and non-current assets and $0.4 million increase in accounts payable. These cash inflows were offset by a $13.8 million decrease in accrued payroll and compensation.

In the three months ended April 30, 2013, cash inflows from our operating activities were $19.9 million, which reflects our net loss of $16.1 million, adjusted by non-cash charges of $11.1 million, consisting primarily of $9.8 million for stock-based compensation and $1.4 million for depreciation and amortization. Sources of cash inflows were from changes in our working capital, including a $26.0 million decrease in accounts receivable due primarily to the collection of a $20.0 million order booked in the prior quarter, $2.6 million increase in deferred revenue, a $2.4 million increase in accrued expenses and other liabilities and a $1.9 million increase in accounts payable. These cash inflows were partially offset by a $6.9 million decrease in accrued payroll and compensation.

**Investing Activities**

In the three months ended April 30, 2014, cash used in investing activities of $255.1 million was primarily attributable to $250.9 million of investments in U.S. treasury securities and $4.2 million of capital expenditures for the purchase of technology and hardware as well as purchases related to our facilities and infrastructure.

In the three months ended April 30, 2013, cash used in investing activities included $1.3 million of capital expenditures for technology and hardware to support the growth of our business.

**Financing Activities**

In the three months ended April 30, 2014, cash provided by financing activities of $6.3 million consisted primarily of $5.8 million of proceeds from the exercise of stock options and $0.5 million of proceeds from excess tax benefits from employee stock plans.

In the three months ended April 30, 2013, cash provided by financing activities of $6.7 million consisted primarily of proceeds from the exercise of stock options.

**Loan and Security Agreement**

On May 9, 2013 we entered into a Loan Agreement with Silicon Valley Bank. The agreement provides for a revolving line of credit facility, which expires May 9, 2015. Under the agreement, we are able to borrow up to $25 million. Interest on any drawdown under the revolving line of credit accrues either at the prime rate (3.25% in April 2014) or the LIBOR rate plus 2.75%. As of April 30, 2014, we had no balance outstanding under this agreement. The agreement contains customary financial covenants and other affirmative and negative covenants. We were in compliance with all covenants as of April 30, 2014.

**Contractual Payment Obligations**

We lease our office spaces under non-cancelable operating leases with rent expense recognized on a straight-line basis over the lease term. Rent expense was $2.2 million and $1.2 million for the three months ended April 30, 2014 and 2013, respectively.
On April 29, 2014, we entered into an office lease for approximately 182,000 square feet located at 270 Brannan Street, San Francisco, California. The lease premises of approximately 182,000 square feet will be allocated to approximately 95,000 square feet of rentable space which we expect to occupy on January 1, 2016 and approximately 87,000 square feet of rentable space which we expect to occupy one year thereafter, for a term of 84 months, subject to the completion of certain pre-occupancy improvements by our landlord. Our total obligation for the base rent is approximately $92.0 million.

The following summarizes our contractual commitments and obligations as of April 30, 2014:

<table>
<thead>
<tr>
<th>Payments Due by Period*</th>
<th>Total</th>
<th>Less Than 1 year</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>More Than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating lease obligations</td>
<td>$140,593</td>
<td>$9,088</td>
<td>$28,030</td>
<td>$41,195</td>
<td>$62,280</td>
</tr>
</tbody>
</table>

*We entered into a sublease agreement on November 16, 2012 for a portion of our office space in the United Kingdom, and the future sublease rental income of $1.1 million has been included as an offset to our future minimum rental payments.

Off-Balance Sheet Arrangements

During the three months ended April 30, 2014 and 2013, we did not have any relationships with unconsolidated organizations or financial partnerships, such 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.

Indemnification Arrangements

During the ordinary course of business, we may indemnify, hold harmless and agree to reimburse for losses suffered or incurred, our customers, channel partners, vendors and each of their affiliates for certain intellectual property infringement and other claims by third parties with respect to our products and services, in connection with our commercial license arrangements or related to general business dealings with those parties.

As permitted under Delaware law, we have entered into indemnification agreements with our officers, directors and certain employees, indemnifying them for certain events or occurrences while they serve as our officers or directors.

To date, there have not been any costs incurred in connection with such indemnification obligations; therefore, there is no accrual of any amounts at April 30, 2014. We are unable to estimate the maximum potential impact of these indemnifications on our future results of operations.

Critical Accounting Policies and Estimates

We prepare our condensed consolidated financial statements in accordance with U.S. GAAP. The preparation of condensed consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

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, filed with the SEC on March 31, 2014.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks, primarily changes in interest rates and foreign currency exchange rates.

Interest Rate Risk
We hold our cash, cash equivalents and investments for working capital purposes. Some of the securities we invest in are subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we maintain our portfolio of cash, cash equivalents and investments in a variety of securities, including money market funds and government debt securities. The risk associated with fluctuating interest rates is limited to our investment portfolio. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, would reduce future interest income.

The primary objective of our investment activities is to preserve principal while maximizing yields without significantly increasing risk. This objective is accomplished by making diversified investments, consisting only of investment grade securities. The effect of a hypothetical 10% increase or decrease in overall interest rates would not have had a material impact on our operating results or the total fair value of the portfolio.Declines in interest rates, however, would reduce future interest income.

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. All of our revenues are generated in U.S. dollars. Our expenses are generally denominated in the currencies in which our operations are located, which is primarily in the United States and to a lesser extent in Europe and Asia. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our historical consolidated financial statements. To date, we have not engaged in any hedging strategies. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates.

Inflation

We do not believe that inflation had a material effect on our business, financial condition or results of operations in the three months ended April 30, 2014 and 2013. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of April 30, 2014. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of April 30, 2014, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls
Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth above under Legal Proceedings in Note 3 contained in the “Notes to Condensed Consolidated Financial Statements” is incorporated herein by reference.
Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties including those described below. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially adversely affected. In that case, the trading price of our common stock could decline.

The market for our products is new and unproven and may not grow.

We believe our future success will depend in large part on the growth, if any, in the market for products that provide operational intelligence, particularly from machine data. We market our products as targeted solutions for specific use cases and as an enterprise solution for machine data. In order to grow our business, we intend to expand the functionality of our products to increase their acceptance and use by the broader market as well as develop new products. It is difficult to predict customer adoption and renewal rates, customer demand for our products, the size and growth rate of this market, the entry of competitive products or the success of existing competitive products. Any expansion in our market depends on a number of factors, including the cost, performance and perceived value associated with our products. If our products do not achieve widespread adoption or there is a reduction in demand for products in our market caused by a lack of customer acceptance or expansion, technological challenges, decreases in accessible machine data, competing technologies and products, pricing pressure, decreases in corporate or information technology spending, weakening economic conditions, or otherwise, it could result in reduced customer orders, early terminations, reduced renewal rates or decreased revenues, any of which would adversely affect our business operations and financial results. We believe that these are inherent risks and difficulties in this new and unproven market.

Our future operating results may fluctuate significantly, and our recent operating results may not be a good indication of our future performance.

Our revenues and operating results could vary significantly from period to period as a result of various factors, many of which are outside of our control. For example, we have historically generated a majority of our license revenues from perpetual license agreements, whereby we generally recognize the license fee portion of the arrangement upfront, assuming all revenue recognition criteria are satisfied. Our customers also have the choice of entering into term licenses for our software, whereby the license fee is recognized ratably over the license term, and, in combination with our introduction of enterprise adoption agreements, we have seen the proportion of our customer orders where revenue is recognized ratably increase steadily as a percentage of total orders. At the beginning of each quarter, we do not know the ratio between perpetual licenses and term licenses that we will enter into during the quarter. As a result, our operating results could be significantly impacted by unexpected shifts in the ratio between perpetual licenses and term licenses. In addition, the size of our licenses varies greatly, and a single, large perpetual license in a given period could distort our operating results. The timing and size of large transactions are often hard to predict in any particular period. Further, since we recognize a portion of our revenue ratably over the life of the their term license agreements and maintenance agreements, a portion of the revenue we report in each quarter is the result of agreements entered into during previous quarters. Consequently, a decline in business from term license agreements or maintenance agreements in any quarter may not be reflected in our revenue results for that quarter. Any such decline, however, will negatively affect our revenue in future quarters. Accordingly, the effect of downturns in sales and market acceptance of our products and services may not be fully reflected in our results of operations until future periods. Comparing our revenues and operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance.

We may not be able to accurately predict our future revenues or results of operations. In particular, approximately half of the revenues we currently recognize each quarter has been attributable to sales made in that same quarter with the balance of the revenues being attributable to sales made in prior quarters in which the related revenues were not recognized upfront. As a result, our ability to forecast revenues on a quarterly or longer-term basis is extremely limited. We base our current and future expense levels on our operating plans and sales forecasts, and our operating costs are expected to be relatively fixed in the short-term. As a result, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in revenues, and even a small shortfall in revenues could disproportionately and adversely affect our financial results for that quarter.

In addition to other risk factors described elsewhere in this “Risk Factors” section, factors that may cause our financial results to fluctuate from quarter to quarter include:
• the timing of our sales during the quarter, particularly because a large portion of our sales occur toward the end of the quarter, or the loss or delay of a few large contracts;

• the mix of revenues attributable to larger transactions as opposed to smaller transactions and the impact that a change in mix may have on the overall average selling price of our products;

• the mix of revenues attributable to perpetual and term licenses, subscription, maintenance and professional services and training, which may impact our gross margins and operating income;

• the renewal and usage rates of our customers;

• changes in the competitive dynamics of our market;

• changes in customers’ budgets and in the timing of their purchasing decisions;

• customers delaying purchasing decisions in anticipation of new products or software enhancements by us or our competitors;

• our ability to successfully introduce and monetize new products and licensing and service models for our new products, such as Hunk: Splunk Analytics for Hadoop (“Hunk”) and Splunk Cloud;

• our ability to control costs, including our operating expenses;

• the timing of satisfying revenue recognition criteria;

• our ability to qualify and compete for government contracts;

• the collectability of receivables from customers and resellers, which may be hindered or delayed; and

• general economic conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers participate.

Many of these factors are outside our control, and the variability and unpredictability of such factors could result in our failing to meet or exceed our financial expectations for a given period. We believe that quarter-to-quarter comparisons of our revenues, operating results and cash flows may not necessarily be indicative of our future performance.

We have a short operating history, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We have a short operating history, which limits our ability to forecast our future operating results and subjects us to a number of uncertainties, including our ability to plan for and model future growth. We have encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies in developing industries. If our assumptions regarding these uncertainties, which we use to plan our business, are incorrect or change in reaction to changes in our markets, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer. Moreover, although we have experienced rapid growth historically, we may not continue to grow as rapidly in the future. Any success that we may experience in the future will depend in large part on our ability to, among other things:

• improve the performance and capabilities of our products and technology through research and development;

• continue to develop and expand adoption of our cloud-based services, including Splunk Cloud;

• successfully develop, introduce and expand adoption of new products, such as Hunk;

• increase revenues from existing customers through increased or broader use of our products within their organizations;
• successfully expand our business domestically and internationally;

• maintain and expand our customer base and the ways in which our customers use our products;

• successfully compete with other companies, open source projects and custom development efforts that are currently in, or may in the future enter, the markets for our products;

• successfully provide our customers a compelling business case to purchase our products in a time frame that matches our and our customers’ sales and purchase cycles and at a compelling price point;

• respond timely and effectively to competitor offerings and pricing models;

• generate leads and convert users of the trial version of our software to paying customers;

• prevent users from circumventing the terms of their licenses and subscriptions;

• continue to invest in our application development platform to deliver additional content for our platform products and to foster an ecosystem of developers and users to expand the use cases of our products;

• maintain and enhance our website and cloud services infrastructure to minimize interruptions when accessing our software or cloud services;

• process, store and use our customers’ data in compliance with applicable governmental regulations and other legal obligations related to data privacy and security; and

• hire, integrate and retain world-class professional and technical talent.

If we fail to address the risks and difficulties we face, including those described elsewhere in this “Risk Factors” section, our business will be adversely affected and our business operations and financial results will suffer.

If we fail to effectively manage our growth, our business and operating results could be adversely affected.

Although our business has experienced significant growth, we cannot provide any assurance that our business will continue to grow at the same rate or at all. We have experienced and may continue to experience rapid growth in our headcount and operations, which has placed and will continue to place significant demands on our management and our operational and financial infrastructure. As of April 30, 2014, approximately 37% of our employees had been with us for less than one year. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, while maintaining the effectiveness of our business execution and the beneficial aspects of our corporate culture. In particular, we intend to continue to make directed and substantial investments to expand our research and development, sales and marketing, and general and administrative organizations, as well as our international operations.

To effectively manage growth, we must continue to improve our operational, financial and management controls, and our reporting systems and procedures by, among other things:

• improving our key business applications, processes and IT infrastructure to support our business needs;

• enhancing information and communication systems to ensure that our employees and offices around the world are well-coordinated and can effectively communicate with each other and our growing base of customers and channel partners;

• enhancing our internal controls to ensure timely and accurate reporting of all of our operations and financial results; and

• appropriately documenting our IT systems and our business processes.

These systems enhancements and improvements will require significant capital expenditures and allocation of valuable management and employee resources. If we fail to implement these improvements effectively, our ability to manage our expected growth, ensure uninterrupted operation of key business systems and comply with the rules and regulations that are applicable to public reporting companies will be impaired. Additionally, if we do not effectively manage the growth of our
business and operations, the quality of our products could suffer, which could negatively affect our brand, financial results and overall business.

**We face intense competition in our markets, and we may be unable to compete effectively for sales opportunities.**

Although our products target the new and emerging market for software and cloud services that provide operational intelligence, we compete against a variety of large software vendors and smaller specialized companies, open source projects and custom development efforts, which provide solutions in the specific markets we address. Our principal competitors include:

- IT departments of potential customers which have undertaken custom software development efforts to analyze and manage their machine data;
- security, systems management and other IT vendors, including BMC Software, CA, Compuware, HP, IBM, Intel, Microsoft, Quest Software, TIBCO and VMware;
- web analytics vendors, including Adobe Systems, Google, IBM and Webtrends;
- business intelligence vendors, including IBM, Oracle and SAP;
- companies targeting the big data market by commercializing open source software, such as the various Hadoop distributions and NoSQL data stores; and
- small-specialized vendors, which provide complementary and competitive solutions in enterprise data analytics, data warehousing and big data technologies that may compete with our products.

The principal competitive factors in our markets include product features, performance and support, product scalability and flexibility, ease of deployment and use, total cost of ownership and time to value. Some of our actual and potential competitors have advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, stronger brand and business user recognition, larger intellectual property portfolios and broader global distribution and presence. Further, competitors may be able to offer products or functionality similar to ours at a more attractive price than we can, such as by integrating or bundling their software products with their other product offerings. In addition, our industry is evolving rapidly and is becoming increasingly competitive. Larger and more established companies may focus on operational intelligence and could directly compete with us. For example, companies may commercialize open source software, such as Hadoop, in a manner that competes with our products or causes potential customers to believe that such product and our products perform the same function. If companies move a greater proportion of their data and computational needs to the cloud, new competitors may emerge that offer services comparable to ours or that are better suited for cloud-based data, and the demand for our products may decrease. Smaller companies could also launch new products and services that we do not offer and that could gain market acceptance quickly.

In recent years, there have been significant acquisitions and consolidation by and among our actual and potential competitors. We anticipate this trend of consolidation will continue, which will present heightened competitive challenges to our business. In particular, consolidation in our industry increases the likelihood of our competitors offering bundled or integrated products, and we believe that it may increase the competitive pressures we face with respect to our products. If we are unable to differentiate our products from the integrated or bundled products of our competitors, such as by offering enhanced functionality, performance or value, we may see decreased demand for those products, which would adversely affect our business operations, financial results and growth prospects. Further, it is possible that continued industry consolidation may impact customers’ perceptions of the viability of smaller or even medium-sized software firms and consequently their willingness to use software solutions from such firms. Similarly, if customers seek to concentrate their software license purchases in the product portfolios of a few large providers, we may be at a competitive disadvantage regardless of the performance and features of our products. We believe that in order to remain competitive at the large enterprise level, we will need to develop and expand relationships with resellers and large system integrators that provide a broad range of products and services. If we are unable to compete effectively, our business operations and financial results could be materially and adversely affected.

*Because we derive substantially all of our revenues and cash flows from sales of licenses of one software product, failure of this product to satisfy customer demands or to achieve increased market acceptance would adversely affect our business, results of operations, financial condition and growth prospects.*
Although we have recently introduced several new product offerings, we derive and expect to continue to derive substantially all of our revenues and cash flows from sales of licenses and maintenance of our Splunk Enterprise product. As such, the market acceptance of Splunk Enterprise is critical to our continued success. Demand for licenses to Splunk Enterprise is affected by a number of factors beyond our control, including continued market acceptance of Splunk Enterprise by referenceable accounts for existing and new use cases, the timing of development and release of new products by our competitors, technological change, and growth or contraction in our market. In addition, users of software that provides operational intelligence may seek a cloud-based service, and only recently we began to offer a cloud service with the features and functionality of our Splunk Enterprise software. Our cloud-based services currently represent a de minimis percentage of our overall revenues. We expect the proliferation of machine data to lead to an increase in the data analysis demands of our customers, and our products may not be able to scale and perform to meet those demands or may not be chosen by users for those needs. If we are unable to continue to meet customer demands or to achieve more widespread market acceptance of Splunk Enterprise, our business operations, financial results and growth prospects will be materially and adversely affected.

We have a history of losses, and we may not be profitable in the future.

We have incurred net losses in each year since our inception, including net losses of $50.8 million and $16.1 million in the three months ended April 30, 2014 and 2013 respectively. As a result, we had an accumulated deficit of $220.5 million at April 30, 2014. Because the market for our products is rapidly evolving and has not yet reached widespread adoption, it is difficult for us to predict our future operating results. We expect our operating expenses to increase over the next several years as we hire additional personnel, expand and improve the effectiveness of our distribution channels, and continue to develop features and functionality for our products. In addition, as we grow as a public company, we have incurred and will continue to incur significant legal, accounting and other operating expenses, including compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. If our revenues do not increase to offset these increases in our operating expenses, we may not be profitable in future periods. Our historical revenue growth has been inconsistent and should not be considered indicative of our future performance. Further, in future periods, our revenue growth could slow or our revenues could decline for a number of reasons, including slowing demand for our products, increasing competition, a decrease in the growth of our overall market, or our failure, for any reason, to continue to capitalize on growth opportunities. Any failure by us to achieve, sustain or increase profitability on a consistent basis could cause the value of our common stock to decline.

If customers do not expand their use of our products beyond the current predominant use cases, or if they react adversely to our pricing model as the amount of their indexed data grows, our ability to grow our business and operating results may be adversely affected.

Most of our customers currently use our products to support application management, IT operations, security and compliance functions. Our ability to grow our business depends in part on our ability to persuade current and future customers to expand their use of our products to additional use cases, such as facilities management, supply chain management, business analytics and customer usage analytics. If we fail to achieve market acceptance of our products for these applications, or if a competitor establishes a more widely adopted solution for these applications, our ability to grow our business and financial results will be adversely affected. In addition, as the amount of data indexed or Hadoop data nodes covered by our products for a given customer grows, that customer must agree to higher license fees for our products or limit the amount of data indexed in order to stay within the limits of its existing license. If their fees grow significantly, customers may react adversely to this pricing model, particularly if they perceive that the value of our products has become eclipsed by such fees or otherwise. If customers react adversely to our pricing models, our ability to grow our business and operating results could be adversely affected.

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

We continue to be substantially dependent on our sales force to obtain new customers and to drive additional use cases and adoption among our existing customers. We believe that there is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and may take significant time before they achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, as we continue to grow rapidly, a large percentage of our sales force is new to the company and our products. Our growth creates additional challenges and risks with respect to attracting, integrating and retaining qualified employees, particularly sales personnel. If we are unable to hire and train sufficient numbers of effective sales personnel, or the sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, our business will be adversely affected.
**Our sales cycle is long and unpredictable, particularly with respect to large customers, and our sales efforts require considerable time and expense.**

Our operating results may fluctuate, in part, because of the resource intensive nature of our sales efforts, the length and variability of the sales cycle of our software licensing offerings and the short-term difficulty in adjusting our operating expenses. Our operating results depend in part on sales to large customers and conversions of users that have downloaded the trial version of our software into paying customers. The length of our sales cycle, from initial evaluation to delivery of and payment for the software license, varies substantially from customer to customer. In addition, the introduction of our cloud-based service Splunk Cloud has generated interest from our customers who are also considering purchasing and deploying Splunk Enterprise, our on-premise solution. In some cases, our customers may wish to consider a combination of these products, potentially further slowing our sales cycle. Our sales cycle can extend to more than a year for certain customers, particularly large customers. It is difficult to predict exactly when, or even if, we will make a sale with a potential customer or if a user that has downloaded the trial version of our software will upgrade to the paid version of our software license. As a result, large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. The loss or delay of one or more large transactions in a quarter could impact our operating results for that quarter and any future quarters for which revenue from that transaction is delayed. As a result of these factors, it is difficult for us to forecast our revenues accurately in any quarter. Because a substantial portion of our expenses are relatively fixed in the short-term, our operating results will suffer if revenues fall below our expectations in a particular quarter, which could cause the price of our common stock to decline.

**Our business and growth depend substantially on customers renewing their term licenses and maintenance agreements with us. Any decline in our customer renewals could adversely affect our future operating results.**

While much of our software is sold under perpetual license agreements, all of our maintenance and support agreements are sold on a term basis. In addition, we also enter into term license agreements for our software and cloud services. In order for us to improve our operating results, it is important that our existing customers renew their term licenses, if applicable, and maintenance and support agreements when the initial contract term expires. Our customers have no obligation to renew their term licenses or maintenance and support contracts with us after the initial terms have expired. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction or dissatisfaction with our software, our cloud services, our pricing, the effects of economic conditions, competitive offerings or alterations or reductions in our customers' spending levels. If our customers do not renew their agreements with us or renew on terms less favorable to us, our revenues may decline.

**Our international sales and operations subject us to additional risks that can adversely affect our business operations and financial results.**

During the three months ended April 30, 2014, we derived approximately 25% of our total revenues from customers outside the United States, and we are continuing to expand our international operations as part of our growth strategy. We currently have sales personnel and sales and support operations in the United States and certain countries across Europe and Asia. However, our sales organization outside the United States is substantially smaller than our sales organization in the United States, and we rely heavily on our sales channel for non-U.S. sales. Our ability to convince customers to expand their use of our products or renew their maintenance agreements with us is directly correlated to our direct engagement with the customer. To the extent we are unable to engage with non-U.S. customers effectively with our limited sales force capacity or our indirect sales model, we may be unable to grow sales to existing customers to the same degree we have experienced in the United States.

Our international operations subject us to a variety of risks and challenges, including:

- increased management, travel, infrastructure and legal compliance costs associated with having multiple international operations;
- reliance on channel partners;
- longer payment cycles and difficulties in collecting accounts receivable or satisfying revenue recognition criteria, especially in emerging markets;
- increased financial accounting and reporting burdens and complexities;
• general economic conditions in each country or region;

• economic and political uncertainty around the world;

• compliance with multiple and changing foreign laws and regulations, including those governing employment, tax, privacy and data protection, and the risks and costs of non-compliance with such laws and regulations;

• compliance with laws and regulations for foreign operations, including the United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our products in certain foreign markets, and the risks and costs of non-compliance;

• heightened risks of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of financial statements and irregularities in financial statements;

• fluctuations in currency exchange rates and the related effect on our financial results;

• difficulties in repatriating or transferring funds from or converting currencies in certain countries;

• the need for localized software and licensing programs;

• reduced protection for intellectual property rights in some countries and practical difficulties of enforcing intellectual property and contract rights abroad; and

• compliance with the laws of numerous foreign taxing jurisdictions and overlapping of different tax regimes.

Any of these risks could adversely affect our international operations, reduce our international revenues or increase our operating costs, adversely affecting our business operations, financial results and growth prospects.

In addition, compliance with laws and regulations applicable to our international operations increases our cost of doing business in foreign jurisdictions. We may be unable to keep current with changes in foreign government requirements and laws as they change from time to time. Failure to comply with these regulations could have adverse effects on our business. In many foreign countries it is common for others to engage in business practices that are prohibited by our internal policies and procedures or United States regulations applicable to us. Although we have implemented policies and procedures designed to ensure compliance with these laws and policies, there can be no assurance that all of our employees, contractors, channel partners and agents will comply with these laws and policies. Violations of laws or key control policies by our employees, contractors, channel partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties, or the prohibition of the importation or exportation of our products and cloud services and could have a material adverse effect on our business operations and financial results.

If we are unable to maintain successful relationships with our channel partners, our business operations, financial results and growth prospects could be adversely affected.

In addition to our direct sales force, we use indirect channel partners, such as distributors and resellers, to license and support our products. We derive a portion of our revenues from sales of our products through our channel, particularly in the Europe, Middle East and Africa, or EMEA, and Asia Pacific, or APAC, regions and for sales to government agencies. We expect that sales through channel partners in all regions will continue to grow as a portion of our revenues for the foreseeable future.

Our agreements with our channel partners are generally non-exclusive, meaning our channel partners may offer customers the products of several different companies, including products that compete with ours. If our channel partners do not effectively market and sell our products, choose to use greater efforts to market and sell their own products or those of our competitors, or fail to meet the needs of our customers, our ability to grow our business and sell our products may be adversely affected. Our channel partners may cease marketing our products with limited or no notice and with little or no penalty. The loss of a substantial number of our channel partners, our possible inability to replace them, or the failure to recruit additional channel partners could materially and adversely affect our results of operations. In addition, sales by channel partners are more likely than direct sales to involve collectability concerns, in particular sales by our channel partners in developing markets, and
Our ability to achieve revenue growth in the future will depend in part on our success in maintaining successful relationships with our channel partners, and to help our channel partners enhance their ability to independently sell and deploy our products. If we are unable to maintain our relationships with these channel partners, or otherwise develop and expand our indirect distribution channel, our business, results of operations, financial condition or cash flows could be adversely affected.

We employ unique pricing models, which subject us to various pricing and licensing challenges that could make it difficult for us to derive value from our customers.

We employ unique and evolving pricing models for our products. For example, we generally charge our customers for their use of our Splunk Enterprise software based on their estimated peak daily indexing capacity. In addition, our Splunk Cloud service is generally priced based on peak daily indexing capacity and length of data retention, and our Hunk software is priced based on the number of Hadoop data nodes. Our pricing methods may ultimately result in a higher total cost to users generally as data volumes increase over time, making it more difficult for us to compete in our markets. As the amount of machine data within our customers’ organizations grows, we may face downward pressure from our customers regarding our pricing, which could adversely affect our revenues and operating margins. In addition, our unique pricing models may allow competitors with different pricing models to attract customers unfamiliar or uncomfortable with our pricing models, which could cause us to lose business or modify our pricing models, both of which could adversely affect our revenues and operating margins.

Furthermore, while our products can measure and limit customer usage, such limitations may be improperly circumvented or otherwise bypassed by certain users. Similarly, we provide our customers with an encrypted key for enabling their use of our products. There is no guarantee that users of our products will abide by the terms of these encrypted keys, and if they do not, we may not be able to capture the full value for the use of our products. For example, our enterprise license is generally meant for our customers’ internal use only. If our internal use customers improperly make our products available to their customers, for example, through a cloud or managed service offering, it may displace our end user sales or commoditize our products in the market. Additionally, if an internal use customer that has received a volume discount from us improperly makes available our products to its end customers, we may experience price erosion and be unable to capture the appropriate value from those end customers.

We recently increased the license capacity of our entry-level licenses for Splunk Enterprise. Although we believe that this price reduction will enable our customers to more rapidly increase their ability to adopt Splunk Enterprise, there is no guarantee this will occur. It is possible that such price reduction will not be offset by an increase in sales of additional license capacity, which would have the effect of lowering our revenue and negatively impacting our financial results.

Our license agreements generally provide that we can audit our customers’ use of our products to ensure compliance with the terms of our license agreement. However, a customer may resist or refuse to allow us to audit their usage, in which case we may have to pursue legal recourse to enforce our rights under the license agreement, which would require us to spend money, distract management and potentially adversely affect our relationship with our customers and users.

Incorrect or improper implementation or use of our software could result in customer dissatisfaction and negatively affect our business, operations, financial results and growth prospects.

Our software is deployed in a wide variety of technology environments. Increasingly, our software has been deployed in large scale, complex technology environments, and we believe our future success will depend on our ability to increase sales of our software licenses for use in such deployments. We often must assist our customers in achieving successful implementations for large, complex deployments. If we or our customers are unable to implement our software successfully, or are unable to do so in a timely manner, customer perceptions of our company may be impaired, our reputation and brand may suffer, and customers may choose not to increase their use of our products. In addition, our software imposes server load and index storage requirements for implementation. If our customers do not have the server load capacity or the storage capacity required, they may not be able to effectively implement and use our software and, therefore, may not choose to increase their use of our products.

Our customers and third-party partners may need training in the proper use of and the variety of benefits that can be derived from our software to maximize its potential. If our software is not implemented or used correctly or as intended, inadequate performance may result. Because our customers rely on our software and maintenance support to manage a wide range of operations, the incorrect or improper implementation or use of our software, our failure to train customers on how to
Interruptions or performance problems associated with our technology and infrastructure, and our reliance on Software-as-a-Service, or SaaS, technologies from third parties, may adversely affect our business operations and financial results.

Our continued growth depends in part on the ability of our existing and potential customers to access our cloud services or our website in order to download our on-premise software or encrypted access keys for our software within an acceptable amount of time. We have experienced, and may in the future experience, website and service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our website and services simultaneously and denial of service or fraud or security attacks. In some instances, we may not be able to identify the cause or causes of these website and service performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve our website and service performance, especially during peak usage times and as our products become more complex and our user traffic increases. If our website or services are unavailable or if our users are unable to download our software or encrypted access keys within a reasonable amount of time or at all, our business would be negatively affected. We expect to continue to make significant investments to maintain and improve our website and service performance and to enable rapid releases of new features and apps for our software and cloud services. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be adversely affected.

In addition, we rely heavily on hosted SaaS technologies from third parties in order to operate critical functions of our business, including enterprise resource planning services and customer relationship management services. Further, our cloud-based services, such as Splunk Cloud, are hosted exclusively by third parties. If any of these services fail or become unavailable due to extended outages, interruptions or because they are no longer available on commercially reasonable terms or prices, our revenue could be reduced, our reputation could be damaged, we could be exposed to legal liability, expenses could increase, our ability to manage our finances could be interrupted and our processes for managing sales of our products and supporting our customers could be impaired until equivalent services, if available, are identified, obtained and implemented, all of which could adversely affect our business.

Our products are subject to United States export controls, and we incorporate encryption technology into certain of our products. These encryption products and the underlying technology may be exported outside of the United States only with the required export authorizations, including by license, a license exception or other appropriate government authorizations, including the filing of an encryption registration. We shipped our encryption products prior to obtaining the required export authorizations. Accordingly, we have not fully complied with applicable encryption controls in the Export Administration Regulations. We have taken a number of actions to prevent such violations from recurring and continue to review and make enhancements to our export compliance procedures that are designed to further strengthen compliance with the laws.

Furthermore, our products are subject to United States export controls that prohibit the shipment of certain products and services without the required export authorizations or export to countries, governments, and persons targeted by United States sanctions. While we have taken precautions to prevent our products and services from being exported in violation of these laws, in certain instances we shipped our encryption products prior to obtaining the required export authorizations and certain of our products that are available at no cost have been downloaded by persons in countries that are the subject of United States embargoes. These exports were likely made in violation of United States export control and sanction laws. As a result, in March 2012, we filed Final Voluntary Self Disclosures with the U.S. Department of Commerce’s Bureau of Industry and Security (“BIS”), and the U.S. Department of Treasury’s Office of Foreign Assets Control (“OFAC”), concerning these potential violations. On July 3, 2012, OFAC notified us that it had completed its review of these matters and closed its review with the issuance of a Cautionary Letter, and on November 15, 2012, BIS notified us that it had completed its review of these
matters and closed its review with the issuance of a Warning Letter. No monetary penalties were assessed against us by either OFAC or BIS.

Based upon our internal review, we believe that we have not had any paying customers in countries sanctioned by the United States Government, and have instituted procedures, including IP blocking, that are intended to prevent any downloads from being made into sanctioned countries in the future. In addition, we had not been screening our customers against the United States Government lists of prohibited persons, including the Treasury Department’s List of Specially Designated Nationals and the Commerce Department’s List of Denied Persons. Based upon our internal review, we believe that we do not have any paying or non-paying customers on any United States Government lists of prohibited persons. We have instituted a process for screening all paying and non-paying customers against United States Government lists of prohibited persons going forward.

In the future, if we are found to be in violation of United States sanctions or export control laws, it could result in fines or penalties for us and for individuals, including civil penalties of up to $250,000 or twice the value of the transaction, whichever is greater, per violation, and in the event of conviction for a criminal violation, fines of up to $1 million and possible incarceration for responsible employees and managers for willful and knowing violations.

We also note that if our channel partners fail to obtain appropriate import, export or re-export licenses or permits, we may also be adversely affected, through reputational harm as well as other negative consequences including government investigations and penalties. We presently incorporate export control compliance requirements in our channel partner agreements. Complying with export control and sanctions regulations for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.

In addition, various countries regulate the import and export of certain encryption and other technology, including import and export permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products or could limit our customers’ ability to implement our products in those countries. Changes in our products or future changes in export and import regulations may create delays in the introduction of our products in international markets, prevent our customers with international operations from deploying our products globally or, in some cases, prevent the export or import of our products 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 products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products would likely adversely affect our business operations and financial results.

If our new products and product enhancements do not achieve sufficient market acceptance, our financial results and competitive position will suffer.

We spend substantial amounts of time and money to research and develop new product offerings and enhanced versions of our existing products to incorporate additional features, improve functionality or other enhancements in order to meet our customers’ rapidly evolving demands. In addition, we continue to invest in solutions that can be deployed on top of our core platform to target specific use cases and to cultivate our community of application developers and users. When we develop a new or enhanced version of an existing product, we typically incur expenses and expend resources upfront to market, promote and sell the new offering. Therefore, when we develop and introduce new or enhanced products, they must achieve high levels of market acceptance in order to justify the amount of our investment in developing and bringing them to market. For example, if our cloud-based services such as Splunk Cloud do not garner widespread market adoption and implementation, our financial results and competitive position could suffer.

Further, we may make changes to our products that our customers do not like, find useful or agree with. We may also discontinue certain features, begin to charge for certain features that are currently free or increase fees for any of our features or usage of our products.

Our new products or product enhancements and changes to our existing products could fail to attain sufficient market acceptance for many reasons, including:

• our failure to predict market demand accurately in terms of product functionality and to supply products that meet this demand in a timely fashion;

• defects, errors or failures;
• negative publicity about their performance or effectiveness;

• delays in releasing to the market our new products or enhancements to our existing products to the market;

• introduction or anticipated introduction of competing products by our competitors;

• poor business conditions for our end-customers, causing them to delay IT purchases; and

• reluctance of customers to purchase products incorporating open source software.

If our new products or enhancements and changes do not achieve adequate acceptance in the market, our competitive position will be impaired, and our revenues will be diminished. The adverse effect on our financial results may be particularly acute because of the significant research, development, marketing, sales and other expenses we will have incurred in connection with the new products or enhancements.

Our business depends, in part, on sales to the public sector, and significant changes in the contracting or fiscal policies of the public sector could have a material adverse effect on our business.

We derive a portion of our revenues from contracts with federal, state, local and foreign governments, and we believe that the success and growth of our business will continue to depend on our successful procurement of government contracts. Factors that could impede our ability to maintain or increase the amount of revenues derived from government contracts, include:

• changes in fiscal or contracting policies;

• decreases in available government funding;

• changes in government programs or applicable requirements;

• the adoption of new laws or regulations or changes to existing laws or regulations;

• potential delays or changes in the government appropriations or other funding authorization processes; and

• delays in the payment of our invoices by government payment offices.

The occurrence of any of the foregoing could cause governments and governmental agencies to delay or refrain from purchasing licenses of our products in the future or otherwise have an adverse effect on our business operations and financial results.

Failure to comply with laws or regulations applicable to our business could cause us to lose customers in the public sector or negatively impact our ability to contract with the public sector.

We must comply with laws and regulations relating to the formation, administration and performance of contracts with the public sector, including United States federal, state and local governmental bodies, which affect how our channel partners and we do business with governmental agencies. These laws and regulations may impose added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non-compliance in the past, could lead to claims for damages from our channel partners, penalties, termination of contracts, loss of exclusive rights in our intellectual property, and temporary suspension or permanent debarment from government contracting. Any such damages, penalties, disruptions or limitations in our ability to do business with the public sector could have a material adverse effect on our business operations and financial results.

The SaaS version of our Splunk Enterprise product, Splunk Cloud, is a nascent product offering, and a lack of market adoption of this SaaS offering could adversely affect our business.

SaaS is a model of software deployment in which a software provider typically licenses an application to customers for use as a service on demand through web browser technologies. In October 2013, we released Splunk Cloud, our cloud-based service that provides a fully functional version of Splunk Enterprise. In recent years, companies have begun to expect that key software, such as customer relationship management and enterprise resource planning systems, be provided through a SaaS model. In order to provide Splunk Cloud via a SaaS deployment, we have made and will continue to make capital
investments to implement this alternative business model, which could negatively affect our financial results. Even with these investments, the SaaS business model for Splunk Cloud may not be successful. Moreover, sales of Splunk Cloud could displace sales of our Splunk Enterprise software licenses. In addition, the change to a SaaS model results in changes in the manner in which we recognize revenues. Changes in revenue recognition would affect our operating results and could have an adverse effect on our business operations and financial results.

Real or perceived errors, failures or bugs in our products could adversely affect our financial results and growth prospects.

Because our products are complex, undetected errors, failures or bugs may occur, especially when new products, versions or updates are released. Our on-premise software is often installed and used in large-scale computing environments with different operating systems, system management software, and equipment and networking configurations, which may cause errors or failures of our software or other aspects of the computing environment into which it is deployed. In addition, deployment of our software into complicated, large-scale computing environments may expose undetected errors, failures or bugs in our software. Despite testing by us, errors, failures or bugs may not be found in our products until they are released to our customers. In the past, we have discovered errors, failures and bugs in some of our offerings after their introduction. Real or perceived errors, failures or bugs in our products could result in negative publicity, loss of or delay in market acceptance of our products, loss of competitive position or claims by customers 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 correct the problem.

In addition, if an actual or perceived failure of our on-premise software occurs in a customer’s deployment, regardless of whether the failure is attributable to our software, the market perception of the effectiveness of our products could be adversely affected. Alleviating any of these problems could require significant expenditures of our capital and other resources and could cause interruptions, delays or cessation of our licensing, which could cause us to lose existing or potential customers and could adversely affect our financial results and growth prospects.

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

Our success depends, in part, on our ability to protect proprietary methods and technologies that we develop under patent and other intellectual property laws of the United States and other jurisdictions outside of the United States so that we can prevent others from using our inventions and proprietary information. If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology, and our business might be adversely affected. However, defending our intellectual property rights might entail significant expenses. Any of our patent rights, copyrights, trademarks or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Our issued patents and any patents issued in the future may not provide us with any competitive advantages, and our patent applications may never be granted. Additionally, the process of obtaining patent protection is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications, or we may not be able to do so at a reasonable cost or in a timely manner. Even if issued, there can be no assurance that these patents will adequately protect our intellectual property, as the legal standards relating to the infringement, validity, enforceability and scope of protection of patent and other intellectual property rights are complex and often uncertain.

Any patents that are issued may subsequently be invalidated or otherwise limited, allowing other companies to develop offerings that compete with ours, which could adversely affect our competitive business position, business prospects and financial condition. In addition, issuance of a patent does not guarantee that we have a right to practice the patented invention. Patent applications in the United States are typically not published until 18 months after filing or, in some cases, not at all, and publications of discoveries in industry-related literature lag behind actual discoveries. We cannot be certain that we were the first to use the inventions claimed in our issued patents or pending patent applications or otherwise used in our products, that we were the first to file patent applications, or that third parties do not have blocking patents that could be used to prevent us from marketing or practicing our products or technology. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our products are available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United States (in particular, some foreign jurisdictions do not permit patent protection for software), and mechanisms for enforcement of intellectual property rights may be inadequate. Additional uncertainty may result from recent and future changes to intellectual property legislation in the United States (including the “America Invents Act”) and other countries and from interpretations of the intellectual property laws of the United States and other countries by applicable courts and agencies. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We rely in part on trade secrets, proprietary know-how and other confidential information to maintain our competitive position. We generally enter into confidentiality agreements with our employees, consultants, vendors and customers, and
We believe that maintaining and enhancing the “Splunk” brand identity is critical to our relationships with our customers and channel partners and to our ability to attract new customers and channel partners. The successful promotion of
our brand will depend largely upon our marketing efforts, our ability to continue to offer high-quality products and our ability to successfully differentiate our products from those of our competitors. Our brand promotion activities may not be successful or yield increased revenues. In addition, independent industry analysts often provide reviews of our products, as well as those of our competitors, and perception of our products in the marketplace may be significantly influenced by these reviews. If these reviews are negative, or less positive as compared to those of our competitors’ products and services, our brand may be adversely affected.

Moreover, it may be difficult to maintain and enhance our brand in connection with sales through channel or strategic partners. The promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive, as we expand into new markets and as more sales are generated through our channel partners. To the extent that these activities yield increased revenues, these revenues may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors with stronger brands, and we could lose customers and channel partners, all of which would adversely affect our business operations and financial results.

Our future performance depends in part on proper use of our community website, Splunk Apps, and support from third-party software developers.

Our products enable third-party software developers to build apps on top of our platform. We operate a community website, Splunk Apps, for sharing these third-party apps, including add-ons and extensions. While we expect our community website, Splunk Apps, to support our sales and marketing efforts, it also presents certain risks to our business, including:

- third-party developers may not continue developing or supporting the software apps that they share on our community website, Splunk Apps;
- we cannot provide any assurance that these apps meet the same quality standards that we apply to our own development efforts, and, to the extent they contain bugs or defects, they may create disruptions in our customers’ use of our products or negatively affect our brand;
- we do not currently provide support for software apps developed by third-party software developers, and users may be left without support and potentially cease using our products if the third-party software developers do not provide support for these apps;
- these third-party software developers may not possess the appropriate intellectual property rights to develop and share their apps; and
- some of these developers may use the insight they gain using our products and from documentation publicly available on our website to develop competing products.

Many of these risks are not within our control to prevent, and our brand may be damaged if these apps, add-ons and extensions do not perform to our customers’ satisfaction and that dissatisfaction is attributed to us.

If poor advice or misinformation is spread through our community site, Splunk Answers, users of our products may experience unsatisfactory results from using our products, which could adversely affect our reputation and our ability to grow our business.

We host Splunk Answers for sharing knowledge about how to perform certain functions with our products. Our users are increasingly turning to our Splunk Answers community site for support in connection with their use of our products. We do not review or test the information that non-Splunk employees post on our Splunk Answers community site to ensure its accuracy or efficacy in resolving technical issues. Therefore, we cannot ensure that all the information listed on our Splunk Answers community site is accurate or that it will not adversely affect the performance of our products. Furthermore, users who post such information on our Splunk Answers community site may not have adequate rights to the information to share it publicly, and we could be the subject of intellectual property claims based on our hosting of such information. If poor advice or misinformation is spread among users of our Splunk Answers community site, our customers or other users of our products may experience unsatisfactory results from using our products, which could adversely affect our reputation and our ability to grow our business.

Our use of “open source” software could negatively affect our ability to sell our products and subject us to possible litigation.
Our software and cloud services involve the storage and transmission of data, and security breaches could result in the loss of this information, litigation, indemnity obligations and other liability. While we have taken steps to protect the confidential information that we have access to, including confidential information we may obtain through our customer support services or customer usage of our cloud-based services, our security measures could be breached. In addition, we do not have the ability to monitor or review the content that customers of Splunk Enterprise store, and therefore, we have no direct control over the substance of that content. Therefore, if customers use our products for the transmission or storage of personally identifiable information and our security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, our reputation could be damaged, our business may suffer, and we could incur significant liability. Because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any or all of these issues could negatively impact our ability to attract new customers and increase engagement by existing customers, cause existing customers to elect not to renew their subscriptions, or subject us to third-party lawsuits, regulatory fines or other action or liability, thereby adversely affecting our financial results.

Because our products could be used to collect and store personal information, domestic and international privacy concerns could result in additional costs and liabilities to us or inhibit sales of our products.

Privacy and data information security have become a significant issue in the United States and in many other countries where we offer licenses of our software and subscriptions of our cloud services. The regulatory framework for privacy and personal information security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Many federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use and disclosure of personal information. In the United States, these include rules and regulations promulgated under the authority of the Federal Trade Commission, the Health Insurance Portability and Accountability Act (HIPAA) of 1996 and state breach notification laws. Internationally, virtually every jurisdiction in which we operate has established its own data security and privacy legal framework with which we or our customers must comply, including the Data Protection Directive established in the European Union and the Federal Data Protection Act recently implemented in Germany.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us. Because the interpretation and application of privacy and data protection laws are still uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our software and cloud services. If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our products, which could have an adverse effect on our business. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our 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 customers may limit the use and adoption of, and reduce the overall demand for, our products.
products. Privacy and personal information security concerns, whether valid or not valid, may inhibit market adoption of our products particularly in certain industries and foreign countries.

Federal, state and industry regulations as well as self-regulation related to privacy and data security concerns pose the threat of lawsuits and other liability.

We may collect and utilize demographic and other information, including personally identifiable information, from and about users (such as customers, potential customers, and others) as they interact with Splunk over the internet and otherwise provide us with information whether via our website, through email, or through other means. Users may provide personal information to us in many contexts such as when signing up for certain services, registering for seminars, participating in a survey, when answering questions on our Splunk Answers community site, when posting reviews or otherwise commenting on Splunk apps, when using other community or social networking features, when participating in polls or when signing up to receive e-mail newsletters.

Within the United States, various federal and state laws and regulations govern the collection, use, retention, sharing and security of the data we receive from and about users. Outside of the United States, various jurisdictions actively regulate and enforce laws regarding the collection, retention, transfer, and use (including loss and unauthorized access) of personal information. Privacy advocates and government bodies have increasingly scrutinized the ways in which companies link personal identities and data associated with particular users or devices with data collected through the internet, and we expect such scrutiny to continue to increase. Loss, retention or misuse of certain information and alleged violations of laws and regulations relating to privacy and data security, and any relevant claims, may expose us to potential liability and may require us to expend significant resources on data security and in responding to and defending such allegations and claims.

If we are unable to attract and retain key personnel, our business could be adversely affected.

We depend on the continued contributions of our senior management and other key personnel, the loss of whom could adversely affect our business. All of our executive officers and key employees are at-will employees, which means they may terminate their employment relationship with us at any time. We do not maintain a key-person life insurance policy on any of our officers or other employees.

Our future success also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance and other personnel, particularly in our sales and marketing, research and development, general and administrative, and professional service departments. We face intense competition for qualified individuals 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 incur significant costs to attract and retain them, 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. As we move into new geographies, we will 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 will be adversely affected.

Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. Many of our senior management personnel and other key employees have become, or will soon become, vested in a substantial amount of stock, restricted stock units or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their vested restricted stock units or options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or, conversely, if the exercise prices 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, results of operations, financial condition and cash flows would be adversely affected.

Prolonged economic uncertainties or downturns could materially adversely affect our business.

Current or future economic downturns or uncertainty could adversely affect our business operations or financial results. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from financial and credit market fluctuations and terrorist attacks on the United States, Europe, Asia Pacific or elsewhere, could cause a decrease in corporate spending on enterprise software in general and negatively affect the rate of growth of our business.
General worldwide economic conditions have experienced a significant downturn and continue to remain unstable. These conditions make it extremely difficult for our customers and us to forecast and plan future business activities accurately, and they could cause our customers to reevaluate their decision to purchase our products, which could delay and lengthen our sales cycles or result in cancellations of planned purchases. Furthermore, during challenging economic times our customers may face issues in gaining timely access to sufficient credit, which could result in an impairment of their ability to make timely payments to us. If that were to occur, we may be required to increase our allowance for doubtful accounts, which would adversely affect our financial results.

We have a significant number of customers in the business services, energy, financial services, healthcare and pharmaceuticals, technology, manufacturing, media and entertainment, online services, retail, telecommunications and travel and transportation industries. A substantial downturn in any of these industries may cause firms to react to worsening conditions by reducing their capital expenditures in general or by specifically reducing their spending on information technology. Customers in these industries may delay or cancel information technology projects or seek to lower their costs by renegotiating vendor contracts. To the extent purchases of our products are perceived by customers and potential customers to be discretionary, our revenues may be disproportionately affected by delays or reductions in general information technology spending. Also, customers may choose to develop in-house software as an alternative to using our products. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our products.

We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry or geography. If the economic conditions of the general economy or industries in which we operate worsen from present levels, our business operations and financial results could be adversely affected.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or enhance our products, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing that we may secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. 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.

We have in the past made and may in the future make acquisitions that could prove difficult to integrate and/or adversely affect our business operations and financial results.

From time to time, we may choose to expand by making acquisitions that could be material to our business, results of operations, financial condition and cash flows. Our ability as an organization to successfully acquire and integrate technologies or businesses is unproven. Acquisitions involve many risks, including the following:

- an acquisition may negatively affect our financial results because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- potential goodwill impairment charges related to acquisitions;
- costs and potential difficulties associated with the requirement to test and assimilate the internal control processes of the acquired business;
- we may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel or operations of any company that we acquire, particularly if key personnel of the acquired company decide not to work for us;
• we may not realize the expected benefits of the acquisition;

• an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;

• an acquisition may result in a delay or reduction of customer purchases for both us and the company acquired due to customer uncertainty about continuity and effectiveness of service from either company;

• the potential impact on relationships with existing customers, vendors and distributors as business partners as a result of acquiring another company or business that competes with or otherwise is incompatible with those existing relationships;

• the potential that our due diligence of the acquired company or business does not identify significant problems or liabilities;

• we may encounter difficulties in, or may be unable to, successfully sell any acquired products;

• an acquisition may involve the entry into geographic or business markets in which we have little or no prior experience or where competitors have stronger market positions;

• an acquisition may require us to comply with additional laws and regulations or result in liabilities resulting from the acquired company’s pre-acquisition failure to comply with applicable laws;

• our use of cash to pay for an acquisition would limit other potential uses for our cash;

• if we incur debt to fund such acquisition, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants; and

• to the extent that we issue a significant amount of equity securities in connection with future acquisitions, existing stockholders may be diluted and earnings per share may decrease.

The occurrence of any of these risks could have a material adverse effect on our business operations and financial results.

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

As we continue to expand our international operations, we become more exposed to the effects of fluctuations in currency exchange rates. Although most of our sales contracts are denominated in U.S. dollars, and therefore substantially all of our revenues are not subject to foreign currency risk, a strengthening of the U.S. dollar could increase the real cost of our products to our customers outside of the United States, adversely affecting our business operations and financial results. We incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in the dollar equivalent of such expenses being higher. This could have a negative impact on our reported operating results. To date, we have not engaged in any hedging strategies, and any such strategies, such as forward contracts, options and foreign exchange swaps related to transaction exposures that we may implement to mitigate this risk may not eliminate our exposure to foreign exchange fluctuations.

The enactment of legislation implementing changes in the United States of taxation of international business activities or the adoption of other tax reform policies could materially impact our financial position and results of operations.

Recent changes to United States tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the United States are repatriated to the United States, as well as changes to United States tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings. Due to expansion of our international business activities, any changes in the United States taxation of such activities may increase our worldwide effective tax rate and adversely affect our financial position and results of operations.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.
In general, under Section 382 of the United States Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. If our existing NOLs are subject to limitations arising from previous ownership changes, our ability to utilize NOLs could be limited by Section 382 of the Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. For these reasons, we may not be able to utilize a portion of the NOLs reflected on our balance sheet, even if we attain profitability.

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

We do not collect sales and use, value added and similar taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable. Sales and use, value added and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties and interest or future requirements may adversely affect our financial results.

**Our international operations subject us to potentially adverse tax consequences.**

We generally conduct our international operations through wholly owned subsidiaries, branches and representative offices and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. We are in the process of organizing our corporate structure to more closely align with the international nature of our business activities. Our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were 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. We believe that our financial statements reflect adequate reserves to cover such a contingency, but there can be no assurances in that regard.

**We could be subject to additional tax liabilities.**

We are subject to federal, state and local taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and our worldwide provision for taxes. During the ordinary course of business, there are many activities and transactions for which the ultimate tax determination is uncertain. We previously discovered that we have not complied with various tax rules and regulations in certain foreign jurisdictions. We are working to resolve these matters. In addition, our tax obligations and effective tax rates could be adversely affected by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations, including those relating to income tax nexus, by our earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, by changes in foreign currency exchange rates, or by changes in the valuation of our deferred tax assets and liabilities. We may be audited in various jurisdictions, and such jurisdictions may assess additional taxes against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits or litigation could be materially different from our historical tax provisions and accruals, which could have a material adverse effect on our operating results or cash flows in the period or periods for which a determination is made.

**Our stock price has been volatile, may continue to be volatile and may decline regardless of our financial performance.**

The trading prices of the securities of technology companies have been highly volatile. The market price of our common stock has fluctuated and may continue to fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our financial results;
- the financial projections we provide to the public, any changes in these projections or our failure to meet or exceed these projections;
failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;

ratings changes by any securities analysts who follow our company;

announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;

changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;

price and volume fluctuations in certain categories of companies or the overall stock market, including as a result of trends in the global economy;

any major change in our board of directors or management;

lawsuits threatened or filed against us; and

other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

In addition, the stock markets, and in particular the market on which our common stock is listed, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the financial 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, results of operations, financial condition and cash flows.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price 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, our market and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.

The market price of shares of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers, employees and significant stockholders, a large number of shares of our common stock becoming available for sale, or the perception in the market that holders of a large number of shares intend to sell their shares. As of April 30, 2014, we had outstanding approximately 118 million shares of our common stock. We have also registered shares of common stock that we may issue under our employee equity incentive plans. These shares will be able to be sold freely in the public market upon issuance.

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

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of The NASDAQ Stock Market and other applicable securities rules and regulations. Compliance with these rules and regulations has increased our legal and financial compliance costs, made some activities more difficult, time-consuming or costly and increased and will continue to increase demand on our systems and resources. 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 will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as regulatory and governing bodies provide new guidance. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We will continue to invest resources to comply with evolving laws, regulations and standards, 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 new 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.

As a result of disclosure of information as a public company, our business and financial condition have become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business operations and financial 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 operations and financial results. These factors could also make it more difficult for us to attract and retain qualified employees, executive officers and members of our board of directors.

We are obligated to develop and maintain proper and effective internal control over financial reporting. These internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We are 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. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. We are also required to have our independent registered public accounting firm issue an opinion on the effectiveness of our internal controls over financial reporting on an annual basis. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective.

If we are unable to assert that our internal control over financial reporting is effective, or if, when required, our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting, 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.

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. We anticipate that 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, price appreciation of our common stock, which may never occur, may be the only way our stockholders realize any future gains on their investments.

Anti-takeover 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 and limit the market price of our common stock.

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

• authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights and preferences determined by our board of directors;

• require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
specify that special meetings of our stockholders can be called only by our board of directors, the Chairman of our board of directors, or our Chief Executive Officer;

establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;

establish that our board of directors is divided into three classes, Class I, Class II and Class III, with each class serving three-year staggered terms;

prohibit cumulative voting in the election of directors;

provide that our directors may be removed only for cause;

provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and

require the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder.

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

a) Not applicable.


The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Quarterly Report.
Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: June 9, 2014

SPLUNK INC.

By: /s/ David F. Conte
    David F. Conte
    Chief Financial Officer
    (Principal Financial and Accounting Officer)
<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>10.1#</td>
<td>Employment Offer Letter between the Registrant and Doug Merritt, dated April 7, 2014.</td>
</tr>
<tr>
<td>10.2</td>
<td>Office Lease, dated as of April 29, 2014, between 270 Brannan Street, LLC and the Registrant.</td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.</td>
</tr>
<tr>
<td>32.1</td>
<td>Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.</td>
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101.INS†† XBRL Instance Document

101.SCH†† XBRL Taxonomy Schema Linkbase Document

101.CAL†† XBRL Taxonomy Calculation Linkbase Document

101.DEF†† XBRL Taxonomy Definition Linkbase Document

101.LAB†† XBRL Taxonomy Labels Linkbase Document

101.PRE†† XBRL Taxonomy Presentation Linkbase Document

†† In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections.

# Indicates management contract or compensatory plan.
Dear Doug:

This letter agreement (the “Agreement”) is entered into between Splunk Inc. (“Company” or “we”) and (“Employee” or “you”). This offer is contingent upon you fully cooperating with, and successfully completing background, reference and credit checks.

1. Your Position; Annual Salary; Variable Compensation. Your title will be Senior Vice President, Field Operations, and you will report to Godfrey Sullivan, Chairman, Chief Executive Officer and President. Your base salary will be $310,000 per year and you will be paid semi-monthly at a rate of $12,916.67, less applicable withholdings. In addition, you will be eligible to earn an annual bonus of 110% of your base salary at target, based on actual achievement of Company financial goal(s) determined by the Compensation Committee of our Board of Directors, and pro-rated for the time that you are actively employed. Your annual on target earnings initially will be $651,000, less applicable withholdings. Based upon the Company’s actual achievement of financial goals through the end of the fiscal second quarter, you will be paid a mid-fiscal-year bonus of up to 50% of your annual bonus at target (eg: $170,500). Your mid-fiscal-year bonus will be included in the calculation of your annual bonus and your year-end bonus payment will be net of any mid-fiscal-year bonus paid for that fiscal year. The year-end bonus payment will be made approximately 45 days after the completion of the fiscal year and after the Compensation Committee’s review and approval of executive bonuses.

2. Start Date. Your start date will be Wednesday, May 7, 2014.

3. Benefits. You will be eligible to participate in the healthcare, 401(k), employee stock purchase and other employee benefit plans established for our employees. You will be eligible for healthcare benefits on your first day of active, full-time employment. You will also be entitled to 15 days of Personal Time-Off (PTO) per year of employment, accrued on a semi-monthly basis.

4. Equity. We will recommend to the Compensation Committee of the Board of Directors of the Company that you be granted 150,000 Restricted Stock Units (RSUs). The RSUs will vest over approximately 4 years with 25% of the RSUs vesting on or about one year from the vest commencement date of the grant and 1/16th of the RSUs vesting quarterly thereafter as specified in your RSU agreement, so long as you remain employed by the Company.

5. Confidentiality. As an employee of the Company, you will have access to certain confidential information of the Company and certain third parties and you may, during the course of your employment, create inventions, improvements designs, original works of authorship, computer software programs, trade secrets and other matters that will be the sole and exclusive property of the Company. You hereby irrevocably assign each such invention, work and matter to the Company. You hereby irrevocably assign each such invention, work and matter to the Company. You hereby irrevocably assign each such invention, work and matter to the Company. We wish to impress upon you that the Company does not want you to, and we hereby direct you not to, bring with you or use on behalf of the Company, any confidential or proprietary material or information of any former employer or other third party. In addition, you must not violate any other obligation you may have to any former employer or other third party. During the period that you render services to the Company, you agree you will not engage in any employment, business or activity that is in any way competitive with the business or proposed business of the Company. You will disclose to the Company, in writing, any other gainful employment, business or activity that you are currently associated with or participate in that competes with the Company. You will not assist any other person or organization in competing with the Company or in preparing to engage in competition with the business or proposed business of the Company. By signing this offer letter, you certify that your employment with the Company will not violate any contractual or other legal obligation that would prohibit or limit you from performing your duties to the Company.
6. **At-Will Employment.** During your entire employment you will be an at-will employee of the Company, which means the employment relationship can be terminated by either of us for any reason, at any time, with or without prior notice and with or without Cause. Your participation in any equity or benefit program is not to be regarded as assuring you of continuing employment for any particular period of time. Any modification or change in your at-will employment status may only occur by way of a written employment agreement signed by you and the Chief Executive Officer of the Company.

7. **Severance.** We will recommend to the Compensation Committee of the Board of Directors of the Company that you also receive the following severance benefits:

   (a) **Separation in Event of Termination Within the 3-Month Period Before or 12-Month Period Following Change in Control.** In the event of your involuntary separation from service from the Company without Cause or for Good Reason, in each case within the period that begins after the signing of a definitive agreement that ultimately results in a Change in Control within three (3) months of its signing or within twelve (12) months following a Change in Control ("Change in Control Period"), and provided that you deliver to the Company a signed release of claims in favor of the Company ("Release"), and satisfy all conditions to make the Release effective within sixty (60) days following your separation from service, then, in addition to any accrued compensation, you shall be entitled to the benefits as set forth below:

   (i) Lump sum payment equal to twelve (12) months of your then-current base salary, plus a pro-rated portion of your annual target bonus for the year of termination;

   (ii) Provided you timely elect to continue health coverage under COBRA, reimbursement for any monthly COBRA premium payments made by you in the twelve (12) months following your separation from service. If at the time you separate from service, it would result in a Company excise tax to reimburse you for COBRA premiums, then no such premiums will be reimbursed and if doing so would not cause imposition of an excise tax you will be paid a single lump sum of $24,000; and

   (iii) Acceleration of vesting as to all then-unvested shares subject to all equity awards which have been granted to you.

   You shall have six (6) months following your separation from service from the Company in which to exercise all options that have been granted to you.

   (b) **Separation in Event of Termination Without Cause.** In the event of your involuntary separation from service with the Company without Cause not during the Change in Control Period, and provided that you deliver to the Company a signed Release and satisfy all conditions to make the Release effective within sixty (60) days following your separation from service, then, in addition to any accrued compensation, you shall be entitled to benefits as set forth below:

   (i) Lump sum payment equal to six (6) months of your then-current base salary, plus a pro-rated portion of your annual target bonus for the year of termination;

   (ii) Provided you timely elect to continue health coverage under COBRA, reimbursement for any monthly COBRA premium payments made by you in the six (6) months following your separation from service. If at the time you separate from service, it would result in a Company excise tax to reimburse you for COBRA premiums then no such premiums will be reimbursed and if doing so would not cause imposition of an excise tax you will be paid a single lump sum of $12,000; and

   (iii) Acceleration of vesting as to a number of shares subject to all equity awards which have been granted to you as would have vested in the six (6) months following your separation from service. You shall have six (6) months following your separation from service from the Company in which to exercise all vested options that have been granted to you.

2
8. **Section 409A Matters.**

(a) For purposes of this Agreement, no payment will be made to Employee upon termination of Employee’s employment unless such termination constitutes a “separation from service” within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and Section 1.409A-1(h) of the regulations promulgated thereunder.

(b) To the extent any payments to which Employee becomes entitled under this agreement, or any agreement or plan referenced herein, in connection with Employee’s separation from service from the Company constitute deferred compensation subject to Section 409A of the Code (the “Deferred Payments”), such payments will be paid on, or in the case of installments, will not commence, until the sixtieth (60th) day following Employee’s separation from service, or if later, such time as required by Section 6(c). Except as required by 6(c), any installment payments that would have been made to Employee during the sixty (60) day period immediately following Employee’s separation from service but for the preceding sentence will be paid to Employee on the sixtieth (60th) day following Employee’s separation from service and the remaining payments will be made as provided herein.

(c) If Employee is deemed at the time of such separation from service to be a “specified” employee under Section 409A of the Code, then any Deferred Payment(s) shall not be made or commence until the earliest of (i) the expiration of the six (6)-month period measured from the date of Employee’s “separation from service” (as such term is at the time defined in Treasury Regulations under Section 409A of the Code with the Company or (ii) the date of Employee’s death following such separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Employee, including (without limitation) the additional twenty percent (20%) tax for which Employee would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to Employee or Employee’s beneficiary in one lump sum.

(d) To the extent any payments to which Employee becomes entitled under this agreement, or any agreement or plan referenced herein, in connection with Employee’s separation from service from the Company constitute deferred compensation subject to Section 409A of the Code, the Employee and the Company may make changes to this Agreement to avoid adverse tax consequences under Section 409A. Each payment and benefit payable hereunder is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

9. **Definitions.**

(a) **Cause.** For purposes of this Agreement, “Cause” means (i) Employee’s conviction of or plea of nolo contendere to a felony or a crime involving moral turpitude which the Board believes has had or will have a detrimental effect on the Company’s reputation or business, (ii) Employee engaging in an act of gross negligence or willful misconduct in the performance of his employment obligations and duties, (iii) Employee’s committing an act of fraud against, material misconduct or willful misappropriation of property belonging to the Company; (iv) Employee engaging in any other misconduct that has had or will have an adverse effect on the Company’s reputation or business; or (v) Employee’s breach of the Employee Invention Assignment and Confidentiality Agreement or other unauthorized misuse of the Company’s or a third party’s trade secrets or proprietary information.

(b) **Change in Control.** For purposes of this Agreement “Change in Control” means (i) a sale, conveyance, exchange or transfer (excluding any venture-backed or similar investments in the Company) in which any person or entity, other than persons or entities who as of immediately prior to such sale, conveyance, exchange or transfer own securities in the Company, either directly or indirectly, becomes the beneficial owner, directly or indirectly, of securities of the Company representing fifty (50%) percent of the total voting power of all its then-outstanding voting securities; (ii) a merger or consolidation of the Company in which its voting securities immediately prior to the merger or consolidation do not represent, or are not converted into securities that represent, a majority of the voting power of all voting securities of the surviving entity immediately after the merger or consolidation; or (iii) a sale of substantially all of the assets of the Company or a liquidation or dissolution of the Company.

(c) **Good Reason.** For purposes of this Agreement, “Good Reason” means any of the following taken without the Employee’s written consent and provided (a) the Company receives, within thirty (30) days following the occurrence of any of the events set forth in clauses (i) through (iv) below, written notice from the Employee specifying the specific basis for Employee’s belief that Employee is entitled to terminate employment for
between you and the Company.

6. Dispute Resolution. You agree that any controversy, claim, or dispute with anyone (including the Company and any employee, officer, director, shareholder, or benefit plan of the Company, in their capacity as such or otherwise), arising out of, relating to, or resulting from your employment with the Company or the termination of your employment with the Company, including any breach of this Agreement, shall be subject to binding arbitration under the arbitration provisions set forth in California Code of Civil Procedure sections 1280 through 1294.2, including section 1281.8 (the "Act"), and pursuant to California law, and shall be brought in your individual capacity, and not as a plaintiff or class member in any purported class or representative proceeding. The Federal Arbitration Act shall continue to apply with full force and effect notwithstanding the application of procedural rules set forth in the Act. Disputes that you agree to arbitrate, and thereby agree to waive any right to a trial by jury, include any statutory claims under local, state, or federal law, including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Sarbanes-Oxley Act, the Worker Adjustment and Retraining Notification Act, the California Fair Employment and Housing Act, the Family and Medical Leave Act, the California Family Rights Act, the California Labor Code, claims of harassment, discrimination, and wrongful termination, and any statutory or common law claims. Notwithstanding the foregoing, you understand that nothing in this Agreement constitutes a waiver of your rights under section 7 of the National Labor Relations Act. You further understand that this Agreement to arbitrate also applies to any disputes that the Company may have with you.

7. What's Not arbitrable. Notwithstanding the Act or this Agreement, the following disputes shall not be arbitrable:

(a) Arbitration. In consideration of your employment with the Company, its promise to arbitrate all employment-related disputes, and your receipt of the compensation, pay raises, and other benefits paid to you by the Company, at present and in the future, you agree that any and all controversies, claims, or disputes with anyone (including the Company and any employee, officer, director, shareholder, or benefit plan of the Company, in their capacity as such or otherwise), arising out of, relating to, or resulting from your employment with the Company or the termination of your employment with the Company, including any breach of this Agreement, shall be subject to binding arbitration under the arbitration provisions set forth in California Code of Civil Procedure sections 1280 through 1294.2, including section 1281.8 (the "Act"), and pursuant to California law, and shall be brought in your individual capacity, and not as a plaintiff or class member in any purported class or representative proceeding. The Federal Arbitration Act shall continue to apply with full force and effect notwithstanding the application of procedural rules set forth in the Act. Disputes that you agree to arbitrate, and thereby agree to waived any right to a trial by jury, include any statutory claims under local, state, or federal law, including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Sarbanes-Oxley Act, the Worker Adjustment and Retraining Notification Act, the California Fair Employment and Housing Act, the Family and Medical Leave Act, the California Family Rights Act, the California Labor Code, claims of harassment, discrimination, and wrongful termination, and any statutory or common law claims. Notwithstanding the foregoing, you understand that nothing in this Agreement constitutes a waiver of your rights under section 7 of the National Labor Relations Act. You further understand that this Agreement to arbitrate also applies to any disputes that the Company may have with you.

(b) Procedure. You agree that any arbitration will be administered by Judicial Arbitration & Mediation Services, Inc. ("JAMS"), pursuant to its employment arbitration rules & procedures (the “JAMS rules”), which are available at http://www.jamsadr.com/rules-employment-arbitration/ and from Human Resources. You agree that the arbitrator shall issue a written decision on the merits. You also agree that the arbitrator shall have the power to award any remedies available under applicable law. You agree that the decree or award rendered by the arbitrator may be entered as a final and binding judgment in any court having jurisdiction thereof. You understand that the Company will pay for any administrative or hearing fees charged by the arbitrator or JAMS except that you shall pay any filing fees associated with any arbitration that you initiate, but only so much of the filing fees as you would have instead paid if you filed a complaint in a court of law. You agree that the arbitrator shall administer and conduct any arbitration in accordance with California law, including, the California Code of Civil Procedure and the California Evidence Code, and that the arbitrator shall apply substantive and procedural California law to any dispute or claim, without reference to rules of conflict of law. To the extent that the JAMS rules conflict with California law, California law shall take precedence. You agree that any arbitration hearing under this Agreement shall be conducted in San Francisco County, California.

(c) Remedy. Except as provided by the Act and this Agreement, arbitration shall be the sole, exclusive, and final remedy for any dispute between you and the Company. Accordingly, except as provided for by the Act and
this Agreement, neither you nor the Company will be permitted to pursue court action regarding claims that are subject to arbitration.

(d) **Administrative relief.** This Agreement does not prohibit you from pursuing an administrative claim with a local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, including, but not limited to, the Department of Fair Employment and Housing, the Equal Employment Opportunity Commission, the National Labor Relations Board, or the Workers’ Compensation Board. This Agreement does, however, preclude you from pursuing court action regarding any such claim, except as permitted by law.

(e) **Voluntary nature of Agreement.** You acknowledge and agree that you are executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. You further acknowledge and agree that you have carefully read this Agreement and that you have asked any questions needed for you to understand the terms, consequences, and binding effect of this Agreement and fully understand it, including that you are waiving your right to a jury trial. Finally, you agree that you have been provided an opportunity to seek the advice of an attorney of your choice before signing this Agreement.

13. **Acceptance.** To accept the letter, please sign in the space indicated and return to Sheren Bouchakian, VP of Human Resources, Sbouchakian@splunk.com. Your signature will acknowledge that you have read, understand and agree to the terms and conditions of this offer letter. Please feel free to contact me if you have any questions at (415) 848-8601.

Best,

/s/ Godfrey R. Sullivan

Godfrey R. Sullivan
Chairman, Chief Executive Officer and President
Splunk Inc.

Enclosures:

- Employee Invention Assignment and Confidentiality Agreement
- Code of Business Conduct and Ethics
- Insider Trading Policy
- Anticorruption Compliance Policy and Guidelines
- U.S. Export Control Compliance Policy Statement

**Acceptance of Employment Offer**

I have read, understand, agree to, and shall comply with all terms and conditions as set forth above. I further acknowledge that no other commitments were made to me except as specifically set forth herein.

/s/ Doug Merritt

Doug Merritt

April 7, 2014

Date
### A. Date:  
April 29, 2014

### B. Landlord:  
270 Brannan Street, LLC, a Delaware limited liability company

- Landlord’s address for notices:  
  
  c/o SKS 270 Brannan, LLC  
  601 California Street, Suite 1310  
  San Francisco, CA 94108  
  Attn: Ms. Pamela Izzo

### C. Tenant:  
Splunk Inc., a Delaware corporation

- Tenant’s address for notices:  
  Splunk Inc.  
  250 Brannan Street  
  San Francisco, California 94107  
  Attn: Chief Information Officer  
  With a copy to:  
  Splunk Inc.  
  250 Brannan Street  
  San Francisco, California 94107  
  Attn: General Counsel

- Tenant Contact Person:  
  Doug Harr, Chief Information Officer

### D. Floor(s) on which Premises are situated:  
Initial Premises: To be determined and specified as provided in the Work Letter

- Initial Premises: Remainder of the Building, less the Excluded Space (defined below).

- Must-Take Premises: Remainder of the Building available for leasing (i.e., expressly excluding Common Areas), less the Excluded Space.

### E. Rentable area of Premises:  
Initial Premises: A combination of three (3) full floors designated by Tenant as the Initial Premises in accordance with the provisions of the Work Letter having a rentable square footage (determined in accordance with this Lease and the Work Letter) of at least 84,000 rental square feet but not more than 115,000 rentable square feet, provided floors 6 and 7 will be considered a single floor for the purposes of the foregoing.

- Must-Take Premises: Remainder of the rentable square footage of the Building available for leasing (i.e., expressly excluding Common Areas), less the Excluded Space.
F. Tenant’s Percentage Share: [Paragraph 1(r)]

A number, with respect to each of the Initial Premises and Must-Take Premises leased from time-to-time by Tenant (including during any Extension Term), expressed as a percentage, calculated by dividing the total rental square footage of the Initial Premises or the Must-Take Premises, as applicable, then leased by Tenant by the total rentable square footage of the Building, excluding the Excluded Space.

G. Base Year: [Paragraph 1(a)]

Initial Premises: The calendar year in which the IP Rent Commencement Date occurs, if it occurs before July 1 of such year; otherwise, the following calendar year, subject to adjustment, if applicable, as provided in Paragraphs 1(j)(iv) and 1(n)(iii) hereof.

Must-Take Premises: The calendar year in which the MT Rent Commencement Date occurs, if it occurs before July 1 of such year; otherwise, the following calendar year, subject to adjustment, if applicable, as provided in Paragraphs 1(j)(iv) and 1(n)(iii) hereof.

H. Term; Extension Term: [Paragraph 2]

Each portion of the Premises will have a separate Term and, if applicable, Extension Term. The Term applicable to the Initial Premises shall be 84 months from the IP Rent Commencement Date and the Term applicable to the Must-Take Premises shall be 84 months from the MT Rent Commencement Date.

Tenant shall have the right to extend the Term for up to 2 Extension Terms on the terms set forth in Paragraph 2(d).

I. Basic Annual Rental (net of janitorial and utilities): [Paragraph 3(a)]

Initial Premises: $66.00 per rentable square foot based on the rentable square footage of the Initial Premises for the first year following the IP Rent Commencement Date, increasing by 3% per annum on the first anniversary of the IP Rent Commencement Date and each anniversary thereafter during the initial Term. Notwithstanding the foregoing, for purposes of paying Basic Annual Rental and Basic Monthly Rental only, the Initial Premises shall be deemed to contain 95,000 rentable square feet for the first year following the IP Rent Commencement Date only, but not thereafter and not for any other purpose. For any renewal of the Term of the Lease with respect to the Initial Premises pursuant to paragraph 2(d) hereof, the Basic Annual Rental for the Extension Term attributable to the portion of the Initial Premises subject to the renewal will be determined as provided in Paragraphs 2(d) and (e) hereof.

Must-Take Premises: $66.00 per rentable square foot of the Must-Take Premises for the first year following the MT Rent Commencement Date, increasing by 3% per annum on the first anniversary of the MT Rent Commencement Date and each anniversary thereafter during the initial Term. For any renewal of the Term of the Lease with respect to the Must-Take Premises pursuant to paragraph 2(d) hereof, the Basic Annual Rental for the Extension Term attributable to the portion of the Must-Take Premises subject to the renewal will be determined as provided in Paragraphs 2(d) and (e) hereof.
J. Security Deposit:
[Paragraph 3(d)]

An amount equal to $33 multiplied by the rentable square footage of the Building (excluding the Excluded Space), subject to reduction as provided in Paragraph 3(d)(ii).

Initially, the Security Deposit shall be calculated on an estimated square footage of the Building of one hundred eighty thousand nine hundred (180,900) square feet, and will be adjusted pursuant to Paragraph 3(d) hereof, when the actual square footage is determined.

K. Broker:
[Paragraph 23(q)]

Colliers International

L. Exhibits and addenda:
[Paragraph 23(u)]

Exhibit A - Legal Description of the Property
Exhibit B - Building Rules and Regulations
Exhibit C - Work Letter and Construction Agreement
Exhibit D - Commencement Date Notice
Exhibit E - Approved Signs
Exhibit F - First Source Hiring Agreement
Exhibit G - Workforce Projections

The provisions of the Lease identified above in brackets are those provisions where references to particular Lease Terms appear. Each such reference shall incorporate the applicable Lease Terms. In the event of any conflict between the Summary of Lease Terms and the Lease, the Lease shall control.

[Signature Page Follows]
LANDLORD:

270 BRANNAN STREET, LLC, a Delaware limited liability company

By SKS 270 BRANNAN, LLC, a Delaware limited liability company, its managing member

By: /s/ Paul E. Stein
Its: President

TENANT:

SPLUNK INC., a Delaware Corporation

By: /s/ Godfrey R. Sullivan
Its: President, Chief Executive Officer & Chairman

By: /s/ David Conte
Its: Senior Vice President, Chief Financial Officer
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THIS OFFICE LEASE (this “Lease”) is dated for reference purposes only as of April 29, 2014, between 270 BRANNAN STREET, LLC, a Delaware limited liability company (“Landlord”), and SPLUNK INC., a Delaware corporation (“Tenant”).

WITNESSETH:

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises (defined below), for the term and subject to the terms, covenants, agreements and conditions hereinafter set forth.

1. DEFINITIONS.

In addition to terms that are defined elsewhere in this Lease, unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified:

(a) The term “Base Year” shall mean the calendar year set forth in Paragraph G of the Summary of Basic Lease Terms with respect to the Initial Premises and the Must-Take Premises, as applicable.

(b) The term “Basic Monthly Rental” shall mean one-twelfth (1/12) of the Basic Annual Rental specified in Paragraph I of the Summary of Basic Lease Terms with respect to the Initial Premises and the Must-Take Premises, as applicable.

(c) The term “Building” shall mean the office building to be constructed at 270 Brannan Street in San Francisco, California, and containing approximately 182,000 rentable square feet.

(d) The term “Building Management Office Space” shall mean the space, if any, identified in the approved Space Plan (as defined in the Work Letter) as the space to be occupied by the office for the Building, having the rentable square footage shown on the Space Plan.

(e) The term “Excluded Space” means collectively the Retail Space and the Building Management Office Space.

(f) The term “Expense Year” shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Term expires.

(g) The term “Initial Premises” shall mean the space in the Building containing at least 84,000 rentable square feet but not more than 115,000 rentable square feet, consisting of three (3) full floors (provided floors 6 and 7 will be considered a single floor for the purposes of the foregoing), selected by Tenant when the Space Plan is approved, together with the appurtenant right to the use, in common with others, of lobbies, entrances, stairs, elevators and other public portions of the Building. All the outside walls and windows of the Premises and any space in the Premises used for shafts, stacks, pipes, conduits, ducts, electric or other utilities, sinks or other Building facilities, and the use thereof and access thereto through the Premises for the purposes of operation, maintenance and repairs, are reserved to Landlord, subject to Tenant’s rights to access such areas in accordance with and for any purposes expressly permitted in this Lease.

(h) The term “Land” means the parcel(s) of land on which the Building will be located, more particularly described in Exhibit A attached hereto and incorporated herein by this reference.

(i) The term “Must-Take Premises” shall mean the remaining rentable area of the Building, after deducting the Initial Premises, the Excluded Space and the common areas of the Building, as depicted in the Space Plan.

(j) Subject to the other provisions of this Paragraph 1(j), including, without limitation the exceptions and limitations contained in subsection 1(j)(iii), the term “Operating Expenses” shall mean the total costs and expenses incurred by Landlord in connection with the management, operation, maintenance, repair and ownership of the Real Property (defined below) exclusive of the Retail Space, including, without limitation, the following costs,
but subject to the exclusions and limitations contained in this Lease: (1) Landlord’s actual, out of pocket costs for salaries, wages, bonuses and other reasonable and customary compensation (including hospitalization, medical, surgical, retirement plan, pension plan, union dues, life insurance, including group life insurance, welfare and other fringe benefits, and vacation, holidays and other paid absence benefits) relating to employees of Landlord or its agents directly engaged in the management, operation, repair, or maintenance of the Real Property and costs of training such employees, subject to the Time Allocation (as defined herein); (2) payroll, social security, workers’ compensation, unemployment and similar taxes with respect to such employees of Landlord or its agents, and the cost of providing disability or other benefits imposed by law or otherwise, with respect to such employees, subject to the Time Allocation; (3) uniforms for use solely in the Building and the Property (including the cleaning, replacement and pressing thereof) provided to such employees; (4) premiums and other charges incurred by Landlord with respect to fire, earthquake, other casualty, boiler and machinery, theft, rent interruption, liability insurance, any other insurance as is deemed necessary or advisable in the reasonable judgment of Landlord, or any insurance required by the holder of any Superior Interest (as defined in Paragraph 15), all with such policy limits as Landlord determines to be appropriate, and the actual costs incurred in repairing an insured casualty to the extent of the deductible amount under the applicable insurance policy (provided, however, that any portion of the deductible amount for any earthquake insurance that is considered a capital expenditure under generally accepted accounting principles shall be amortized in accordance with generally accepted accounting principles, together with interest on the unamortized balance at a rate per annum equal to the actual rate of interest paid by Landlord on funds borrowed for the purpose of making such capital expenditures as reasonably documented by Landlord or, if Landlord does not borrow funds for such purposes, the Prime Rate (as defined in Paragraph 3(c)) charged at the time such capital expenditures are made, as reasonably documented by Landlord, but in either case not more than the maximum rate permitted by law); (5) Landlord’s actual cost of water charges and sewer rents or fees for the common areas and the Building Management Office Space; (6) license, permit and inspection fees and charges, the cost of contesting any governmental enactments that may increase Operating Expenses that Landlord undertakes with a reasonable expectation of success, and the costs incurred in connection with any transportation system management program or similar program imposed upon Landlord by any governmental agency; (7) sales, use and excise taxes on goods and services purchased by Landlord in connection with the operation, maintenance or repair of the Real Property and building systems and equipment, but not sales taxes for the purchase of any equipment or supplies the cost of which is excluded under Paragraph 1(j)(iii)(7) hereof; (8) telephone, facsimile, postage, stationery supplies incurred in connection with the operation, maintenance, or repair of the Real Property; (9) management fees and expenses (including fees and expenses for accounting, financial management, data processing and information services) and costs of tenant service programs, provided the amount of management fees in the Base Year for each portion of the Premises and for the first two (2) years of the Term for each such portion of the Premises will be three percent (3%) of gross rents from the Building (excluding rents from the Retail Space), assuming a fully rented Building at the rents reserved herein, and thereafter will not exceed the amount charged by other owners of comparable “Class A” buildings in the SOMA Market Area on a percentage of revenue basis, provided, however, that Landlord, if Landlord is entitled to increase such management fees, may not increase the applicable percentage more than once in any calendar year and will provide Tenant with reasonable documentation that the management fees charged hereunder are consistent with market, at the same time that Landlord delivers the annual estimate of Operating Expenses under Paragraph 4(c); (10) repairs to and physical maintenance of the Real Property, including building systems and appurtenances thereto and normal repair and replacement of worn-out equipment, facilities and installations, except as set forth in Paragraph 1(j)(iii); (11) janitorial services for the common areas of the Real Property, exterior and common area window cleaning, security services, extermination, water treatment, rubbish removal, plumbing and other services and inspection or service contracts for elevator, electrical, mechanical, sanitary, heating, ventilation and air conditioning, and other building equipment and systems as may otherwise be necessary or proper for the operation or maintenance of the Real Property; (12) supplies, tools, materials and equipment used in connection with the operation, maintenance or repair of the Real Property; (13) the actual cost of any capital improvements made by Landlord; (14) the actual cost of any capital improvements made by Landlord or any capital assets acquired by Landlord during the term of this Lease, if such capital improvements or capital assets are required under any governmental law, regulation or insurance requirement, that shall come into effect after the date of Substantial Completion, such cost or allocable portion to be amortized over the useful life thereof, together with interest on the unamortized balance at a rate per annum equal to the actual rate of interest paid by Landlord on funds borrowed for the
purpose of constructing or acquiring such capital improvements or capital assets as reasonably documented by Landlord or, if Landlord does not borrow funds for such purposes, the Prime Rate charged at the time such capital improvements or capital assets are constructed or acquired, but in either case not more than the maximum rate permitted by law; (17) the cost of any capital improvements made by Landlord to the Building or capital assets acquired by Landlord after the date hereof that are for the protection of the health and safety of the occupants of the Real Property, as reasonably determined by Landlord, or that are designed to reduce other Operating Expenses, such cost or allocable portion thereof to be amortized over the useful life thereof (except that Landlord may include as an Operating Expense in any calendar year a portion of the cost of such a capital improvement or capital asset equal to Landlord’s estimate of the amount of the reduction of other Operating Expenses in such year resulting from such capital improvement or capital asset), together with interest on the unamortized balance at a rate per annum equal to the actual interest rate paid by Landlord on funds borrowed for the purpose of constructing or acquiring such capital improvements or capital assets, as reasonably documented by Landlord or, if Landlord does not borrow funds for such purpose, the Prime Rate charged at the time such capital improvements or capital assets are constructed or acquired, as reasonably documented by Landlord, but in either case not more than the maximum rate permitted by law at the time such capital improvements or capital assets are constructed or acquired; (18) the cost of furniture, window coverings, decorations, landscaping and other customary and ordinary items of personal property provided by Landlord for use in common areas of the Real Property or in the Building Management Office Space (to the extent that such Building Management Office Space is dedicated to the operation and management of the Real Property), such costs to be amortized over the useful life thereof; (19) the cost of any capital improvements made by Landlord to the Real Property or capital assets acquired by Landlord during the term of this Lease to the extent that the cost of any such improvement or asset is less than fifty thousand dollars ($50,000) per calendar year and less than two hundred thousand dollars ($200,000) cumulating during any five (5) year period of the initial Term and each Extension Term of this Lease (with the first five (5) year period commencing on Substantial Completion); (20) the cost of any capital improvements made by Landlord to the Real Property or capital assets acquired by Landlord during the term of this Lease that have a useful life of five (5) years or less (and the cost of which is not otherwise included in Operating Costs pursuant to this Paragraph 1(j)), such cost to be amortized over the useful life thereof, together with interest on the unamortized balance at a rate per annum equal to the actual interest rate paid by Landlord on funds borrowed for the purpose of constructing or acquiring such capital improvements or capital assets, as reasonably documented by Landlord, or, if Landlord does not borrow funds for such purpose, the Prime Rate charged at the time such capital improvements or capital assets are constructed or acquired, as reasonably documented by Landlord, but in either case not more than the maximum rate permitted by law at the time such capital improvements or capital assets are constructed or acquired; (21) any such expenses and costs resulting from substitution of work, labor, material or services in lieu of any of the above itemizations, or for any such additional work, labor, services or material resulting from compliance by Landlord with any governmental laws, rules, regulations or orders applicable to the Real Property or any part thereof, unless incurred to correct a violation of law not caused by Tenant existing on the date of Substantial Completion, or a violation by Landlord or any other tenant of any governmental laws, rules, regulations or orders applicable to the Real Property; (22) property management office rent or rental value of the Building Management Office Space, not to exceed a fair market rental as reasonably documented by Landlord in connection with any increase in such charge after the applicable Base Year; and (23) cost of operation, repair and maintenance of the Parking Garage, including resurfacing, restriping and cleaning.

(ii) To the extent costs and expenses described above relate to both the Real Property and other property (other than employee expenses, which shall be allocated as provided above), such costs and expenses shall, in determining the amount of Operating Expenses, be allocated based on the ratable rentable square footage of all properties benefited by the relevant service, unless another allocation method is specified, provided Landlord shall provide reasonable documentation of such allocation.

(iii) Operating Expenses shall not include the following: (1) depreciation on the Building; (2) debt service; (3) rental under any ground or underlying lease; (4) interest (except as expressly provided in Subparagraphs 1(j)(i)(16), (17) and (20) above); (5) Real Property Taxes; (6) attorneys’ fees and expenses or other costs, including brokers’ commissions incurred in connection with lease negotiations or lease disputes with prospective, current or past Building tenants, including the negotiation of LOIs or leases; (7) the cost of any improvements, equipment or tools that would be properly classified as capital expenditures under generally accepted accounting principles (except for any capital expenditures expressly included in Operating Expenses pursuant to Subparagraphs 1(j)(i)(16), (17), (19) and (20) above); (8) the cost of decorating, improving for tenant occupancy, painting or redecorating portions of the Building to be demised to tenants, advertising expenses relating to vacant space or real estate brokers’ or other leasing commissions; (9) costs of utilities for any tenant’s premises if separately metered, (10) costs incurred in connection with the original construction of the Building or in connection with any major change in the Building that is not made at the request of Tenant, or is required to correct any violation of law not caused by Tenant existing on the IP Rent Commencement Date, or a breach by Landlord of the Lease, including the Work Letter; (11) costs for which Landlord
is fully reimbursed by any tenant or occupant of the Building or by insurance by its insurance carrier or any tenant’s insurance carrier or by anyone else; (12) any bad debt loss, rent loss, or reserves for bad debts or rent loss; (13) costs associated with the operation of the business of the partnership or limited liability company or other entity that may from time to time constitute Landlord, as the same are distinguished from the costs of operation of the Building, including accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be the issue) or other Holder of a Superior Interest, costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord’s interests in the Building (including, without limitation, attorneys’ fees and costs), costs (including, without limitation, attorneys’ fees and costs) of settlement, judgments and payments in lieu thereof arising from claims, disputes or potential disputes in connection with potential or actual claims, litigation or arbitrations respecting Landlord and/or the Real Property (14) the wages and benefits of any employee who does not devote substantially all of his or her time to the Building unless such wages and benefits are prorated as provided above to reflect time spent by any such employee on maintaining, securing, repairing, operating or managing the Real Property vis-a-vis the total time spent by any such employee on matters unrelated to such activities (herein the “Time Allocation”); (15) costs paid to Landlord or to affiliates of Landlord for services in the Building to the extent the same materially exceed or would materially exceed the costs for such services if rendered by first class unaffiliated third parties on a competitive basis; (16) costs arising from Landlord’s political or charitable contributions, other than payments (provided Landlord gives reasonable prior notice to Tenant of such expenses and provides sufficient information and advance notification to Tenant of any such contributions and payments) to business organizations having as their exclusive purpose advocating for pro-business policies and legislation in the City and County of San Francisco, to insure that the City and County of San Francisco does not adopt policies and laws that will be hostile to the business operations of the tenants in the Building or would increase Operating Expenses; (17) costs for sculpture, paintings or other objects of art; (18) Landlord’s general corporate overhead; (19) costs of removal or remediation of hazardous substances (as defined in Paragraph 7(b)) required in order to comply with any laws in effect on the date of this Lease and applicable to the Building, including the Premises; (20) the cost of rental for items (except when needed in connection with normal repairs and maintenance or keeping permanent systems in operation while repairs are being made) which if purchased, rather than rented, would constitute a capital improvement or expense that is specifically excluded from Operating Expenses; (21) costs of heating, ventilation and air conditioning outside Business Hours provided to tenants of the Real Property by Landlord or any other special service to the tenants or service or utilities in excess of that furnished to Tenant whether or not Landlord receives reimbursement from such tenants as an additional charge; (22) expenses directly resulting from defaults by or the gross negligence or willful misconduct of Landlord, its agents, servants or employees; (23) any operating expenses that relate solely to the Retail Space (including expenses that in accordance with sound building management accounting practices consistently applied are shared with other tenants of the Building but would be allocated to the Retail Space); (24) earthquake or terrorism insurance that is not included in the relevant Base Year, unless each Base Year is adjusted upward (as reasonably documented by Landlord) to reflect what the cost of maintaining such insurance would have been had such insurance been maintained in the relevant Base Year, as reasonably documented by Landlord; (25) penalties, fines and late charges resulting from Landlord’s failure to make payments when required under applicable law, unless resulting from the failure of Tenant to pay Rental as and when required herein; and (26) costs arising from latent defects in any portion of the Building constructed by Landlord.

(iv) The parties recognize that the Building is to be a newly constructed Building and that the applicable Base Year may occur in a year that does not include a full year of Operating Expenses. Therefore if the Base Year specified for the Initial Premises and/or the Must-Take Premises does not include a full year of Operating Expense, such Base Year Operating Expenses will be adjusted by Landlord within six (6) months after the Building has been in full operation for an entire calendar year, to reflect the equivalent of a full year of Operating Expenses for the Building in its fully operational state.

(k) The term “Parking Garage” means the garage facility to be located below the Building and containing twelve (12) parking stalls.

(l) The term “Premises” shall mean the Initial Premises and the Must-Take Premises, collectively. The actual rentable square footage of the Initial Premises and Must-Take Premises shall be determined in accordance with the American National Standard Institute of Building Owners and Managers Association International (“BOMA”) Z65.1.1996 in accordance with the procedures specified in the Work Letter, and shall not be subject to re-measurement or modification for the duration of the Term (including any Extension Terms). For the avoidance of doubt, the measurement standard referenced above shall be applied as a multi-tenant building and shall specifically exclude the roof deck, but shall include the Building’s courtyard if covered as contemplated in the drawings for the Base Building Improvements described in Exhibit A to the Work Letter (collectively, the “Base Building Improvements”). Notwithstanding anything herein to the contrary, any Non-Standard Tenant Improvements (as defined in the Work Letter) or other Alterations, including those subject to restoration, that would otherwise reduce the rentable area of the Premises (such as stair
penetrations) under BOMA, from what the measurement would have been in the absence of such Tenant Improvements or other Alterations, shall not reduce the rentable square footage of the Premises, as such rentable square footage of the Premises would be measured in the absence of such Non-Standard Tenant Improvements or Alterations. The BOMA measurement of each of the Initial Premises and the Must-Take Premises shall be subject to the reasonable review of Tenant’s architect in accordance with the provisions of the Work Letter.

(m) The term “Real Property” shall mean, collectively, the Land, the Building, the Parking Garage and the other improvements on the Land.

(n) (i) Except as provided in Paragraph 1(n)(ii) below, the term “Real Property Taxes” shall mean all taxes, assessments (whether general or special), excises, transit charges, housing fund assessments or other housing charges, levies or fees, ordinary or extraordinary, unforeseen as well as foreseen, of any kind, that are assessed, levied, charged, confirmed or imposed on the Real Property or any part thereof, on the Landlord with respect to the Real Property, on the act of entering into this Lease or any other lease of space in the Real Property, on the use or occupancy of the Real Property or any part thereof, with respect to services or utilities consumed in the use, occupancy or operation of the Real Property, or on or measured by the rent payable under this Lease or in connection with the business of renting space in the Real Property, including, without limitation, any gross income tax, gross receipts tax or excise tax levied with respect to the receipt of such rent, by the United States of America, the State of California, the City and County of San Francisco, any political subdivision, public corporation, district or other political or public entity or public authority, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed in lieu of, as a substitute (in whole or in part) for, or as an addition to, any other Real Property Taxes, subject, however, to Paragraph 4(f) hereof and the exclusions set forth in subparagraph (ii), below. Real Property Taxes shall include reasonable attorneys’ fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce Real Property Taxes that Landlord undertakes with a reasonable expectation of success.

(ii) Real Property Taxes shall not include (A) income, franchise, gift, transfer, estate, inheritance or capital stock taxes, unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord in lieu of, as a substitute (in whole or in part) for, or as an addition to, any other charge that would otherwise constitute a part of Real Property Taxes (B) any increase in assessments as a result of improvements made for the benefit of any tenant of the Building other than Tenant, including, without limitation, the Retail Tenant; (C) any tax attributable to the personal property of any tenant of the Building other than Tenant; and/or (D) penalties or interest for late payment, unless resulting from the failure of Tenant to pay Rental as and when required hereunder. Real Property Taxes payable by Tenant under this Lease shall be equitably adjusted to exclude the proportion of Real Property Taxes attributable to the Retail Space (based on the rentable square footage of the Retail Space and the rentable square footage of the tenant spaces in the remainder of the Building).

(iii) Landlord and Tenant recognize that the Building is to be constructed and may be subject to reassessment at the time that construction is completed. Therefore, for the purposes of determining the amount of Real Property Taxes included in the Base Year applicable to each of the Initial Premises and Must-Take Premises, such Base Year amount shall be finalized and increased based on a full year of assessment of Real Property Taxes on the full assessed value of the Building, as completed. Promptly after the Building is assessed at its full assessed value as completed, determined in accordance with the foregoing, Landlord shall provide Tenant with copies of the relevant tax bills showing the fully assessed value of the Building.

(o) The term “Rental” shall include the Basic Monthly Rental set forth in Paragraph I of the Summary of Lease Terms, all additional rent, and any other costs or charges payable by Tenant to Landlord hereunder.

(p) The term “Retail Space” shall mean approximately six hundred (600) rentable square feet of space on the first (1st) floor of the Building designated for retail.

(q) The term “SOMA Market Area” means the area bounded by King Street, 8th Street, Folsom Street and Embarcadero, plus the China Basin Landing complex.

(r) The term “Tenant’s Percentage Share” shall mean the percentage figure specified in Paragraph F of the Summary of Lease Terms.

(s) The term “Work Letter” shall mean the Work Letter attached hereto as Exhibit C.
2. TERM.

(a) Subject to Paragraph 2(c) hereof, the term of this Lease (the “Term”) shall commence on the date (the “Commencement Date”) that is the earlier of (i) the date Substantial Completion (as defined in the Work Letter) of the items listed in Exhibit A to the Work Letter, which is anticipated to occur by October 22, 2015, or (ii) the earlier of the date Landlord commences the construction of the Tenant Improvements in accordance with a duly issued building permit covering such Tenant Improvements (as defined in the Work Letter) or the date Landlord would have commenced construction of the Tenant Improvements but for Tenant Delay (as defined in the Work Letter). The Term, unless ended sooner as herein provided, shall expire with respect to: (x) the Initial Premises on the last day of the eighty-fourth (84th) month following the IP Rent Commencement Date (defined below) (the “IP Expiration Date”) and (y) the Must-Take Premises on the last day of the eighty-fourth (84th) month following the MT Rent Commencement Date (defined below) (the “MT Expiration Date”), subject to subparagraph (d) below. Tenant shall have the right, without the obligation to pay Basic Monthly Rental, to occupy and conduct Tenant’s business in the Must-Take Premises in advance of the MT Rent Commencement Date; provided, however, that Tenant shall be obligated to pay for all utilities and janitorial expenses relating to any portion of the Must-Take Premises occupied by Tenant prior to the MT Rent Commencement Date. Landlord shall deliver to Tenant a notice stating the actual Commencement Date, the IP Rent Commencement Date and IP Expiration Date and confirming the rentable square footage of the Initial Premises and the Must-Take Premises in accordance with this Lease, promptly after the relevant dates are able to be determined, by executing and delivering to Tenant a Commencement Date Notice in the form of Exhibit D attached hereto, but the Term of this Lease shall commence on the Commencement Date and end with respect to the Initial Premises on the IP Expiration Date and the Must-Take Premises on the MT Expiration Date whether or not such Commencement Date Notice is delivered to Tenant. This Lease shall be a binding contractual obligation effective upon execution and delivery hereof by Landlord and Tenant, notwithstanding the later commencement of the Term.

(b) Landlord shall cause the Tenant Improvements of the Initial Premises and if Tenant elects, the Must-Take Premises, to be constructed in accordance with the terms and conditions set forth in the Work Letter, at Tenant’s sole cost and expense except for the Tenant Improvement Allowance (as defined in the Work Letter).

(c) Subject to extension for delays caused by Tenant Delay and Force Majeure (as defined in the Work Letter), Tenant, at Tenant’s sole election, shall have the right to terminate the Lease, at no cost to Tenant, if (i) Landlord has not Commenced Construction (defined below) of the Building by October 1, 2014, (ii) Substantial Completion of the Base Building Improvements has not occurred by April 22, 2016, or (iii) Substantial Completion of the Tenant Improvements to be constructed by Landlord has not occurred by (A) July 22, 2016, or (B) excluding any delays resulting from Force Majeure (but not Tenant Delays), October 1, 2017 (each of the foregoing actions shall be referred to herein as a “Project Milestone” and each of the foregoing dates shall be referred to herein as a “Project Milestone Deadline”), by giving Landlord written notice of such election after the applicable Project Milestone Deadline but prior to Landlord’s satisfaction of the applicable Project Milestone. For the purposes of the foregoing, “Commenced Construction” shall mean that the Property shall no longer be operating as a paid parking lot and Landlord has obtained a site permit and shall have commenced demolition of the existing improvements on the Property. If Substantial Completion of the Tenant Improvements to be constructed by Landlord has not occurred by April 1, 2016, subject to extension for delays caused by Tenant Delay and Force Majeure, Tenant shall be entitled to a credit against Basic Monthly Rental for the Initial Premises in an amount equal to one (1) day of Basic Monthly Rental for every day after April 1, 2016 until the date Substantial Completion of the Tenant Improvements to be constructed by Landlord occurs or would have occurred, but for delays caused by Tenant Delay or Force Majeure. In addition to the foregoing, if Substantial Completion of the Tenant Improvements to be constructed by Landlord has not occurred by October 1, 2017, notwithstanding Landlord’s commercially reasonable efforts to cause Substantial Completion of the Tenant Improvements to occur, then Landlord, at Tenant’s sole election, shall have the right to terminate the Lease, at no cost to Landlord, by giving Tenant written notice of such election. If this Lease is terminated by (i) Landlord under the immediately preceding sentence, (ii) Tenant for any of the reasons provided in the foregoing, or (iii) Tenant for any other reason permitted hereunder prior to the occurrence of the IP Rent Commencement Date, all amounts previously paid by Tenant to Landlord, including, without limitation, any advance payment of Basic Monthly Rental and/or any Security Deposit shall be refunded and paid to Tenant and the original of any Letter of Credit delivered by Tenant to Landlord shall be returned to Tenant within ten (10) days after any such termination.

(d) Tenant shall have the option to renew this Lease with respect to all or a portion of the Initial Premises and as to all or a portion of the Must-Take Premises then leased by Tenant upon the expiration of the then current Term for the Initial Premises and/or the Must-Take Premises for two (2) additional consecutive terms of five (5) years (each, an “Extension Term”), by delivering notice to Landlord of Tenant’s option to extend at least twelve (12) months but no more than eighteen (18) months prior to the end of the then current applicable Term (the “Window Period”)
provided that the portion of each of the Initial Premises and the Must-Take Premises included in an Extension Term (the "Extension Space") must consist of full floors and contain contiguous rentable square footage equivalent to approximately two (2) full floors of the Building (for purpose of this Paragraph 2(d), floors 6 & 7 shall together constitute one full floor). Tenant's notice shall include a description of the applicable Extension Space. If Tenant exercises its right to extend, the Term for the applicable Extension Space shall be extended for an additional five (5) years, and Tenant shall continue to lease the Premises (which shall mean the Initial Premises and the Must-Take Premises, less any portion thereof that was not included in the Extension Space pursuant to Tenant's extension exercise notice) on all of the terms and conditions of this Lease, except that Basic Monthly Rental for the applicable Extension Space shall be one hundred percent (100%) of the Fair Market Rental Rate (as defined below), including annual increases in such amounts, if any, as are then consistent with the determination of the Fair Market Rental Rate, all based on the applicable Extension Space rentable square footage.

(e) For the purposes of the Lease, the term “Fair Market Rental Rate” shall mean the annual amount of rent per rentable square foot (taking into account the quality of the Building, the length of term and all allowances, concessions, commissions and new Base Year) that Landlord or other owners of similar property in the vicinity of the Real Property have accepted recently from new (not renewing) tenants with comparable credit to Tenant’s credit for space comparable to the Extension Space in office buildings located in the SOMA Market Area that are comparable in quality, utility, location and size to the Building. Landlord shall provide a good faith written proposal of the Fair Market Rental Rate within thirty (30) days after Tenant provides the notice to Landlord exercising Tenant's extension option. Tenant shall have thirty (30) days ("Tenant’s Review Period") after receipt of Landlord’s proposal within which to accept such proposal or, in good faith, to object thereto in writing. In the event Tenant objects, Landlord and Tenant shall attempt to agree upon such Fair Market Rental Rate, using their good faith efforts. If Landlord and Tenant fail to reach agreement within thirty (30) days following Tenant’s Review Period (the “Outside Agreement Date”), then each party shall place in a separate sealed envelope its final proposal as to the Fair Market Rental Rate, and such determination shall be submitted to arbitration in accordance with subsections (i) through (iv) below. Failure of Tenant to so object in writing within Tenant’s Review Period shall conclusively be deemed its approval of the Fair Market Rental Rate determined by Landlord. In the event that Landlord fails to timely generate the initial written notice of Landlord’s proposal of the Fair Market Rental Rate that triggers the negotiation period of this Paragraph 2(e), then Tenant may commence such negotiations by providing the initial notice, in which event Landlord shall have thirty (30) days ("Landlord’s Review Period") after receipt of Tenant’s proposal of the Fair Market Rental Rate within which to accept such proposal or, in good faith, to object to such proposal in writing. In the event Landlord objects, Landlord and Tenant shall attempt in good faith to agree upon such Fair Market Rental Rate, using their good faith efforts. If Landlord and Tenant fail to reach agreement within thirty (30) days following Landlord’s Review Period (which shall be, in such event, the “Outside Agreement Date” in lieu of the above definition of such date), then each party shall place in a separate sealed envelope its final proposal as to Fair Market Rental Rate and such determination shall be submitted to arbitration in accordance with subsections (i) through (iv) below. Failure of Landlord to object in writing within Landlord’s Review Period shall conclusively be deemed its approval of the Fair Market Rental Rate determined by Tenant. If the final determination of the Fair Market Rental Rate has not been made prior to the date on which Tenant’s obligation to pay Basic Monthly Rental during the applicable Extension Term commences, then, from such date until the date the final determination is made ("Interim Period"), Tenant shall pay estimated Basic Monthly Rental for the Extension Space at the rate applicable to the applicable portion of the Premises for the last month of the Term immediately prior to the commencement of applicable Extension Term. Once the final determination of the Fair Market Rental Rate has been made, if the Basic Monthly Rental payable by Tenant for the Extension Space pursuant to the Fair Market Rental Rate exceeds the Basic Monthly Rental paid by Tenant during the Interim Period, Tenant shall pay the excess to Landlord concurrently with Tenant’s next installment of Basic Monthly Rental, or, if it is less than the Basic Monthly Rental paid by Tenant during the Interim Period, then Tenant shall receive a credit against Rentals for any amount overpaid. Arbitration shall be conducted as follows:

(i) Landlord and Tenant shall meet with each other within ten (10) business days after the Outside Agreement Date and exchange the sealed envelopes and then open such envelopes in each other’s presence. If Landlord and Tenant do not mutually agree upon the Fair Market Rental Rate within ten (10) business days after the exchange and opening of envelopes, Landlord and Tenant shall agree upon and jointly appoint a single arbitrator who shall be a licensed California real estate broker who shall have been active over the ten (10) year period immediately prior to his or her appointment in leasing of commercial office space in the vicinity of the Real Property and shall not have represented Landlord or Tenant in a transaction in the last year. Neither Landlord nor Tenant shall consult with such broker as to his or her opinion as to Fair Market Rental Rate prior to the appointment. The determination of the arbitrator shall be limited solely to the issue of whether Landlord’s or Tenant’s submitted Fair Market Rental Rate for the Extension Space is the closest to the actual Fair Market Rental Rate for the Extension Space as determined by the arbitrator, taking into account the requirements.
of this Paragraph 2(e). Such arbitrator may hold such hearings and require such briefs as the arbitrator, in his or her sole discretion, determines is necessary. In addition, Landlord or Tenant may submit to the arbitrator (with a copy to the other party) within ten (10) business days after the appointment of the arbitrator any market data and additional information that such party deems relevant to the determination of Fair Market Rental Rate (“FMRR Data”), and the other party may submit a reply in writing within ten (10) business days after receipt of such FMRR Data. 

(ii) The arbitrator shall, within thirty (30) days of his or her appointment, reach a decision as to whether the parties shall use Landlord’s or Tenant’s submitted Fair Market Rental Rate and shall notify Landlord and Tenant of such determination.

(iii) The decision of the arbitrator shall be final and binding upon Landlord and Tenant.

(iv) If Landlord and Tenant fail to agree upon and appoint an arbitrator, then the appointment of the arbitrator shall be made by the Presiding Judge of the San Francisco Superior Court, or, if he or she refuses to act, by any judge having jurisdiction over the parties.

(v) Each party shall pay its own costs and expenses in the arbitration, but the cost of the neutral arbitrator shall be paid by Landlord and Tenant, equally.

(f) Tenant and Landlord will, within ten (10) business days after the Fair Market Rental Rate or Basic Monthly Rental is agreed or determined in accordance with the foregoing process, execute an amendment to the Lease that shall specify with respect to the Initial Premises or Must-Take Premises, as applicable, the Basic Monthly Rental and other terms applicable to the relevant Extension Space for the applicable Extension Term.

3. RENTAL; SECURITY DEPOSIT.

(a) Beginning on the IP Rent Commencement Date, Tenant agrees to pay to Landlord as Basic Monthly Rental for the Initial Premises the sums specified in Paragraph I of the Summary of Lease Terms. Beginning on the MT Rent Commencement Date, Tenant agrees to pay to Landlord as Basic Monthly Rental for the Must-Take Premises the sums specified in Paragraph I of the Summary of Lease Terms. The “IP Rent Commencement Date” shall mean the earlier of (i) the date upon which Substantial Completion of the Tenant Improvements for the Initial Premises occurs, or (ii) the date Substantial Completion of the Tenant Improvements for the Initial Premises would have occurred, but for Tenant Delays (if any). The “MT Rent Commencement Date” shall mean the first (1st) anniversary of the IP Rent Commencement Date.

(b) Basic Monthly Rental shall be paid to Landlord, in advance, on or before the first day of each and every successive calendar month during the Term hereof. In the event the IP Rent Commencement Date or the MT Rent Commencement Date occurs on a day other than the first day of a calendar month, or the Term as to any portion of the Premises ends on a day other than the last day of a calendar month, then the Basic Monthly Rental for such month or months shall be appropriately prorated. All such prorations shall be made on the basis of a 360-day year consisting of twelve 30-day months.

(c) Rental shall be paid to Landlord without notice, demand, deduction or offset in lawful money of the United States in immediately available funds by wire transfer (pursuant to account wiring instructions provided by Landlord), or to such other person or at such other place as Landlord from time to time may designate in writing. Payments made by check must be drawn either on a California financial institution or on a financial institution that is a member of the United States Federal Reserve System. All amounts of Rental, if not paid when due, shall bear interest from the due date until paid at an annual rate of interest (the “Interest Rate”) equal to the lesser of (i) the maximum annual interest rate allowed by law on such due date for business loans (not primarily for personal, family or household purposes) not exempt from the usury law, or (ii) a rate equal to the sum of five (5) percentage points over the publicly announced prime rate (the “Prime Rate”) published on any relevant date in the Wall Street Journal (or any reasonable successor publication, or substitute index, if the Wall Street Journal ceases to publish such Prime Rate). In addition, Tenant acknowledges that late payment by Tenant to Landlord of Rental will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any encumbrance and/or note secured by an encumbrance covering the Premises. Therefore, if any installment of Rental due from Tenant is not received within five (5) days after the due date, Tenant shall pay to Landlord an additional sum of four percent (4%) of the overdue Rental as a late charge; provided that, if Rental is not paid when due three (3) times during the Term of this Lease and if Landlord shall have notified Tenant in writing that Tenant shall thereafter be entitled

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to no further grace periods, then thereafter Tenant shall not be entitled to such five (5) day grace period, and such late charge shall be assessed on any Rental not
paid by 5:00 p.m. on the due date. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason
of late payment of Rental by Tenant. Acceptance of any late charge shall not constitute a waiver of Tenant’s default with respect to the overdue amount, or
prevent Landlord from exercising any of the other rights and remedies available to Landlord.

(d) (i) Within three (3) business days after execution of this Lease, Tenant shall pay Landlord an amount equal to five hundred twenty-
two thousand five hundred dollars ($522,500), which amount Landlord shall apply to the Basic Monthly Rental for the Initial Premises for the first (1st) full
month of the Term. In addition, within fifteen (15) days after the execution of this Lease, Tenant shall deliver to Landlord an irrevocable, standby letter of credit
(the “Letter of Credit”) in the amount specified in Paragraph J of the Summary Lease Terms (the “Deposit Amount”). The Deposit Amount will be subject to
adjustment at such time as the final rentable square footage of the Building is determined in accordance with the Work Letter. Within ten (10) business days
after the time such square footage is finally determined, Landlord shall provide an accounting to Tenant containing the final Deposit Amount, and Tenant shall,
within ten (10) business days after such accounting is delivered to Tenant, deliver either a replacement to the Letter of Credit that complies with this Lease in
the Deposit Amount, as so determined, or an amendment to such Letter of Credit that shall be satisfactory to Landlord and shall adjust the amount of any Letter
of Credit held by the Landlord to equal the Deposit Amount, as finally determined. The Letter of Credit shall be issued by and drawable upon Silicon Valley
Bank, or any other commercial bank, trust company, national banking association or savings and loan association (hereinafter referred to as the “Issuing Bank”),
with offices for banking and drawing purposes in the San Francisco Bay Area (or that will negotiate a letter of credit by facsimile transmission of the draw
documents to an office located outside of the San Francisco Bay Area). Any Issuing Bank shall have outstanding, at the time of issuance of the Letter of Credit
or any renewals or replacements thereof, unsecured, uninsured and unguaranteed indebtedness, or shall have issued a letter of credit or other credit facility
that constitutes the primary security for any outstanding indebtedness (which is otherwise uninsured and unguaranteed), then is rated, without regard to
qualification of such rating by symbols such as “+” or “-” or numerical notation, “Aa” or better by Moody’s Investors Service and “AA” or better by Standard
& Poor’s Corporation, and has combined capital, surplus and undivided profits of not less than Five Hundred Million Dollars ($500,000,000.00). The Letter of Credit
shall name Landlord as beneficiary, be in the Deposit Amount, have a term of not less than one (1) year, permit multiple and partial drawings, be fully
transferable by Landlord without the payment of any fees or charges by Landlord, and otherwise be in form and content reasonably satisfactory to Landlord.
If any transfer, any fees or charges shall be so imposed, then such fees or charges shall be payable solely by Tenant, and, if requested by Landlord, the Letter
of Credit shall so specify. In lieu thereof, any Letter of Credit may provide that it shall be deemed automatically renewed, without amendment, for consecutive
periods of one (1) year thereafter during the Term of this Lease, unless the Issuing Bank sends notice (the “Non-Renewal Notice”) to Landlord by overnight
delivery, not less than forty-five (45) days next preceding the then expiration date of the Letter of Credit that the Issuing Bank elects not to have such Letter of
Credit renewed. Tenant shall, not less than thirty (30) days prior to either its expiry date or the date of expiration specified in any Non-Renewal Notice, replace
the Letter of Credit with a new Letter of Credit with a term of not less than one (1) year and otherwise complying with the requirements of this Paragraph 3(d).
If the Letter of Credit has not been renewed, or Landlord has received a Non-Renewal Notice, and not later than thirty (30) days prior to the expiry date of any
Letter of Credit Tenant fails to furnish to Landlord a replacement letter of credit in accordance with the terms of this Paragraph 3(d), then Landlord shall have
the right to draw the full amount of the Letter of Credit by sight draft on the issuing Bank and shall hold the proceeds of the Letter of Credit pursuant to the
terms of this Paragraph 3(d) as a cash security deposit; provided, however, should Tenant thereafter furnish to Landlord a Letter of Credit meeting the
requirements of this Paragraph 3(d), such cash proceeds, less all out-of-pocket expenses incurred by Landlord, as documented by Landlord, shall be returned to
Tenant. The Letter of Credit or any cash security deposit held by Landlord from time to time (the “Deposit”) shall be held by Landlord as security for the
faithful performance by Tenant of all of the provisions of this Lease to be performed or observed by Tenant. If Tenant fails to pay any Rental, or otherwise
defaults with respect to any provision of this Lease, Landlord may (but shall not be obligated to), after the expiration of any applicable grace or cure periods,
use, apply or retain all or any portion of the Letter of Credit and/or Deposit, as the case may be, for the payment of any Rental in default or for the payment of
any other sum to which Landlord may become obligated by reason of Tenant’s default, or to compensate Landlord for any loss or damage which Landlord may
suffer thereby. Tenant waives the provisions of California Civil Code §1950.7, and all other provisions of law now in force or that become in force after the date
of execution of this Lease, that provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the
payment of accrued rent, to repair damage caused by Tenant, or to clean the Premises. Landlord and Tenant agree that Landlord may, in addition, claim those
sums reasonably necessary to compensate Landlord for any other loss or damage caused by the act or omission of Tenant or Tenant’s officers, agents,
employees, independent contractors, or invitees, including future Rental payments to the extent such sums would be recoverable as damages under Paragraph
18 hereof. Tenant may not assign or encumber the Deposit without the prior written consent of Landlord (provided the foregoing shall not
be deemed to prohibit Tenant’s assignment of a cash security deposit to a Permitted Transferee). Any attempt to do so in violation of the foregoing shall be void and shall not be binding on Landlord. If Landlord so uses or applies all or any portion of the Letter of Credit and/or Deposit, Tenant shall within ten (10) days after Landlord’s written demand therefor deposit cash with Landlord in an amount sufficient to restore Deposit, or deliver a replacement Letter of Credit (or a combination of the foregoing) so that Landlord shall thereafter continue to hold cash and/or a Letter of Credit for the full Deposit Amount (as adjusted below), and Tenant’s failure to do so shall, at Landlord’s option, be an immediate Event of Default (as defined in Paragraph 19(a)) under this Lease, and Tenant shall not be entitled to any additional grace or cure period that may otherwise be provided in Paragraph 18(a).

(ii) Provided that there has been no uncured Event of Default during the Term and no monetary or other material default has occurred by Tenant under this Lease in the immediately prior twelve (12) month period (regardless of whether or not such monetary or other material default has been cured) (the “Deposit Reduction Requirements”), the Deposit Amount shall be reduced by an amount equal to twenty percent (20%) of the original amount of the Deposit as specified in Paragraph J of the Summary of Lease Terms (the “Original Deposit Amount”) on the first (1st) anniversary and the second (2nd) anniversary of the MT Rent Commencement Date (or such later date as all Deposit Reduction Requirements are satisfied). In addition, provided that the Deposit Reduction Requirements are satisfied in the immediately prior twelve (12) month period, the amount of the Deposit shall be reduced to an amount equal to fifty percent (50%) of the Original Deposit Amount on the third (3rd) anniversary of the MT Rent Commencement Date (or such later date as all Deposit Reduction Requirements are satisfied). Notwithstanding the foregoing, in no event shall the Deposit ever be for an amount less than fifty percent (50%) of the Original Deposit Amount; provided, however, that if the Lease expires at the end of the Term hereof with respect to any portion of the Premises, the remaining Deposit will be reduced ratably based on the rentable square footage of the portion of the Building occupied by Tenant after such expiration. If the Deposit Amount is reduced as provided herein, Landlord will return any original Letter of Credit to Tenant, if a new Letter of Credit is substituted therefore, or return funds held by it in excess of the then required Deposit Amount, within five (5) days after the later of the effective date of any reduction or the delivery of any replacement Letter of Credit.

(iii) If Tenant performs all of Tenant’s obligations hereunder, the Deposit, or so much thereof as has not theretofore been applied by Landlord, shall be returned to Tenant (or, at Landlord’s option, to the last assignee, if any, of Tenant’s interest hereunder), within thirty (30) days after the expiration of the Term hereof and after Tenant has vacated the Premises and delivered it to Landlord in the condition required by this Lease. Landlord’s return of the Deposit or any part thereof shall not be construed as an admission that Tenant has performed all of its obligations under this Lease. No trust relationship is created herein between Landlord and Tenant with respect to the Deposit.

4. TENANT’S SHARE OF OPERATING EXPENSES AND REAL PROPERTY TAXES; ADDITIONAL RENT.

(a) In addition to the Basic Monthly Rental payable during the Term of this Lease, commencing the first day of January following the applicable Base Year and continuing throughout the remaining Term of this Lease (including all Extension Terms, if applicable) Tenant shall pay to Landlord, as additional rent, Tenant’s Percentage Share of: (i) the amount, if any, by which Operating Expenses paid or incurred by Landlord in any Expense Year subsequent to the applicable Base Year exceed the amount of Operating Expense allocable to the applicable Base Year; and (ii) the amount, if any by which Real Property Taxes paid or incurred by Landlord in any Expense Year subsequent to the applicable Base Year exceed the amount of Real Property Taxes allocable to the applicable Base Year. Notwithstanding the foregoing, if the Building (exclusive of the Excluded Space) is less than one hundred percent (100%) occupied in the applicable Base Year or in any other Expense Year during the Term, then Operating Expenses and Real Property Taxes for the applicable Base Year or such other Expense Year shall be adjusted, for purposes of the foregoing calculations by increasing any expenses that would vary with the levels of occupancy to the amounts at which such costs would have been if the Building (exclusive of the Excluded Space) had been one hundred percent (100%) occupied. If it shall not be lawful for Tenant to reimburse Landlord for any increase in Real Property Taxes as defined herein, then the Basic Monthly Rental payable to Landlord prior to the imposition of such increases in Real Property Taxes shall be increased to net Landlord the same net Basic Monthly Rental after imposition of such increases in Real Property Taxes as would have been received by Landlord prior to the imposition of such increases in Real Property Taxes.

(b) Commencing on the first day of January following the applicable Base Year, and throughout the remainder of the Lease Term (including the Extension Terms, if applicable), Tenant shall pay to Landlord, as additional rent, one-twelfth (1/12th) of Tenant’s Percentage Share of increases in Operating Expenses and Real Property Taxes over the applicable Base Year for such Expense Year on or before the first day of each calendar month of such Expense Year, in advance, in an amount reasonably estimated by Landlord in notices delivered to Tenant. If Landlord fails to
deliver such an estimate to Tenant prior to the commencement of any Expense Year, then Tenant shall continue to pay Tenant’s Percentage Share of increases in Operating Expenses and Real Property Taxes on the basis of the prior Expense Year’s estimate until the first day of the next calendar month after such notice is given, provided that on such date Tenant shall pay to Landlord the amount of such estimated adjustment payable to Landlord for prior months during the Expense Year in question, less any portion thereof previously paid by Tenant. If Tenant has overpaid, Tenant shall receive a credit against the next installments of estimates. Landlord may reasonably revise its estimate of Tenant’s Percentage Share of increases in Operating Expenses and Real Property Taxes for any Expense Year up to two (2) times per year by giving written notice of such revision to Tenant, which shall state the reason for any revision and the revised payments by Tenant based on Landlord’s revised estimate for the remainder of such Expense Year, beginning with the payment of Rent due no less than thirty (30) days following the date of Landlord’s notice. The failure or delay by Landlord to provide Tenant with Landlord’s estimate of Tenant’s Percentage Share of increases in Operating Expenses and Real Property Taxes or Landlord’s annual statement (as described in subparagraph 4(c) below) for any Expense Year shall not constitute a default by Landlord hereunder, or a waiver by Landlord of Tenant’s obligation to pay Tenant’s Percentage Share of increases in Operating Expenses or Real Property Taxes over the applicable Base Year for such Expense Year or of Landlord’s right to send to Tenant such an estimate or annual statement, as the case may be.

(c) Within ninety (90) days after the close of each Expense Year or as soon after such ninety (90) day period as practicable, Landlord shall deliver to Tenant a reasonably detailed statement of the amounts payable under Paragraph 4(a) above for such Expense Year. If on the basis of such statement Tenant owes an amount that is more than the estimated payments for such Expense Year previously made by Tenant, Tenant shall pay the deficiency to Landlord within fifteen (15) days after delivery of the statement. If on the basis of such statement Tenant has paid to Landlord an amount in excess of the amounts payable under Paragraph 4(a) above for the preceding Expense Year and there is no uncured Event of Default under this Lease, then Landlord, at its option, shall either promptly refund such excess to Tenant or credit the amount thereof to the Basic Monthly Rental next becoming due from Tenant until such credit has been exhausted. Landlord shall maintain books and records showing Operating Expenses in accordance with sound management practices. Tenant or its agent (which shall in no event be a person or entity who is paid on a contingency basis) shall have the right, during the ninety (90) day period following delivery of an annual statement, at Tenant’s sole cost to review (“Audit”), in Landlord’s offices or in the offices of Landlord’s property manager in the San Francisco Bay Area, Landlord’s records of Operating Expenses and Real Property Taxes for the subject calendar year during normal business hours and upon at least five (5) business days prior written notice to Landlord. In addition, Landlord shall, together with the first annual Statement of Operating Expenses and Real Property Taxes delivered to Tenant after the applicable Base Year, deliver to Tenant a reasonably detailed statement of Base Year Operating Expenses, and Tenant shall have the right to Audit Operating Expenses and Real Property Taxes for such Base Year concurrently with (and subject to all of the requirements, limitations and time periods set forth in this Paragraph (c)). No Audit shall in any way delay or excuse Tenant’s obligation to pay any deficiency referenced in the annual statement within the time period stated above in this Paragraph 4(c). If Tenant does not object in writing to the annual statement within thirty (30) days after Tenant receives the final written report of the auditor in connection with such Audit or at the end of such ninety (90) day period, whichever is later, then such annual statement shall be deemed final and binding on Landlord and Tenant. Tenant shall keep any information gained from its Audit of Landlord’s books and records confidential and shall not disclose any such information to any other party, except (a) as required by applicable laws, including securities laws, (b) in any litigation to resolve any disputed amounts with Landlord (provided such disclosure shall be limited to matters relating to such dispute), or (c) as otherwise required by law in response to a court order or legal process; provided, however, that in the event disclosure is required under this clause (c), Tenant shall provide Landlord with prompt notice of any such disclosure requirement so that Landlord may seek an appropriate protective order and/or waive Landlord’s compliance with such requirement. Notwithstanding any contrary provision hereof, Tenant may not examine Landlord’s records or dispute any annual statement if there is an uncured Event of Default. If Tenant’s Audit establishes that Landlord’s statement overstated any deficiency owed by Tenant by more than five percent (5%), then Landlord shall be responsible for the reasonable, out-of-pocket expenses paid by Tenant to third parties in connection with such Audit. Except as provided in the preceding sentence, Tenant shall be responsible for all costs and expenses associated with such Audit.

(d) If this Lease expires or terminates with respect to all or any portion of the Premises on a day other than the last day of an Expense Year, the amounts payable by Tenant under Paragraph 4(a) above with respect to the Expense Year in which such expiration or termination occurs shall be prorated on the basis that the number of days from the commencement of such Expense Year, to and including such expiration or termination date, bears to three hundred sixty (360). The expiration or termination of this Lease shall not affect the obligations of Landlord and Tenant pursuant to Paragraph 4(c) above to be performed after such expiration or termination, provided Landlord shall, within ninety (90) days following the date of such termination prepare a final reconciliation of Operating Expenses and Real Property Taxes for any relevant partial Expense Year, which shall be subject to the same rights of Tenant as provided
with respect to annual statements above (except that Tenant’s review period shall be forty-five (45) rather than ninety (90) days following the delivery of the statement for the partial year), and the parties shall finally reconcile any amounts payable to or by Tenant promptly after expiration of Tenant’s review period.

(e) It is the intention of Landlord and Tenant that the Basic Monthly Rental paid to Landlord throughout the term of this Lease shall be absolutely net of all increases in Real Property Taxes and Operating Expenses over the applicable Base Year, except as expressly provided to the contrary in Paragraph 4(f), and the foregoing provisions of this Paragraph 4 are intended to so provide.

(f) Notwithstanding anything to the contrary in this Paragraph 4, Tenant shall not be responsible for Tenant’s Percentage Share of any increases in Real Property Taxes during the first two (2) years following the applicable initial Base Year for each of the Initial Premises and the Must-Take Premises that result from (i) any reassessment of the Building and/or the Land due to a sale of all or any portion of the Building or the Land or a sale of the owning entity or any interest therein; or (ii) any other actual or deemed “change in ownership” of the Building or the Land. In the event that the Building or Land is sold during the initial two (2) years following each respective initial Base Year, as described above, the applicable Base Year amount of Real Property Taxes shall be increased to reflect any increased assessment. The provisions of this Paragraph 4(f) shall not apply during any Extension Term.

(g) Tenant acknowledges and agrees that Operating Expenses do not include the cost of providing janitorial services to the Premises or the cost of utility services for the Premises, and that neither the cost of providing janitorial services to the Premises or the cost of utility services for the Premises are subject to the Base Year applicable to the Initial Premises or Must-Take Premises, as the case may be. Such cost of providing janitorial services to the Premises or the cost of utility services for the Premises shall be payable with respect to the entire Premises beginning on the Commencement Date. Tenant shall pay one hundred percent (100%) of the cost of the janitorial services for the Premises, as additional rent, on or before the first day of each calendar month of the Term, in advance, the amount of such janitorial services as reasonably estimated by Landlord in notices delivered to Tenant.

5. OTHER TAXES PAYABLE BY TENANT. Tenant shall reimburse Landlord upon demand for any and all taxes, other than Real Property Taxes, payable by Landlord (other than net income taxes and Real Property Taxes) whether or not now customary or within the contemplation of the parties hereto:

(a) imposed upon, measured by or reasonably attributable to the cost or value of Tenant’s equipment, furniture, fixtures and other personal property located in the Premises or by the cost or value of any leasehold improvements made in or to the Premises by or for Tenant that exceed fifty-five dollars ($55) per square foot of the rentable area of the Premises, regardless of whether title to such improvements shall be in Tenant or Landlord;

(b) imposed upon or measured by the Basic Monthly Rental payable hereunder, including, without limitation, any gross income tax or excise tax levied by the City and County of San Francisco, the State of California, the federal government or any other governmental body with respect to the receipt of such rental;

(c) imposed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof;

(d) imposed upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises.

In the event that it shall not be lawful for Tenant to so reimburse Landlord for any increase in such Real Property Taxes, then the Basic Monthly Rental payable to Landlord under this Lease shall be revised to net Landlord the same income after imposition of any such tax upon Landlord as would have been received by Landlord hereunder prior to the imposition of any such tax.

6. USE.

(a) Tenant shall have the right to use the Premises for any lawful purpose, and Tenant agrees not to use or permit the use of the Premises or any part thereof for any other purpose. Tenant agrees not to do or permit to be done in or about the Premises or the Building, or to bring or keep or permit to be brought or kept in or about the Premises or the Building, anything that is prohibited by or will in any way conflict with any law, statute or governmental regulation now or hereafter in effect, or that is prohibited by the standard form of fire insurance policy, or that will in
any way increase by a material amount the existing rate of (or otherwise affect) fire or any other insurance on the Building or any of its contents. If any act or omission of Tenant results in any such increase in premium rates, Tenant shall pay to Landlord, as additional rent, upon demand the amount of such increase, provided Landlord shall provide reasonable documentation of any increased assessment. Tenant agrees not to do or permit to be done anything in, on or about the Premises or the Building that will in any way obstruct or interfere with the rights of other tenants or occupants of the Building, or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose (in accordance with Landlord’s reasonable determination). Tenant agrees not to cause, maintain or permit any nuisance in, on or about the Premises or the Building, or to use or permit to be used any loudspeaker or other device, system or apparatus that can be heard outside the Premises without the prior written consent of Landlord or to permit any objectionable odors, bright lights or electrical or radio interference that may annoy or interfere with the rights of other tenants of the Building or the public. Tenant agrees not to commit or suffer to be committed any waste in or upon the Premises in excess of reasonable wear and tear and damage by casualty.

(b) So long as Tenant occupies the entire Building (excluding the Excluded Space), Tenant shall have the right to: exclusive use of the men’s and women’s locker rooms and shower facilities installed in the Building by Landlord; and exclusive use of the outdoor courtyard. Landlord will cooperate with Tenant to accommodate Tenant’s reasonable uses of the courtyard, including design changes to allow company events.

(c) So long as Tenant occupies at least fifty percent (50%) of the Building (excluding the Excluded Space), Tenant shall have the right to use a portion of the lobby of the Building for Tenant’s reception area and to have an employee stationed in the lobby in connection therewith.

(d) So long as Tenant occupies at least fifty percent (50%) of the Building (excluding the Excluded Space) and continues to lease the sixth (6th) and seventh (7th) floors of the Building, Tenant and invitees shall have the exclusive use of the roof deck located on the sixth (6th) floor of the Building. In no event shall the roof deck be accessible to the general public, but it may be accessed by Tenant’s invitees and the invitees of other Building tenants, excluding the tenant of the Retail Space, if Tenant does not have exclusive use of the roof deck. Tenant shall be responsible for keeping the roof deck in a clean and orderly condition and shall pay all costs associated with the maintenance and repairs of the roof deck (other than repairs necessary to correct defects in any initial construction done by Landlord, provided Tenant notifies Landlord of the necessity of such repairs prior to the third (3rd) anniversary of the IP Rent Commencement Date, which shall be the responsibility of Landlord), so long as Tenant has exclusive use of the roof deck. If Tenant does not have exclusive use of the roof deck, the cost to maintain and repair the roof deck shall be included in Operating Expenses, to the extent not covered by an express exclusion in Operating Expenses.

(e) The provisions of this Paragraph 6 are for the benefit of Landlord and Tenant only and shall not be construed to be for the benefit of any other tenant or occupant of the Building, except as otherwise provided herein. The rights of use provided in Paragraphs 6(b), (c) and (d) are exclusive to Splunk Inc., any Permitted Transferee and, so long as Tenant occupies one hundred percent (100%) of the Building (excluding the Excluded Spaces), to any assignee of Tenant’s entire interest in the Lease that is approved by Landlord in accordance with Paragraph 12 (an “Approved 100% Building Assignee”) of the Lease.

7. COMPLIANCE WITH LAWS/ENVIRONMENTAL MATTERS.

(a) Tenant agrees at its sole cost and expense to promptly comply in all material respects with all laws, statutes, ordinances and governmental rules, regulations or requirements now or hereafter constituted (provided, however, Tenant shall remedy any such violations (whether or not material) promptly after demand by Landlord); with any direction or occupancy certificate issued pursuant to law by any public officer; and with the provisions of all recorded documents affecting the Premises; provided, however, that subject to reimbursement as an Operating Expense pursuant to Paragraph 4, Tenant shall not be required to make or pay for alterations or improvements or cause compliance with law of any of the structural portions of the Premises or the Building, unless such alterations or improvements to the structural portions of the Premises or Building are necessitated by Tenant’s Alterations, acts or particular use of the Premises and are not the result of any initial failure of such structural portions to comply with any law in effect at the time such portions of the Building were constructed. The final, non-appealable judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant (whether Landlord be a party thereto or not) that Tenant has violated any such law, statute, ordinance or governmental rule, regulation, requirement, direction or provision, shall be conclusive of that fact as between Landlord and Tenant. If Tenant’s use or operation of the Premises or any of Tenant’s equipment therein requires Tenant to obtain a governmental permit, license or other authorization or any notice to any governmental agency (other than normal business licenses), Tenant shall provide a copy thereof to Landlord promptly after receipt by Tenant.
(b) Tenant shall not bring or keep, or permit to be brought or kept, in the Premises or in or on the Real Property any “hazardous substance” (as hereinafter defined), except for general office supplies customarily used by any office tenant with data rooms and related facilities (but also including kitchen, cafeteria and gym use and use of the Parking Garage), in the ordinary course of their business and in compliance with all environmental laws. Tenant shall not manufacture, generate, treat, handle, store or dispose of any hazardous substance in the Premises or in or on the Real Property, or use the Premises for any such purpose, or emit, release or discharge any hazardous substance into any air, soil, surface water or groundwater comprising the Premises or the Real Property in violation of law, or permit any person using or occupying the Premises to do any of the foregoing. Tenant shall comply, and shall cause all persons using or occupying the Premises to comply with all “environmental laws” (as hereinafter defined) applicable to the Premises, the use or occupancy of the Premises or any operation or activity therein. Tenant shall, within ten (10) days after Tenant’s receipt thereof, give written notice to Landlord of any notice or other communication (oral or written) regarding any (i) actual or alleged violation of environmental laws by Tenant or with respect to the Premises, (ii) actual or threatened release of any hazardous substance from the Premises, or (iii) the existence of any hazardous substance in or on the Premises or regarding any actual or threatened investigation, inquiry, lawsuit, claim, citation, directive, summons, proceeding, complaint, notice, order, writ or injunction relating to any of the foregoing. Tenant shall indemnify and defend Landlord against and hold Landlord harmless from all claims, demands, liabilities, damages, fines, encumbrances, liens, losses, costs and expenses, including reasonable attorneys’ fees and disbursements, and costs and expenses of investigation, arising from or related to the existence or after the Commencement Date of hazardous substances from the Premises as a result of contamination caused by Tenant or the existence on or after the Commencement Date of a violation of environmental laws by Tenant with respect to the Premises. To the extent Tenant has an indemnification obligation under this Paragraph 7(b), Tenant shall, to the reasonable satisfaction of Landlord, perform all remedial actions necessary to remove any hazardous substance in or on the Premises or to remedy any actual or threatened violation of environmental laws or to remedy any actual or threatened migration from the Premises of any hazardous substances. This Paragraph 7(b) shall survive termination of this Lease. As used in this Lease, “hazardous substance” shall mean any substance or material that is described as a toxic, hazardous, bio-hazardous, corrosive, ignitable, flammable or reactive substance, waste or material or a pollutant or contaminant, or words of similar import, in any of the environmental laws, and includes asbestos, petroleum, petroleum products, polychlorinated biphenyls, radon gas, radioactive matter, and chemicals that may cause cancer or reproductive toxicity. As used in this Lease, “environmental laws” shall mean all federal, state and local laws, ordinances, rules and regulations now or hereafter in force as amended from time to time, in any way relating to or regulating human health or safety, or industrial hygiene or environmental conditions, or protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater.

c) Tenant shall within three (3) business days after receipt furnish Landlord with any (i) notices received from any insurance company or governmental agency or inspection bureau regarding any unsafe or unlawful conditions within the Premises, and (ii) notices or other communications sent by or on behalf of Tenant to any person relating to environmental laws or hazardous substances.

d) California law requires landlords to disclose to tenants the existence of certain hazardous substances. Accordingly, the existence of gasoline and other automotive fluids, asbestos containing materials, maintenance fluids, copying fluids and other office supplies and equipment, certain construction and finish materials, tobacco smoke, cosmetics and other personal items must be disclosed. Gasoline and other automotive fluids will be found in the Parking Garage. Cleaning, lubricating and hydraulic fluids used in the operation and maintenance of the Building will be found in the utility areas of the Building not generally accessible to Building occupants or the public. Building occupants may use copy machines and printers with associated fluids and toners, and pens, markers, inks, and office equipment that may contain hazardous substances. Certain adhesives, paints and other construction materials and finishes used in portions of the Building may contain hazardous substances. Although smoking will be prohibited in the public areas of the Building, these areas may from time to time be exposed to tobacco smoke. Building occupants and other persons entering the Building from time to time may use or carry prescription and non-prescription drugs, perfumes, cosmetics and other toiletries, and foods and beverages, some of which may contain hazardous substances.

(e) As an inducement to Landlord to enter into this Lease, Tenant hereby represents and warrants that (1) no person, group, entity or nation named on any list issued by the Office of Foreign Assets Control of the United States Department of the Treasury (“OFAC”) pursuant to Executive Order 13224 or any similar list or any law, order, rule or regulation or any Executive Order of the President of the United States as a terrorist, “Specially Designated National and Blocked Person” or other banned or blocked person (any such person, group, entity or nation being hereinafter referred to as a “Prohibited Person”) has (i) any direct or indirect management control of Tenant, (ii) as of March 31, 2014, has any direct beneficial ownership of 25% or more of the outstanding voting equity of Tenant, (iii) to its knowledge as of March 31, 2014 has any direct ownership of less than 25% in the outstanding voting equity of
Tenant, and (iv) to its knowledge, has any indirect ownership or other legal or beneficial interest; and (2) neither Tenant (nor any person, group, entity or nation which owns or controls Tenant, directly or indirectly) has knowingly conducted or will knowingly conduct business or has knowingly engaged or will knowingly engage in any transaction or dealing with any Prohibited Person, including without limitation any assignment of this Lease or any subletting of all or any portion of the Premises or the making or receiving of any contribution of funds, goods or services to or for the benefit of a Prohibited Person. Tenant covenants and agrees (A) to comply with all requirements of law relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect, at the request of Landlord, confirm these representations retrospectively on an annual basis (within forty-five days of its annual filings) throughout the Term, (C) not to use funds from any Prohibited Person to make any payment due to Landlord under the Lease and (D) at the request of Landlord, to provide such information as may be reasonably requested by Landlord to determine Tenant’s compliance with the terms hereof. If Landlord reasonably believes that there has been a breach of this Section 7(g) (“OFAC Breach”), Landlord shall notify Tenant of such alleged OFAC Breach and Landlord shall cooperate in good faith with Tenant to determine if such an OFAC Breach has actually occurred. If it is reasonably determined that such an OFAC Breach has occurred, Tenant shall have a period of 15 business days (or such longer period of time reasonably required by the nature of the breach) to cure the OFAC Breach. If such OFAC Breach remains uncured after expiration of the applicable cure period, Landlord shall be entitled to treat the breach as an Event of Default by Tenant under this Lease and shall be covered by the indemnity provisions of Paragraph 13 above. The representations and warranties contained in this subsection shall be continuing in nature and shall survive the expiration or earlier termination of this Lease.

(f) The provisions of this Paragraph 7 are for the benefit of Landlord only and shall not be construed to be for the benefit of any tenant or occupant of the Building.

8. ALTERATIONS; LIENS.

(a) Except as expressly provided in the Work Letter, and except for cosmetic alterations that cost no more than one hundred thousand dollars ($100,000) per project and that do not require the issuance of a building permit and do not affect the Building systems (including, without limitation, sprinkler, fire alarm, electrical, heating, ventilating, air conditioning, plumbing, security, and controls), egress, demising walls, structural portions of the Building or exterior of the Building, including, without limitation, paint and carpeting, which shall be permitted without Landlord’s consent, Tenant agrees not to make or suffer to be made any alteration, addition or improvement to, or of, the Premises (hereinafter referred to as “Alterations”), or any part thereof, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Any such Alterations made by Tenant, including without limitation any partitions (movable or otherwise) or carpeting, shall become a part of the Building and belong to Landlord; provided, however, that Tenant shall use a general contractor, subcontractors, engineers and architects that are on Landlord’s approved list of design and construction professionals, or such other contractors, subcontractors, engineers, architects or professionals reasonably acceptable to Landlord, and Tenant shall hire union labor to perform all Alterations.

Tenant shall use union labor to perform all Alterations. All Alterations that require the consent of Landlord shall be made in accordance with plans and specifications submitted to Landlord for approval, and all Alterations shall be designed and constructed in compliance with all applicable laws, codes, ordinances, rules and regulations. The design and construction of any Alterations shall be performed in accordance with Landlord’s applicable rules, regulations and requirements which shall be applicable to all construction by tenants in the Building. Under no circumstances shall Landlord be liable to Tenant for any damage, loss, cost or expense incurred by Tenant on account of Tenant’s plans and specifications, Tenant’s contractors or subcontractors, design of any work, construction of any work, or delay in completion of any work. Tenant shall pay to Landlord a fee in the amount of three percent (3%) of the construction cost of any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7, if such fee is incurred in connection with any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7.

(b) Tenant shall pay to Landlord a fee in the amount of three percent (3%) of the construction cost of any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7, if such fee is incurred in connection with any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7. If Landlord consents to the making of any Alterations, the same shall be designed and constructed or installed by Tenant at its expense (including expenses incurred in complying with applicable laws, including laws relating to the handling and disposal of hazardous substances). Tenant shall use a general contractor, subcontractors, engineers and architects that are on Landlord’s approved list of design and construction professionals, or such other contractors, subcontractors, engineers, architects or professionals reasonably acceptable to Landlord, and Tenant shall hire union labor to perform all Alterations. All Alterations that require the consent of Landlord shall be made in accordance with plans and specifications approved in writing by Landlord, and all Alterations shall be designed and constructed in compliance with all applicable codes, laws, ordinances, rules and regulations. The design and construction of any Alterations shall be performed in accordance with Landlord’s applicable rules, regulations and requirements which shall be applicable to all construction by tenants in the Building. Under no circumstances shall Landlord be liable to Tenant for any damage, loss, cost or expense incurred by Tenant on account of Tenant’s plans and specifications, Tenant’s contractors or subcontractors, design of any work, construction of any work, or delay in completion of any work. Tenant shall pay to Landlord a fee in the amount of three percent (3%) of the construction cost of any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7, if such fee is incurred in connection with any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7.

(c) Tenant shall pay to Landlord a fee in the amount of three percent (3%) of the construction cost of any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7, if such fee is incurred in connection with any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7.

(d) Tenant shall pay to Landlord a fee in the amount of three percent (3%) of the construction cost of any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7, if such fee is incurred in connection with any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7.

(e) Tenant shall pay to Landlord a fee in the amount of three percent (3%) of the construction cost of any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7, if such fee is incurred in connection with any Alterations made by Tenant, including any Alterations made by Tenant that are not subject to the provisions of this Paragraph 7.
(b) Tenant agrees to keep the Premises and the Real Property free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. Tenant shall promptly and fully pay and discharge all claims on which any such lien could be based. In the event that Tenant does not, within ten (10) days following the recording of notice of any such lien, cause the same to be released of record (by payment or bonding over), Landlord shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All sums paid by Landlord for the purpose of removing or bonding over liens in accordance with the foregoing, and all expenses incurred by it in connection therewith, shall be payable to Landlord by Tenant, as additional rent, on demand, together with interest at the Interest Rate from the date such expenses are incurred by Landlord to the date of the payment thereof by Tenant to Landlord. Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law, or which Landlord shall deem proper for the protection of Landlord, the Premises, the Building, or the Real Property, from mechanic’s and materialmen’s and like liens. Tenant shall give Landlord at least ten (10) days’ prior written notice of the date of commencement of any construction on the Premises in order to permit the posting of such notices.

9. MAINTENANCE AND REPAIR.

(a) By taking possession of the Initial Premises and the Must-Take Premises, Tenant accepts the Initial Premises and the Must-Take Premises, as applicable, as being in the condition in which Landlord is obligated to deliver the Premises. Tenant, at its expense, shall at all times keep the Premises and every part thereof and all equipment, fixtures and improvements therein in good and sanitary order, condition and repair, damage thereto by fire, the perils of the extended coverage endorsement excepted, and Tenant waives all rights under, and benefits of, subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code and under any similar law or ordinance now or hereafter in effect. Upon the expiration or sooner termination of this Lease, Tenant shall surrender the Premises and (unless designated by Landlord to be removed in accordance with Paragraph 8 above or pursuant to the terms of the Work Letter) all Tenant Improvements and Alterations thereto to Landlord in the same condition as when received, ordinary wear and tear (except such as Tenant is obligated to repair to keep the Premises in good condition and repair) and damage thereto by fire, and other casualty excepted. It is agreed that, except as may be specifically set forth herein or in the Work Letter, Landlord has no obligation, and has made no promises, to alter, add to, remodel, improve, repair, decorate or paint the Premises or any part thereof and that no representations respecting the condition of the Premises, the Building or the Real Property have been made by Landlord to Tenant. Except for the items specified in the specifications for the Base Building Improvements, which Landlord represents and warrants will have the characteristics Landlord is obligated to construct in the Work Letter, no representation or warranty, express or implied, is made with respect to (i) the condition of the Premises or the Building, (ii) the present or future suitability or fitness of the Premises for Tenant’s intended or permitted use, (iii) the degree of sound transfer within the Building, (iv) the absence of electrical or radio interference in the Premises or the Building, (v) the condition, capacity or performance of electrical or communications systems or facilities, or (vi) the absence of objectionable odors, bright lights or other conditions that may affect Tenant’s use and enjoyment of the Premises or the Building.

(b) Landlord agrees to make all necessary repairs to the structural elements of the Building, the roof, the foundation, the floor slab, the elevators, the exterior, and the public and common areas of the Building and the building systems therein, and to maintain the same (x) in reasonably good order and in a condition comparable to other “Class A” buildings of comparable condition in the SOMA Market Area, and (y) in compliance with all laws, except to the extent resulting from Tenant’s specific use of the Premises (and not general office use) or any Alterations or Tenant Improvements made by Tenant (but not if required to correct any noncompliance of the Building or Tenant Improvements constructed by Landlord with the requirements of the Work Letter). The cost of making any repairs and performing such maintenance required to be performed by Landlord shall be included in Operating Expenses, except to the extent excluded by Paragraph 1(j) above, except as provided in Paragraph 6(d) with respect to the roof deck, and except as otherwise provided in this Lease. Any damage arising from the acts of Tenant, its agents, employees, contractors or invitees shall be repaired by Landlord at Tenant’s sole expense, unless covered under Landlord’s policy of insurance. Tenant shall pay Landlord on demand the cost of any repair for which Tenant is required to directly reimburse Landlord hereunder.

10. SERVICES.

(a) Provided that Tenant is not in default in the performance or observance of any of the terms, covenants or conditions of this Lease to be performed or observed by Tenant and the Lease has not terminated, Landlord, subject to the terms of this Paragraph 10 and subject to applicable laws, regulations and rules of public utilities, shall cause to be furnished to the Premises (1) at all reasonable times water and elevator service suitable for the use of the
Premises for ordinary office purposes, and otherwise as required in this Lease, (2) at all reasonable times, electrical power in the amounts per floor, connected load, as specified in the specifications for the Base Building Improvements, except as required for annual maintenance (of which Landlord will provide reasonable prior notice to Tenant), (3) heating, ventilation and air conditioning suitable for the comfortable use and occupation of the Premises (assuming normal office use thereof and subject to any restrictions on use as may be prescribed by any applicable policies or regulations of any utility or governmental agency), and otherwise in the amount and in accordance with the standards specified in the specifications for the Base Building Improvements, 8:00 a.m. to 6:00 p.m. Monday through Friday (“Business Hours”) and, if requested, 8:00 a.m. to 1:00 p.m. Saturdays, but excluding holidays; and, (4) janitorial service comparable to other “Class A” buildings of comparable condition in the SOMA Market Area on weekdays (excluding union holidays). Tenant agrees to pay, as additional rent, promptly on demand any and all costs incurred by Landlord (as reasonably documented by Landlord) in connection with providing any additional or excessive (i.e., amounts in excess of normal office use, as specified in the specifications for the Base Building Improvements, during Business Hours) utilities or services Landlord may provide that are not separately metered and paid directly by Tenant to the relevant utility. Unless otherwise specifically provided in this Lease, including, without limitation, the specifications for the Base Building Improvements, all means of distribution of all utilities within the Premises shall be supplied by Tenant at its expense, and Tenant shall bear the cost of water, gas, electricity, sewerage and other utilities serving the Premises. Tenant shall install, at Tenant’s expense, separate submeters on all floors in the Premises for electricity and any other utilities if required by the utility service provider or Landlord to adequately meter usage. Tenant agrees that at all times it will cooperate reasonably with Landlord and abide by all reasonable regulations and requirements that Landlord may prescribe for the proper functioning and protection of the Building heating, ventilating and air conditioning systems that do not unreasonably restrict the level of service to the Premises specified in this Paragraph. Landlord shall not be liable for and, unless such interruption results in an Adverse Condition under Paragraph 24 hereof, Tenant shall not be entitled to any abatement or reduction of Rental by reason of Landlord’s failure to furnish any of the foregoing or any other utilities or services when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or disputes of any character, by the limitation, curtailment, rationing or restrictions on use of electricity, gas or any form of energy, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord. No such failure and no interruption of utilities or services from any cause whatsoever shall constitute an eviction of Tenant, constructive or otherwise, or impose upon Landlord any liability whatsoever, including, but not limited to, liability for consequential damages or loss of business by Tenant. Tenant hereby waives the provisions of California Civil Code Section 1932(1) or any other applicable existing or future law, ordinance or governmental regulation permitting the termination of this Lease due to such failure or interruption. Landlord shall not be liable under any circumstances for injury to or death of any person or damage to or destruction of property, however occurring, through or in connection with or incidental to the furnishing of or the failure to furnish any of the foregoing utilities or services or any other utilities or services, unless caused by the gross negligence or willful misconduct of Landlord or/and Landlord’s agents, employees, directors, offices, members, partners or contractors.

(b) Landlord makes no representation to Tenant regarding the adequacy or fitness of the heating, air conditioning or ventilation equipment in the Building to maintain temperatures that may be required for, or because of, any of Tenant’s equipment that uses other than the fractional horsepower normally required for office equipment, and Landlord shall have no liability for loss or damage suffered by Tenant or others in connection therewith. If Tenant’s use of the heating, air conditioning or ventilation system exceeds normal office use and thereby causes damages to any of the air conditioning units or other equipment, the cost to repair or replace any such units or equipment due to such use shall be paid by Tenant to Landlord, as additional rent, upon demand by Landlord. If the temperature otherwise maintained in any portion of the Premises by the heating, air conditioning or ventilation system is affected as a result of (i) any lights, machines or equipment (including, without limitation electronic data processing machines) used by Tenant in the Premises, (ii) the occupancy of the Premises by more than one person per one hundred (100) square feet of rentable area therein, (iii) an electrical load for lighting or power in excess of the limits per square foot of rentable area of the Premises specified in Paragraph 10(c) below; (iv) any rearrangement of partitioning or other improvements, or (v) improper design, installation, operation or maintenance by Tenant of Tenant’s air distribution and control system, Landlord shall have the right, after providing thirty (30) days prior written notice to Tenant to install supplementary air conditioning units or other equipment Landlord deems appropriate in the Premises, and the actual cost thereof (without administrative markup), including the cost of installation, maintenance, repair and replacement thereof, shall be paid by Tenant to Landlord, as additional rent, within ten (10) business days after demand by Landlord, which shall be accompanied by reasonable documentation of such costs. Landlord shall have no responsibility for any supplemental air conditioning units or other equipment installed by Tenant in or for the Premises.

(c) Tenant agrees it will not, without the written consent of Landlord, use any equipment, apparatus or device in the Premises (including, without limitation, electronic data processing machines, computers or machines using current in excess of 110 volts provided copiers and other equipment that is customary in an office setting)
and draw 220 volts shall be permitted) that will, individually or in the aggregate, in any way cause the amount of electricity, water or heating, ventilation or air conditioning supplied to the Premises to exceed the amount usually furnished or supplied to premises being used as general office space or for the specific uses contemplated in approved Tenant Improvements and other improvements contemplated in the Work Letter, including, without limitation, kitchen, gym or shower use, or connect with electric current (except through existing electrical outlets in the Premises) or with water pipes any equipment, apparatus or device for the purposes of using electric current or water, other than the Tenant Improvements. Landlord shall not, in any way, be liable or responsible to Tenant for any loss or damage or expense that Tenant may incur or sustain if, for any reasons beyond Landlord’s reasonable control, either the quantity or character of electric service is changed or is no longer available or suitable for Tenant’s requirements. Tenant covenants that its use of electric current shall never exceed the capacity of the feeders, risers or electrical installations of the Building. If submetering of electricity or other utilities in the Building will not be permitted under future laws or regulations, and the utilities consumed by the Premises cannot reasonably be separately measured or allocated, the Basic Monthly Rental will then be equitably adjusted to include an additional payment to Landlord reflecting the cost to Landlord for furnishing electricity or other utilities to the Premises, as reasonably documented by Landlord.

(d) Tenant shall give reasonable advance notice in accordance with Landlord’s policies, which shall be reasonably consistent with the policies of other first class landlords in the SOMA Market Area, in making any request for utilities required outside of Business Hours. Tenant agrees to pay, as additional rent, promptly on demand any and all costs (without administrative mark-up, but including wear and tear on the applicable building systems, calculated in accordance with Landlord’s policies in effect in Buildings where it assesses such a charge for wear and tear on building systems, and, during any time that the Building has multiple office tenants, in accordance with Landlord’s policies for all office tenants of the Building), incurred by Landlord in connection with providing any additional utilities and services Landlord may provide outside of Business Hours, as reasonably documented by Landlord.

(e) The heating, air conditioning and ventilation system shall be capable of independent operation on a floor-by-floor or multi-zone basis in accordance with the plans for the Base Building Improvements.

(f) Landlord shall provide janitorial services for the Building, comparable to other “Class A” buildings of comparable condition in the SOMA Market Area on weekdays (excluding union holidays), including the Premises. Tenant shall have the right to request additional janitorial services from time to time, and Landlord will use commercially reasonable efforts to cause such additional services to be provided (at Tenant’s sole cost). Tenant acknowledges and agrees that Landlord may elect to engage union workers to provide such janitorial services. Landlord and Tenant agree that Landlord shall cause the exterior windows and the atrium roof/enclosure to be washed at least twice yearly, the cost of which shall be included in Operating Expenses.

(g) In the event any governmental authority having jurisdiction over the Real Property or the Building promulgates or revises any law, ordinance or regulation or building, fire or other code or imposes mandatory or voluntary controls or guidelines on Landlord or the Real Property or the Building relating to the use or conservation of energy or utilities or the reduction of automobile or other emissions (collectively “Controls”) or in the event Landlord is required or elects to make alterations to the Real Property or the Building in order to comply with such mandatory or voluntary Controls, Landlord may, in its sole discretion, comply with such Controls or make such alterations to the Real Property or the Building related thereto. Such compliance and the making of such alterations shall not constitute an eviction of Tenant, constructive or otherwise, or impose upon Landlord any liability whatsoever, including, but not limited to, liability for consequential damages or loss of business by Tenant, provided no such alteration shall make access to the Premises materially more inconvenient than the access existing before the relevant alteration.

(h) Subject to (i) all of the terms and conditions of this Lease, including the Rules and Regulations attached hereto as Exhibit B, (ii) emergency situations or other matters outside the reasonable control of Landlord, and (iii) the requirements of applicable laws, Tenant shall have access to the Premises and the Parking Garage twenty-four (24) hours per day, seven (7) days per week.

11. SECURITY; ACCESS; CONTROL.

(a) The Building shall have a live security guard on a twenty-four (24) hours per day, seven (7) days per week (“24/7”) basis. Landlord shall install a security camera system to monitor all points of access and egress to the Building. The live security guard shall generally monitor the camera feed on a 24/7 basis, subject to the security guard’s making routine rounds. Tenant shall have the right to install additional security infrastructure, with Landlord’s reasonable approval, and to connect Tenant’s security infrastructure to the Building security system at Tenant’s sole cost and expense. Additionally, subject to Landlord’s reasonable approval, Tenant shall have the right to specify the camera
and/or other visual monitoring system to be installed by Landlord; provided, however, that if the cost for such system exceeds the cost for the system selected by Landlord, then Tenant shall be pay Landlord for the increased cost prior to the installation of such system. During any portion of the Term in which Tenant leases the entire Building (exclusive of the Excluded Space), Tenant shall have the right to provide security service for the Building, in which case Landlord shall not be obligated to provide such service and there shall be an equivalent reduction in Operating Expenses attributed to the security services previously provided by Landlord.

(b) Landlord shall have the right from time to time to adopt such policies, procedures and programs as it shall, in Landlord’s sole discretion, deem necessary or appropriate for the security of the Building, and Tenant shall cooperate with Landlord in the enforcement of, and shall comply with, the policies, procedures and programs adopted by Landlord insofar as the same pertain to Tenant, its agents, employees, contractors and invitees. Landlord agrees to solicit Tenant’s input prior to adopting new, or materially modifying existing, security policies, procedures or programs. Tenant acknowledges that the safety and security devices, services and programs provided by Landlord from time to time, if any, may not prevent theft or other criminal acts, or insure the safety of persons or property, and Tenant expressly assumes the risk that any safety device, service or program may not be effective or may malfunction or be circumvented, unless caused by the gross negligence or willful misconduct of Landlord or its contractors or agents. In all events and notwithstanding any provision of this Lease to the contrary, Landlord and the other Landlord Parties (defined below) shall not be liable to Tenant, and Tenant hereby waives any claim against the Landlord Parties to the maximum extent permitted by law, for (i) any unauthorized or criminal entry of third parties into the Premises or the Building, (ii) any injury to or death of persons, or (iii) any loss of property in and about the Premises or the Building by or from any unauthorized or criminal acts of third parties, regardless of any action, inaction, failure, breakdown, malfunction and/or insufficiency of the security services provided by Landlord, or any allegation of active or passive negligence on the part of Landlord or the other Landlord Parties except to the extent covered by Landlord’s insurance or caused by the gross negligence or willful misconduct of Landlord or its contractors or agents. Tenant shall obtain insurance coverage to the extent Tenant desires protection against criminal acts and other losses.

(c) Except to the extent caused by the gross negligence or willful misconduct of Landlord or its agents or contractors, Landlord shall not be liable for damages resulting from any error with regard to the admission to or the exclusion from the Building of any person. In the case of invasion, mob, riot, public demonstration or other circumstances rendering such action advisable in Landlord’s opinion, Landlord reserves the right to prevent access to the Building during the continuance of the same by such action as Landlord may deem appropriate, including closing doors.

(d) In the event of any picketing, public demonstration or other threat to the security of the Building that is attributable in whole or in part to Tenant, Tenant shall reimburse Landlord for any costs incurred by Landlord in connection with such picketing, demonstration or other threat in order to protect the security of the Building, and Tenant shall indemnify and hold Landlord harmless from and protect and defend Landlord against any and all claims, demands, suits, liability, damage or loss and against all costs and expenses, including reasonable attorneys’ fees incurred in connection therewith, arising out of or relating to any such picketing, demonstration or other threat. Tenant agrees, to the extent that Tenant can do so without violating any applicable law, not to employ any person, entity or contractor for any construction or maintenance work in the Premises (including moving Tenant’s equipment and furnishings in, out or around the Premises) whose presence may give rise to a labor or other disturbance in the Building and, if necessary to prevent such a disturbance in a particular situation, Landlord may require Tenant to employ union labor for the work.

12. ASSIGNMENT AND SUBLETTING.

(a) Tenant shall not, either voluntarily or by operation of law (subject to subparagraph (e), below), (i) assign or transfer this Lease or any interest therein, (ii) sublet the Premises, or any part thereof, or (iii) enter into a license agreement or other arrangement whereby the Premises, or any portion thereof, are held or utilized by another party (each of the foregoing defined herein as a “Transfer”), without the express prior written consent of Landlord, which consent Landlord shall not unreasonably withhold, condition or delay. Any such act (whether voluntary or involuntary, by operation of law or otherwise) without the consent of Landlord pursuant to the provisions of this Paragraph 12 shall, at Landlord’s option, be void and/or constitute an Event of Default under this Lease. Consent to any Transfer shall neither relieve Tenant of the necessity of obtaining Landlord’s consent to any future Transfer nor relieve Tenant from any liability under this Lease.

By way of example and without limitation, the failure to satisfy any of the following conditions or standards shall be deemed to constitute reasonable grounds for Landlord to refuse to grant its consent to the proposed Transfer:
The proposed Transferee must expressly assume all of the provisions, covenants and conditions of this Lease on the part of Tenant to be kept and performed.

The proposed Transferee must in Landlord’s reasonable opinion, have the financial strength and stability to perform all of the obligations of the Tenant under this Lease (as they apply to the transferred space) as and when they fall due.

The proposed Transferee must be reasonably satisfactory to Landlord as to character and professional standing.

The proposed use of the Premises by the proposed Transferee must be, in Landlord’s reasonable opinion: (A) lawful; (B) in compliance with Paragraph 6 of this Lease; (C) appropriate to the location and configuration of the Premises; (D) unlikely to cause an increase in insurance premiums for insurance policies applicable to the Building, as reasonably demonstrated by Landlord; (E) a use not requiring any new tenant improvements that Landlord would be entitled to disapprove pursuant to Paragraph 8 hereof; (F) unlikely to cause any material increase in services to be provided to the Premises; and (G) unlikely to create any materially increased burden in the operation of the Building or in the operation of any of its facilities or equipment.

The proposed use of the Premises must not result in the division of any floor of the Premises into spaces that are smaller than one-half (1/2) of such floor.

At the time of the proposed Transfer, an Event of Default (as defined in Paragraph 18(a) below) shall not have occurred and be continuing.

The proposed Transferee shall not be a governmental entity or hold any exemption from the payment of ad valorem or other taxes that would prohibit Landlord from collecting from such Transferee any amounts otherwise payable under this Lease.

Landlord shall not be negotiating with, and shall not have at any time within the past thirty (30) days negotiated with, the proposed Transferee for space in the Building.

Except in the event of a proposed Transfer pursuant to Paragraphs 12(e) or 12(f) below, in the case of a proposed assignment of this Lease or a sublease of contiguous space containing square footage equal to or greater than two (2) full floors of the Building (with floors 6 and 7 constituting one (1) full floor for purposes of this determination) (the “Subject Sublease Space”) and for substantially the balance of the Term of this Lease, Landlord shall have the right, by notice to Tenant within ten (10) business days after receipt of Tenant’s Notice (defined below), to terminate this Lease in its entirety in the event of an assignment or with respect to the Subject Sublease Space in the event of a partial sublease, which termination shall be effective as of the date on which the intended assignment or sublease would have been effective if Landlord had not exercised such termination right. If Landlord elects to terminate this Lease (in full or with respect to the Subject Sublease Space, as applicable), then from and after the date of such termination, Landlord and Tenant each shall have no further obligation to the other, and Tenant shall have no further rights, under this Lease with respect to the Premises (in the case of an assignment) or the Subject Sublease Space (in the case of a sublease) except (i) Tenant shall be required to perform the removal and restoration obligations described in Paragraph 8(a), (ii) for matters occurring or obligations arising hereunder prior to the date of such termination or matters expressly stated to survive the expiration or termination of this Lease (in full or with respect to the Subject Sublease Space, as applicable), and (iii) Tenant’s Percentage Share shall be adjusted to reflect any space no longer subject to the Lease after the date of termination. If Landlord does not elect to terminate the Lease, Tenant may enter into such Transfer with any bona fide independent third-party Transferee (as defined below) within ninety (90) days of the end of such ten (10) business day period, so long as such Transfer is for the same base rent stated in Tenant’s Notice and such Transfer otherwise contains terms not more than five percent (5%) more favorable economically to the Transferee than the terms stated in Tenant’s Notice, taking into account all rent concessions, tenant improvements, and any other terms that have an economic impact on the Transfer; provided, however, that the prior written approval of Landlord for such Transfer must be obtained, and the other provisions of this Paragraph 12 must be complied with, all in accordance with this Paragraph 12. If Landlord elects to terminate the Lease (in full or with respect to the Subject Sublease Space, as applicable), then Landlord may enter into a new lease, sublease or other agreement covering the Premises (in the case of an assignment) or the Subject Sublease Space (in the case of a sublease) or any portion thereof with the intended Transferee on such terms as Landlord and such Transferee may agree, or enter into a new lease or agreement covering the Premises (in the case of an assignment) or the Subject Sublease Space (in the case of a sublease) or any portion thereof with any other person or entity, and in any such event, Landlord shall not have any liability for any real estate
brokers' commission(s) or with respect to any of the costs and expenses that Tenant may have incurred in connection with its proposed transfer, and Tenant agrees to indemnify, defend and hold harmless Landlord from and against any and all claims (including, without limitation, claims for commissions) arising from such proposed transfer. Landlord's rights under this Paragraph 12(b) shall continue throughout the entire term of this Lease.

(c) Tenant shall, in each instance of a proposed Transfer, give written notice to Landlord at least thirty (30) days prior to the effective date of any proposed Transfer, specifying in such notice (i) the nature of the proposed Transfer, (ii) the portion of the Premises to be transferred, (iii) the intended use of the transferred Premises, (iv) all material economic terms of the proposed Transfer, (v) the effective date thereof, (vi) the identity of the transferee under the proposed Transfer (the “Transferee”), (vii) current financial statements of the Transferee, and (viii) reasonably detailed documentation relating to the business experience of the Transferee (collectively, “Tenant’s Notice”). Tenant also shall promptly furnish Landlord with any other information reasonably requested by Landlord relating to the proposed Transfer or the proposed Transferee. Within fifteen (15) days after receipt by Landlord of Tenant’s Notice and any additional information and data requested by Landlord, Landlord shall notify Tenant of Landlord’s determination to either (i) consent to the proposed Transfer, or (ii) refuse to consent to such proposed Transfer. Landlord shall notify Tenant promptly after Tenant submits notice of a proposed Transfer of any information that Landlord shall require in addition to the information submitted by Tenant with the notice of the proposed Transfer.

(d) Unless the Transfer is a Permitted Transferee, fifty percent (50%) of all of the following (“Excess Rental”) shall be paid by Tenant to Landlord immediately upon receipt thereof by Tenant: (i) consideration paid or payable by Transferee to Tenant as consideration for any such Transfer; and (ii) rents received in connection with the Transfer by Tenant from Transferee in excess of the Rental payable by Tenant to Landlord under this Lease, less reasonable, documented, out-of-pocket costs paid by Tenant to third parties for brokerage commissions, tenant improvement costs and legal fees in connection with the subject Transfer amortized equally over the term of the sublease (in the case of a sublease) or the remaining term of the Lease (in the case of an assignment). If there is more than one sublease under this Lease, the amounts (if any) to be paid by Tenant to Landlord pursuant to the preceding sentence shall be separately calculated for each sublease and amounts due Landlord with regard to any one sublease may not be offset against rental and other consideration pertaining to or due under any other sublease. Upon Landlord’s request, Tenant shall assign to Landlord all amounts to be paid to Tenant by any Transferee and shall direct such Transferee to pay the same directly to Landlord, in which case Landlord shall pay to Tenant fifty percent (50%) of such Excess Rental within ten (10) business days after Landlord’s receipt thereof.

If this Lease is assigned, whether or not in violation of the terms of this Lease, Landlord may collect rent from the assignee, provided Landlord shall pay any portion of Excess Rentals owing to Tenant within ten (10) days after receipt thereof so long as no Event of Default exists. If the Premises or any part thereof is sublet, Landlord may, upon an Event of Default by Tenant hereunder, collect rent from the subtenant. In either event, Landlord may apply the amount collected from the assignee or subtenant to Tenant’s monetary obligations hereunder. Neither Landlord’s collection of rent from a Transferee nor any course of dealing between Landlord and any Transferee shall constitute or be deemed to constitute Landlord’s consent to any Transfer.

(e) Any Transfer to any corporation or entity Controlled (as hereinafter defined) by Tenant, or to the surviving corporation in the event of a consolidation or merger to which Tenant shall be a party, or otherwise in connection with any consolidation or merger of Tenant with any other person or entity shall not require the approval by Landlord in accordance with Paragraph 12(c) above and shall not require payment to Landlord of Excess Rentals, provided that, upon demand by Landlord, Tenant can reasonably establish that the primary purpose of such Transfer is not to avoid Tenant’s obligations under this Lease. The term “Controlled” as used herein shall mean the ownership of more than fifty percent (50%) of the voting stock of Tenant. Further, for purposes of clarification, while Tenant is a publicly traded company, no transfer of the shares of Tenant in any transaction in the public markets shall effect a Transfer.

(f) A sale, transfer or assignment of a general partner’s interest or any portion thereof in Tenant, if Tenant is a partnership, or a sale, transfer or assignment of thirty-five percent (35%) or more of the voting stock of Tenant if Tenant is a corporation, or a sale, transfer or assignment of thirty-five percent (35%) or more in the aggregate of the membership interests of Tenant if Tenant is a limited liability company, whether such sale, transfer or assignment occurs in a single transaction or a series of transactions, shall be deemed a Transfer and require Landlord’s consent in accordance with the procedures specified in Paragraph 12(c) above, except as otherwise expressly provided in Paragraph 12(e) above.
Tenant agrees that any instrument by which Tenant assigns this Lease or any interest therein or sublets or otherwise Transfers all or any portion of the Premises shall expressly provide that the Transferee may not further assign this Lease or any interest therein or sublet the sublet without Landlord’s prior written consent (which consent shall be subject to the provisions of this Paragraph 12), and that the Transferee shall comply with all of the provisions of this Lease and that Landlord may enforce the Lease provisions directly against such Transferee. No permitted subleasing by Tenant shall be effective until there has been delivered to Landlord a counterpart of the sublease in which the subtenant agrees to be and remain liable with Tenant for the payment of rent pertaining to the sublet space and for the performance of all of the terms and provisions of this Lease; provided, however, that the subtenant shall be liable to Landlord for rent only in the amount set forth in the sublease. No permitted assignment shall be effective unless and until there has been delivered to Landlord a counterpart of the assignment in which the assignee assumes all of Tenant’s obligations under this Lease arising on or after the date of the assignment or other document evidencing such assumption reasonably acceptable to Landlord, provided such document may be redacted to delete confidential business terms that are not related to payment of Excess Rental or other matters related to this Lease, or Landlord’s approval rights hereunder. The failure or refusal of a subtenant or assignee to execute any such instrument shall not release or discharge the subtenant or assignee from its liability as set forth above.

If Landlord consents to a Transfer hereunder and this Lease contains any renewal options, expansion options, rights of first refusal, rights of first negotiation or any other rights or options pertaining to additional space in the Building or the Building itself, such rights and/or options shall not run to the Transferee, unless the Transferee is a Permitted Transferee or unless otherwise expressly provided herein. Notwithstanding the foregoing, Tenant’s right to extend the term of this Lease under Paragraph 2(a) may be exercised by an Approved 100% Building Assignee.

Notwithstanding any provision of this Lease to the contrary, Tenant shall not mortgage, encumber or hypothecate this Lease or any interest therein without the prior written consent of Landlord, which consent may be withheld in Landlord’s sole and absolute discretion. Any such act without the prior written consent of Landlord (whether voluntary or involuntary, by operation of law or otherwise) shall, at Landlord’s option, be void and/or constitute an Event of Default under this Lease. The foregoing will not be deemed to prohibit any transaction whereby Tenant shall encumber or finance any personal property owned by Tenant and located in the Premises, provided that Landlord receives an agreement, in form reasonably acceptable to Landlord, limiting any such secured lender’s access to the Premises and obligating such secured lender to repair any damage caused by such entry.

The voluntary or other surrender of this Lease or of the Premises by Tenant or a mutual cancellation of this Lease shall not work a merger, and at the option of Landlord any existing subleases may be terminated or be deemed assigned to Landlord in which latter event the subleases or subtenants shall become tenants of Landlord.

In order for any Transfer to be effective, Tenant shall pay to Landlord the actual amount of Landlord’s out of pocket costs of processing each proposed Transfer (including, without limitation, attorneys’ and other professional fees (collectively “Processing Costs”), and the amount of all direct expenses reasonably incurred by Landlord arising from the assignee or sublessee taking occupancy of the subject space (including, without limitation, costs of freight elevator operation for moving of furnishings and trade fixtures, security service, janitorial and cleaning service, and rubbish removal service). Notwithstanding anything to the contrary herein, Landlord shall not be required to process any request for Landlord’s consent to a Transfer until Tenant has paid to Landlord the amount of Landlord’s estimate of the Processing Costs.

13. WAIVER; INDEMNIFICATION.

Neither Landlord nor Landlord’s agents, nor any member, shareholder, constituent partner or other owner of Landlord or any agent of Landlord, nor any contractor, officer, director or employee of any thereof (collectively, the “Landlord Parties”), shall be liable to Tenant, and Tenant waives all claims against Landlord and such other Landlord Parties for any injury to or death of any person or for loss of use of or damage to or destruction of property in or about the Premises or the Building by or from any cause whatsoever, including without limitation, earthquake or earth movement, gas, fire, oil, electricity or leakage from the roof, walls, basement or other portion of the Premises or the Building, except to the extent such injury, death or damage is caused by the gross negligence or willful misconduct of Landlord or any other Landlord Party, or is otherwise covered by the indemnity of Landlord provided herein.

Tenant agrees to indemnify and hold each and every Landlord Party harmless from and to protect and defend each and every Landlord Party against any and all third party claims, demands, suits, liability, damage or loss and against all costs and expenses, including reasonable attorneys’ fees incurred in connection therewith, (i) arising out of any injury or death of any person or damage to or destruction of property occurring in or on the Premises,
any cause whatsoever, except to the extent caused by the gross negligence or willful misconduct of such Landlord Party (provided, however, that prior to Substantial Completion, Tenant shall only be obligated to indemnify Landlord Parties for claims described in this clause (i) arising from Tenant’s gross negligence or willful misconduct), or (ii) occurring in, on or about any facilities (including without limitation elevators, stairways, passageways or hallways) the use of which Tenant has in common with other tenants, or elsewhere in or about the Real Property or in the vicinity of the Real Property, when such claim, injury or damage is caused in whole or in part by the act, neglect, default, or omission of any duty by Tenant, its former or current agents, contractors, employees, invitees, or subtenants or other persons in or about the Real Property, by reason of Tenant’s occupancy of the Premises, or otherwise by any negligent or wrongful conduct of any of said persons in or about the Premises or the Real Property, or (iii) arising from any failure of Tenant to observe or perform any of its obligations hereunder. If any action or proceeding is brought against any of the Landlord Parties by reason of any such claim or liability, Tenant, upon notice from Landlord, covenants to resist and defend at Tenant’s sole expense such action or proceeding by counsel selected by Tenant and reasonably approved by Landlord, provided such consent will not be unreasonably delayed. The provisions of this Paragraph shall survive the termination of this Lease with respect to any claims or liability occurring prior to such termination.

(c) Landlord agrees to indemnify and hold Tenant and its officers, employees and agents (collectively, the “Tenant Parties” and each a “Tenant Party”) harmless from and to protect and defend each and every Tenant Party against any and all third party claims, demands, suits, liability, damage or loss and against all costs and expenses, including reasonable attorneys’ fees incurred in connection therewith, arising out of any injury or death of any person or damage to or destruction of property occurring in, on or about the Real Property (including within the Premises) or in the vicinity of the Real Property to the extent caused by Landlord’s gross negligence or willful misconduct. If any action or proceeding is brought against any of the Tenant Parties by reason of any claim or liability for which Tenant is indemnified by Landlord hereunder, Landlord shall resist and defend at Landlord’s expense such action or proceeding by counsel selected by Landlord and reasonably approved by Tenant, provided such consent will not be unreasonably delayed. The provisions of this Paragraph shall survive the termination of this Lease with respect to any claims or liability occurring prior to such termination.

14. INSURANCE.

(a) At Tenant’s expense, Tenant shall procure, carry and maintain in effect throughout the term of this Lease, in a form and with deductibles acceptable to Landlord and with such insurance companies as are acceptable to Landlord (which companies shall have a Best’s rating of A-X or better), the following insurance coverages:

(i) Commercial general liability insurance, including Broad Form Property Damage and Contractual Liability with the following minimum limits: General Aggregate $2,000,000.00; Products/Completed Operations Aggregate $2,000,000.00; Each Occurrence $2,000,000.00; Personal and Advertising Injury $1,000,000.00; Medical Payments $5,000.00 per person,

(ii) Umbrella/Excess Liability on a following form basis with the following minimum limits: General Aggregate $10,000,000.00 (cumulative total); Each Occurrence $10,000,000.00 (cumulative total);

(iii) Workers’ Compensation with statutory limits;

(iv) Employer’s Liability insurance with the following limits. Bodily injury by disease per person $1,000,000.00; Bodily injury by accident policy limit $1,000,000.00; Bodily injury by disease policy limit $1,000,000.00;

(v) Property insurance on special causes of loss insurance form covering any and all Tenant Improvements and personal property of Tenant including but not limited to alterations, improvements, betterments, furniture, fixtures and equipment in an amount not less than their full replacement cost, with a deductible not to exceed $25,000.00; and

(vi) Comprehensive automobile liability insurance having a combined single limit of not less than One Million Dollars ($1,000,000.00) per occurrence, and insuring Tenant against liability for claims arising out ownership, maintenance or use of any owned, hired or non-owned automobiles.

(b) If Tenant elects to extend this Lease for the first Extension Term, effective as of the IP Expiration Date, Landlord, in its reasonable discretion, may require Tenant to increase the insurance limits set forth in
Paragraph 14(a) above, if such increase is consistent with insurance limits required of tenants of other “Class A” buildings in the SOMA Market Area at such time.

(c) All policies of liability insurance so obtained and maintained shall: be carried in the name of Tenant; name Landlord and Landlord’s designated agents as additional insureds; provide that the insurance policy so endorsed will be the primary insurance providing coverage for Landlord; and contain a cross-liability endorsement stating that the rights of insureds shall not be prejudiced by one insured making a claim or commencing an action against another insured. Any other liability insurance maintained by Landlord shall be excess and non-contributing. At Landlord’s election, such policies of Tenant shall name the holder of any Superior Interest or any other interested party as an insured party under a standard mortgagee endorsement.

(d) All insurance policies required under this Lease shall provide that the insurer shall not cancel, reduce, modify or fail to renew such coverage without thirty (30) days prior written notice to Landlord. Tenant shall deliver certificates of all insurance required hereunder prior to the Commencement Date. In the event Tenant does not comply with the requirements of this Paragraph 14, Landlord may, at its option and after five (5) days’ prior written notice to Tenant, at Tenant’s expense, purchase such insurance coverage to protect Landlord. The cost of such insurance shall be paid to Landlord by Tenant, as additional rent, immediately upon demand therefor, together with interest at the Interest Rate until paid.

(e) The parties release each other, and their respective authorized representatives, from any claims for loss or damage that are caused by or result from perils insured under any insurance policies carried by the parties in force at the time of any such damage. Each party shall cause each insurance policy obtained by it to provide that the insurer waives all right of recovery by way of subrogation against either party in connection with any loss or damage covered by the policy. Neither party shall be liable to the other for any loss or damage caused by the insured risks under any insurance policy required by this Lease.

(f) During the term hereof, Landlord shall maintain (subject to inclusion of the cost thereof in Operating Expenses) at least the following coverages: (i) Commercial general liability insurance, including Broad Form Property Damage and Contractual Liability with the following minimum limits: General Aggregate $2,000,000.00; Products/Completed Operations Aggregate $1,000,000.00; Each Occurrence $1,000,000.00; Personal and Advertising Injury $1,000,000.00; Medical Payments $5,000.00 per person; (ii) Umbrella/Excess Liability on a following form basis with the following minimum limits: General Aggregate $5,000,000.00 (cumulative total); Each Occurrence $5,000,000.00 (cumulative total); and property insurance on special causes of loss insurance form covering the Building in the amount of at least one hundred percent (100%) of the replacement value thereof (exclusive of footings and foundations), with a deductible thereunder that shall be reasonable when compared to the deductibles maintained by landlords of comparable buildings in the SOMA Market Area, and such other insurance as may be required by law or required by the Holder of any Superior Interest. Such insurance shall contain commercially reasonable waiver of subrogation endorsements. Landlord will provide Tenant with evidence that Landlord maintains the policies required hereunder, promptly after any request by Tenant.

15. PROTECTION OF LENDERS.

(a) Subject to subparagraph (b), below, this Lease shall be subject and subordinate at all times to all ground or underlying leases that may now or hereafter exist affecting the Building or the Real Property, or both, and to the lien of any mortgage or deed of trust in any amount or amounts whatsoever now or hereafter placed on or against the Building or the Real Property, or both, or on or against Landlord’s interest or estate therein (such mortgages, deeds of trust and leases are referred to herein, collectively, as “Superior Interests”), all without the necessity of any further instrument executed or delivered by or on the part of Tenant for the purpose of effectuating such subordination. Notwithstanding the foregoing, Tenant covenants and agrees to execute and deliver, upon demand, such further instruments evidencing such subordination of this Lease to any such Superior Interest (including a subordination, non-disturbance and attornment agreement) as may be required by Landlord or actual or prospective holder of such Superior Interest (“Holder”), and which does not materially affect any of the rights and remedies of Tenant under this Lease.

(b) Notwithstanding the foregoing, in the event of a foreclosure of any such mortgage or deed of trust or of any other action or proceeding for the enforcement thereof, or of any sale thereunder, this Lease shall not be terminated or extinguished, nor shall the rights and possession of Tenant hereunder be disturbed, if no Event of Default then exists under this Lease, and Tenant shall attorn to the person who acquires Landlord’s interest hereunder through any such mortgage or deed of trust.
(c) Within ten (10) business days after Landlord’s written request, Tenant shall deliver to Landlord, or to any Holder that Landlord designates, such financial statements as are reasonably required by such Holder to verify the financial condition of Tenant (or any assignee, subtenant or guarantor of Tenant). Tenant represents and warrants to Landlord and such Holder that each financial statement delivered by Tenant shall be accurate in all material respects as of the date of such statement. All financial statements shall be confidential and used only for the purposes stated herein. For so long as Tenant shall be a publicly traded company, delivery of such financial statements will not be required and any such Holder will rely on the publicly available financial statements of Tenant, and at all other times Tenant’s most recent financial statements prepared in the ordinary course of business shall be deemed to satisfy the foregoing.

(d) If Landlord is in default, Tenant shall accept cure of any default by any Holder whose name and address shall have been furnished to Tenant in writing. Tenant may not exercise any rights or remedies for Landlord’s default unless Tenant gives notice thereof to each such Holder and the default is not cured within thirty (30) days thereafter or such greater time as may be reasonably necessary to cure such default, provided the foregoing will not affect any right of Tenant to abatement or termination under Paragraph 24 hereof. A default that cannot reasonably be cured within said 30-day period shall be deemed cured within said period if work necessary to cure the default is commenced within such time and proceeds diligently thereafter until the default is cured subject to any right of Tenant to abatement or termination under Paragraph 24 hereof.

(e) If any prospective Holder should require, as a condition of any Superior Interest, a modification of the provisions of this Lease, Tenant shall approve and execute any such modifications promptly after request, provided no such modification shall relate to the Rental payable hereunder or the length of the Term hereof or otherwise materially alter the rights or obligations of Landlord or Tenant hereunder.

(f) With respect to any Superior Interests to which this Lease is now subordinate, Landlord shall (at no cost to Landlord) obtain from the Holder of such Superior Interest, for the benefit of Tenant, a subordination, non-disturbance and attornment agreement, providing generally that as long as there is no Event of Default under this Lease, this Lease will not be terminated if such Holder acquires title to the Real Property by reason of foreclosure proceedings, acceptance of a deed in lieu of foreclosure, or termination of the leasehold interest of Landlord, provided that Tenant attorns to such Holder in accordance with its requirements; and provided further, that the non-disturbance agreement shall contain exclusions and limitations on the obligations and liabilities of the Holder in the usual form of such Holder, but shall obligate the Holder to either pay any portion of the Tenant Improvement Allowance to which Tenant is entitled but that is unpaid after such Holder acquires title to the Property or allow Tenant to offset any such portion of the Tenant Improvement Allowance against future Monthly Basic Rental, and shall otherwise comply with Paragraph 15(a) hereof.

16. ENTRY BY LANDLORD.

(a) Landlord reserves, and shall at all times have, the right to enter the Premises upon at least twenty-four (24) hours’ prior notice to Tenant (except in an emergency) to inspect them; to supply janitorial service and any other service to be provided by Landlord hereunder; to submit the Premises to prospective purchasers, mortgagees or tenants (with respect to prospective tenants, only in the last twelve (12) months of the Term, subject to execution of a reasonable and customary nondisclosure agreement by any person having access to the Premises) to post notices of nonresponsibility; and to alter, improve or make repairs to the Premises and any portion of the Real Property as permitted or provided hereunder, all without abatement of Rental, unless such entry results in an Adverse Condition under Paragraph 24; and may erect scaffolding and other necessary structures in or through the Premises where reasonably required by the character of the work to be performed; provided, however, that any such entrance or work shall not unreasonably interfere with Tenant’s use of the Premises. If such entry is made as aforesaid, Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant’s business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned by such entry.

(b) Landlord reserves, and shall at all times have, the right to enter the Premises upon at least twenty-four (24) hours’ prior notice to Tenant (except in an emergency) to inspect them; to supply janitorial service and any other service to be provided by Landlord hereunder; to submit the Premises to prospective purchasers, mortgagees or tenants (with respect to prospective tenants, only in the last twelve (12) months of the Term, subject to execution of a reasonable and customary nondisclosure agreement by any person having access to the Premises) to post notices of nonresponsibility; and to alter, improve or make repairs to the Premises and any portion of the Real Property as permitted or provided hereunder, all without abatement of Rental, unless such entry results in an Adverse Condition under Paragraph 24; and may erect scaffolding and other necessary structures in or through the Premises where reasonably required by the character of the work to be performed; provided, however, that any such entrance or work shall not unreasonably interfere with Tenant’s use of the Premises. If such entry is made as aforesaid, Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant’s business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned by such entry. For each of the foregoing purposes, Landlord shall at all times have and retain a key and/or other access device with which to unlock all of the doors in, on and about the Premises (excluding Tenant’s vaults, safes and one or more secure areas of limited size designated in writing by Tenant in advance and approved by Landlord (the “Restricted Access Areas”)); and Landlord shall have the right to use any and all means that Landlord may deem proper to open said doors, including those into and within the Restricted Access Areas, in an emergency in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into or a detainer of the Premises, or any portion thereof, and Landlord shall not be responsible for any damage caused by such emergency entrance into any Restricted Access Area. Landlord will keep in strict confidence any confidential information or proprietary or trade secrets of Tenant or any third party that Landlord may discover or be exposed to, during such entry, except to the extent that (i) any such information was or becomes generally available.
to the public, (ii) any such information was or becomes available to Landlord on a non-confidential basis from a source other than Tenant, provided that such source is not to Landlord’s knowledge legally prohibited from transmitting the information, (iii) disclosure is reasonably necessary to comply with applicable law, (iv) disclosure is necessary or appropriate for the enforcement of this Lease (provided such disclosure shall be limited to matters required for such enforcement), or (v) disclosure is required by interrogatories, requests for information or documents in legal proceedings, a subpoena, a civil or administrative demand or investigation, regulatory investigation, or other similar process; provided, however, that in the event disclosure is required under this clause (v) Landlord shall provide Tenant with prompt notice of any such disclosure requirement so that Tenant may seek an appropriate protective order, and/or waive Landlord’s compliance with such requirement.

(b) With reasonable prior written notice to Tenant (except in an emergency, at the request of governmental authorities, or as required for life or safety, in which case no notice shall be required), Landlord also shall have the right at any time to change the arrangement or location or times of access of entrances or passageways, doors and doorways, and corridors, elevators, stairs, toilets or other public parts of the Building so long as access to the Premises is not made materially more inconvenient, and to change the name, number or designation by which the Building is commonly known, and none of the foregoing shall be deemed an actual or constructive eviction of Tenant, nor shall it entitle Tenant to any reduction of Rental hereunder or result in any liability of Landlord to Tenant.

17. ABANDONMENT. Tenant shall not vacate a material portion of the Premises or abandon the Premises or any part thereof at any time during the term hereof. Tenant understands that if Tenant leaves the Premises or any part thereof vacant, the risk of fire, other casualty and vandalism to the Premises and the Building will be increased. Therefore Tenant’s vacation of the Premises shall only constitute an Event of Default hereunder if Tenant fails to take reasonable security precautions as required to reasonably abate the risk of fire, other casualty and vandalism to the Premises. If Tenant abandons the Premises in accordance with Section 1951.3 of the California Civil Code, or tenant vacates a material portion of the Premises without instituting such security measures, such action by Tenant shall constitute an immediate Event of Default hereunder. If Tenant abandons, vacates or surrenders all or any part of the Premises in violation of the foregoing, or is dispossessed of the Premises by process of law, or otherwise, any movable furniture, equipment, trade fixtures, or other personal property belonging to Tenant and left on the Premises shall at the option of Landlord be deemed to be abandoned and, whether or not the property is deemed abandoned, Landlord shall have the right to remove such property from the Premises and dispose of it and charge Tenant for the removal and disposal and any restoration of the Premises as provided in Paragraph 8(a). Landlord may charge Tenant for the storage of Tenant’s property left on the Premises at such rates as Landlord may from time to time reasonably determine, or, Landlord may, at its option, store Tenant’s property in a public warehouse at Tenant’s expense, but Tenant will be provided with notice and a reasonable opportunity to retrieve such property. Notwithstanding the foregoing, neither the provisions of this Paragraph 17 nor any other provision of this Lease as provided in Paragraph 8(a) shall impose upon Landlord any obligation to care for or preserve any of Tenant’s property left upon the Premises, and Tenant hereby waives and releases Landlord from any claim or liability in connection with the removal and disposal of such property from the Premises and the storage thereof and specifically waives the provisions of California Civil Code Section 1542 with respect to such release. Landlord’s action or inaction with regard to the provisions of this Paragraph 17 shall not be construed as a waiver of Landlord’s right to require Tenant to remove its property, restore any damage to the Building caused by such removal or make any restoration required pursuant to Paragraph 8(a) hereof.

18. DEFAULT AND REMEDIES.

(a) The occurrence of any one or more of the following events (each an “Event of Default”) shall constitute a breach of this Lease by Tenant:

(i) Tenant fails to pay any Basic Monthly Rental or additional monthly rent under Paragraph 4(b) hereof as and when such rent becomes due and payable and such failure continues for more than three (3) business days after Landlord gives written notice thereof to Tenant; provided, however, that after the second such failure in any calendar year, only the passage of time, but no further notice, shall be required to establish an Event of Default in the same calendar year, and provided, further, that the foregoing shall be in addition to and not in lieu of any notice required under Section 1161 of the California Code of Civil Procedure; or

(ii) Tenant fails to pay any additional rent or other amount of money or charge payable by Tenant hereunder as and when such additional rent or amount or charge becomes due and payable and such failure continues for more than ten (10) days after Landlord gives written notice thereof to Tenant; provided, however, that after the second such failure in a calendar year, only the passage of time, but no further notice, shall be required to establish an Event of Default in the same calendar year; or
(iii) Tenant fails to perform or breaches any other agreement or covenant of this Lease to be performed or observed by Tenant as and when performance or observance is due and such failure or breach continues for more than thirty (30) days after Landlord gives written notice thereof to Tenant; provided, however, that if, by the nature of such agreement or covenant, such failure or breach cannot reasonably be cured within such period of thirty (30) days, an Event of Default shall not exist as long as Tenant commences with due diligence and dispatch the curing of such failure or breach within such period of thirty (30) days and, having so commenced, thereafter prosecutes with diligence and dispatch and completes the curing of such failure or breach within a reasonable time; or

(iv) Tenant (A) is generally not paying its debts as they become due, (B) 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 for liquidation or to take advantage of any bankruptcy, insolvency or other debtors’ relief law of any jurisdiction, (C) makes an assignment for the benefit of its creditors, (D) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers of Tenant or of any substantial part of Tenant’s property, or (E) takes action for the purpose of any of the foregoing; or

(v) Without consent by Tenant, a court or government authority enters an order, and such order is not vacated within sixty (60) days, (A) appointing a custodian, receiver, trustee or other officer with similar powers with respect to Tenant or with respect to any substantial part of Tenant’s property, or (B) constituting an order for relief or approving a petition for relief or reorganization or arrangement or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy, insolvency or other debtors’ relief law of any jurisdiction, or (C) ordering the dissolution, winding-up or liquidation of Tenant; or

(vi) This Lease or any estate of Tenant hereunder is levied upon under any attachment or execution and such attachment or execution is not vacated within sixty (60) days; or

(vii) Tenant vacates the Premises without taking the measures required in Paragraph 17, above, or abandons all or any portion of the Premises, in accordance with Section 1951.3 of the California Civil Code.

(b) If an Event of Default occurs, Landlord shall have the right at any time to give a written termination notice to Tenant, which notice shall state the Event of Default, and, on the date specified in such notice, Tenant’s right to possession shall terminate and this Lease shall terminate. Upon such termination, Landlord shall have the right to recover from Tenant:

(i) The worth at the time of award of all unpaid rent that had been earned at the time of termination;

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

(iii) The worth at the time of award of the amount by which all unpaid rent for the balance of the term of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and

(iv) All other amounts necessary to compensate Landlord for all detriment proximately caused by Tenant’s failure to perform all of Tenant’s obligations under this Lease or that in the ordinary course of things would be likely to result therefrom.

The “worth at the time of award” of the amounts referred to in clauses (i) and (ii) above shall be computed by allowing interest at the maximum annual interest rate allowed by law for business loans (not primarily for personal, family or household purposes) not exempt from the usury law at the time of termination or, if there is no such maximum annual interest rate, at the rate of twelve percent (12%) per annum. The “worth at the time of award” of the amount referred to in clause (iii) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). For the purpose of determining unpaid rent under clauses (i), (ii) and (iii) above, the rent reserved in this Lease shall be deemed to be the total rent payable by Tenant under Articles 3, 4, 5 and 10 hereof; for purposes of computing Tenant’s Percentage Share of increases in Operating Expenses and Real Property Taxes over the Base Year for the calendar year in which the default occurs and each future calendar year or portion thereof in the Lease Term, Tenant’s Percentage Share of increases in Operating Expenses and Real Property Taxes shall be assumed to be equal to the amount thereof for the calendar year prior to the year in which the default shall
(c) Even though Tenant has breached this Lease, this Lease shall continue in effect for so long as Landlord does not terminate Tenant’s right to possession, and Landlord shall have all of its rights and remedies, including the right, pursuant to California Civil Code Section 1951.4, to recover all rent as it becomes due under this Lease. Acts of maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon initiative of Landlord to protect Landlord’s interest under this Lease shall not constitute a termination of Tenant’s right to possession unless written notice of termination is given by Landlord to Tenant.

(d) The remedies provided for in this Lease are in addition to all other remedies available to Landlord at law or in equity, by statute or otherwise. All costs incurred by Landlord in connection with collecting any Rental or other amounts and damages owing by Tenant pursuant to the provisions of this Lease, or to enforce any provision of this Lease, including reasonable attorneys’ fees from the date such matter is turned over to an attorney, whether or not one or more actions are commenced by Landlord, shall also be recoverable by Landlord from Tenant. If any notice and grace period required under subparagraphs 18(a)(ii) or (iii) was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Tenant under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by subparagraphs 18(a)(ii) or (iii). In such case, the applicable grace period under subparagraphs 18(a)(ii) or (iii) and under the unlawful detainer statute shall run concurrently after the one such statutory notice, and the failure of Tenant to cure the default within the greater of the two (2) such grace periods shall constitute both an unlawful detainer and an Event of Default entitling Landlord to the remedies provided for in this Lease and/or by said statute.

(e) Notwithstanding any provision set forth in Paragraph 9 or 10 of the Lease to the contrary, if Tenant provides written notice to Landlord of an event or circumstance which requires the action of Landlord with respect to repair and/or maintenance, and Landlord fails to commence such action within a reasonable period of time, given the circumstances, after the receipt of such written notice, but in any event not later than thirty (30) days after receipt of such written notice (or not less than three (3) business days, if the matter is an emergency that requires immediate repair) and thereafter continue providing such action through completion, then Tenant may proceed to take the required action upon delivery of an additional ten (10) business days’ written notice to Landlord (or one (1) business day in the event of an emergency), specifying that Tenant is taking such required action if Landlord does not do so within the second notice period. If such action was required under the terms of the Lease to be taken by Landlord, then Tenant shall be entitled to prompt reimbursement by Landlord of Tenant’s reasonable costs and expenses in taking such action, as documented by Tenant, plus interest thereon at the Interest Rate. In the event Tenant takes such action, and such work will affect the Building’s life safety system, heating, ventilating and air-conditioning systems and/or elevator systems or the structural integrity of the Building, Tenant shall use only those contractors used by Landlord in the Building for work on such systems unless such contractors are unwilling or unable to perform such work, in which event Tenant may utilize the services of any other qualified contractor which normally and regularly performs similar work in “Class A” buildings in the SOMA Market Area. If Landlord refuses to reimburse Tenant or disputes Tenant’s right to take such action, Tenant’s sole remedy shall be to proceed to judicial reference in accordance with Paragraph 23(h) hereof.

19. DAMAGE BY FIRE OR OTHER CASUALTY.

(a) If the Premises are partially destroyed or damaged by fire or other casualty, Landlord shall, subject to Paragraph 19(b), 19(c), 19(d) and 19(f) below, repair such damage if, in Landlord’s reasonable judgment, such repair can be completed within two hundred ten (210) days under the laws and regulations of the state, federal, county and municipal authorities having jurisdiction, and this Lease shall remain in full force and effect, provided that if there shall be damage to the Premises from any such cause and such damage is not the result of the gross negligence or willful misconduct of Tenant, its agents, employees, contractors or invitees, Tenant shall be entitled to a reduction of Basic Monthly Rental while such repair is being made in the proportion that the area of the Premises rendered untenantable for Tenant’s use by such damage bears to the total area of the Premises. Tenant shall have the option either (i) to repair such damage, this Lease continuing in full force and effect, but with Basic Monthly Rental proportionately reduced (subject to the condition set forth in Paragraph 19(a) above), or (ii) to give notice to Tenant at any time within thirty (30) days
after the occurrence of such damage terminating this Lease as of a date specified in such notice, which termination date shall not be less than thirty (30) nor more than sixty (60) days after the giving of such notice. If such notice of termination is so given, the Lease and all interest of Tenant in the Premises shall terminate on the date specified in such notice, and the Basic Monthly Rental, reduced (subject to the condition set forth in Paragraph 19(a) above) in proportion to the area of the Premises rendered untenable by the damage, shall be paid up to the date of such termination, Landlord hereby agreeing to refund to Tenant any Rental theretofore paid for any period of time subsequent to the termination date.

(c) If the Building is damaged by fire or other casualty to the extent that the repair cost would exceed thirty-three percent (33%) or more of its replacement value, or if more than thirty-three percent (33%) of the rentable area of the Building is affected by fire or other casualty and repairs to the Building cannot, in Landlord’s reasonable judgment, be completed within two hundred ten (210) days, or if insurance proceeds sufficient to complete the repairs are not available due to exercise of rights of a Holder to collect such proceeds, and the damage not covered by insurance exceeds five hundred thousand dollars ($500,000), then in any such case, whether the Premises are damaged or not, Landlord shall have the right, at its option, to terminate this Lease by giving Tenant notice thereof within thirty (30) days of such casualty specifying the date of termination, which termination date shall not be less than thirty (30) nor more than sixty (60) days after the giving of such notice.

(d) If the Premises are damaged by fire or other casualty not resulting in whole or in part from the gross negligence or willful misconduct of Tenant or its employees, agents, contractors or subtenants and (i) the repair to the Premises cannot be completed, in Landlord’s reasonable judgment, within two hundred seventy (270) days, or (ii) Landlord, having commenced such reconstruction, fails to complete it in two hundred seventy (270) days plus the number of days of delay (if any) caused by Tenant Delay, then Tenant at its option may terminate this Lease. Tenant’s notice to Landlord of Tenant’s election to terminate the Lease under the preceding sentence must be delivered to Landlord within thirty (30) days after the occurrence of such damage, and the termination shall be effective as of a date specified in such notice, which termination date shall be no less than thirty (30) nor more than sixty (60) days after the giving of such notice. In the event of a termination of the Lease by Tenant under this Paragraph 19(d), the Rental shall be reduced in the same manner as provided under Paragraph 19(a) above.

(e) Notwithstanding any of the provisions of this Lease, Landlord shall in no event be required to repair any injury or damage by fire or other cause whatsoever to, or to make any repairs or replacements of, any panelings, decorations, partitions, railings, ceilings, floor coverings, equipment, trade or office fixtures or any other property of, or improvements (including the Tenant Improvements and any Alterations) installed on the Premises by, for or at the election of Tenant. Tenant hereby agrees to promptly repair any damage to the Tenant Improvements and any Alterations at its sole cost and expense in the event that Landlord is required to, or elects to, repair the remainder of the Premises pursuant to Paragraphs 19(a) or 19(b) above.

(f) If Landlord is required to, or elects, to repair the Building or Premises under this Paragraph 19, Landlord shall pursue such repairs with diligence throughout the relevant period, subject to Force Majeure.

(g) Tenant hereby waives the provisions of subsection 2 of Section 1932, subsection 4 of Section 1933, and Sections 1941 and 1942 of the California Civil Code.

20. EMINENT DOMAIN.

(a) If all or part of the Premises shall be taken by any public or quasi-public authority under the power of eminent domain or conveyance in lieu thereof, this Lease shall terminate as to any portion of the Premises so taken or conveyed on the date when title or the right to possession vests in the condemnor.

(b) If (i) a part of the Premises shall be taken by any public or quasi-public authority under the power of eminent domain or conveyance in lieu thereof; and (ii) Tenant is reasonably able to continue the operation of Tenant’s business in a manner comparable to that existing prior to such taking, in that portion of the Premises remaining; and (iii) Landlord elects to restore the Premises to an architectural whole, then this Lease shall remain in effect as to said portion of the Premises remaining, and the Basic Monthly Rental payable from the date of the taking shall be reduced in the same proportion as the area of the Premises taken bears to the total area of the Premises and Tenant’s Percentage Share shall be adjusted, if necessary, to reflect the revised rentable square footage of the Building occupied by Tenant. If, after a partial taking, Tenant is not reasonably able to continue the operation of its business in the Premises or Landlord elects not to restore the Premises as hereinabove described, then this Lease may be terminated by either Landlord or Tenant by giving written notice to the other party within thirty (30) days of the date of the taking. Such notice shall
specify the date of termination, which termination date shall be not less than thirty (30) nor more than sixty (60) days after the date of said notice.

(c) If a portion of the Building is taken, whether any portion of the Premises is taken or not, and Landlord reasonably determines that it is not economically feasible to continue operating the portion of the Building remaining, then Landlord shall have the option for a period of thirty (30) days after such determination to terminate this Lease. If Landlord reasonably determines that it is economically feasible to continue operating the portion of the Building remaining after such taking, then this Lease shall remain in effect, with Landlord, at Landlord’s cost, restoring the Building to an architectural whole.

(d) Landlord shall be entitled to any and all payment, income, rent, award, or any interest therein whatsoever that may be paid or made in connection with such taking or conveyance, and Tenant shall have no claim against Landlord or otherwise for the value of any unexpired term of this Lease or for the value of any improvements in or to the Premises. Tenant hereby assigns any such claim to the Landlord. Notwithstanding the foregoing, to the extent that the same shall not diminish Landlord’s recovery for such taking, Tenant shall have the right to make a claim directly to the entity expressing the power of eminent domain for moving expenses and for loss or damage to Tenant’s trade fixtures, equipment and movable furniture.

(e) Tenant hereby waives sections 1265.110 through 1265.160 of the California Code of Civil Procedure.

21. HOLDING OVER. Any holding over after the expiration or other termination of the Term of this Lease with the prior written consent of Landlord delivered to Tenant shall be construed to be a tenancy from month-to-month with respect to the applicable portion of the Premises at the Basic Monthly Rental in effect on the date of such expiration or termination (subject to adjustment as provided in Paragraph 3(a) hereof) on the terms, covenants and conditions herein specified so far as applicable. Any holding over after the expiration or other termination of the Term of this Lease without the prior written consent of Landlord shall be construed to be a tenancy at sufferance on all the terms set forth herein, except that the Basic Monthly Rental for the applicable portion of the Premises shall be an amount equal to one hundred fifty percent (150%) of the Basic Monthly Rental payable by Tenant for such portion of the Premises immediately prior to such holding over. Acceptance by Landlord of Rental after the expiration or termination of this Lease shall not constitute a consent by Landlord to any such tenancy from month to month or result in any other tenancy or any renewal of the term hereof. The provisions of this Paragraph are in addition to, and do not affect, Landlord’s right to re-entry or other rights hereunder or provided by law.

22. RIGHT OF FIRST NEGOTIATION TO PURCHASE REAL PROPERTY. During the Term, Tenant shall have a one (1) time right of first negotiation to purchase the Real Property (the “Right of First Negotiation”) subject to the terms and conditions set forth in this Paragraph 22. If, Landlord desires to sell all of the Real Property to an unrelated third party, Landlord shall first give written notice (the “Right of First Negotiation Notice”) to Tenant of such proposed sale which notice shall include Landlord’s proposed sales price for the Real Property. If Tenant wishes to exercise its Right of First Negotiation, then Tenant shall deliver written notice of such election (the “Acceptance Notice”) to Landlord within ten (10) business days after Tenant’s receipt of the Right of First Negotiation Notice. If Tenant timely exercises its right of first negotiation as set forth herein, Landlord and Tenant shall, within ten (10) business days after Landlord’s receipt of Tenant’s Acceptance Notice, meet and discuss the terms and conditions of a sale of the Real Property by Landlord to Tenant (the “Negotiation Meeting”). If Tenant does not timely deliver the Acceptance Notice to Landlord or if Landlord and Tenant do not reach agreement as to the material economic terms of a sale of the Real Property within ten (10) business days after the date of the Negotiating Meeting, Landlord shall be free to sell the Real Property to anyone to whom Landlord desires. Notwithstanding the foregoing, if the actual purchase price for which Landlord agrees to sell the Real Property to a third party is less than ninety (90%) of the purchase price specified in the Right of First Negotiation Notice, Landlord shall be required to offer pursuant to a written notice (the “Re-Offer Notice”) the Real Property to Tenant for sale at the lower purchase price, and otherwise on the same terms and conditions as negotiated between Landlord and the third party buyer, and Tenant shall have ten (10) business days after receipt of the Re-Offer Notice accept or reject the new terms and conditions. If Tenant does not timely respond to or rejects the Re-Offer Notice, Landlord shall be free to sell the Real Property to the third party on the terms and conditions specified in the Re-Offer Notice. If Landlord and Tenant do reach agreement as to the material economic terms of a sale of the Real Property, within ten (10) business days after the date of the Negotiating Meeting or if Tenant elects to purchase the Real Property pursuant to the terms of the Re-Offer Letter, then the sale of the Real Property to Tenant shall proceed in accordance with the terms agreed to between Landlord and Tenant in the Negotiating Meeting or the terms contained in the Re-Offer Notice, as applicable; provided, however, that (a) Tenant shall deliver to Landlord a deposit in the amount of two and five-tenths percent (2.5%) of the purchase price no later than three (3) business days after Landlord and Tenant
execute a purchase agreement containing all material terms agreed to in the Negotiation Meeting, or when Tenant accepts the terms of the Re-Offer Letter, and the parties execute a purchase agreement, as applicable, provided the purchase agreement will provide that such deposit will be refundable until Tenant accepts the Real Property following due diligence, (b) Tenant shall have a period of twenty (20) days following the execution of the purchase agreement (or such longer period agreed to by the parties), to conduct due diligence, at the end of which period, unless Tenant terminates the purchase agreement, the deposit shall become non-refundable unless there is an event of default thereunder by Landlord or the Building, or any significant portion thereof, is damaged, destroyed or condemned prior to closing, and (c) unless Tenant terminates the purchase agreement as provided in the foregoing subparagraph (b), the closing shall occur no later than forty-five (45) days after the date of the purchase agreement, or such later date as may be mutually agree. The rights under this Paragraph 22 are personal to Splunk Inc. and any Permitted Transferee and shall not apply to or be exercisable by any other Tenant. In addition, the Right of First Negotiation is a one-time right and shall apply only to the first (1st) sale of the Real Property by Landlord, not to any subsequent sales of the Real Property.

23. MISCELLANEOUS.

(a) Limitation on Landlord’s Liability. Any liability of Landlord (including without limitation Landlord’s members, partners, shareholders, affiliates, agents, and employees) to Tenant under this Lease shall be limited to the equity interest of Landlord in the Building and to any insurance proceeds payable to, or received by, Landlord, and Tenant agrees to look solely to such interest and proceeds for the recovery of any judgment, it being intended that Landlord and such other persons shall not be personally liable for any deficiency or judgment. Notwithstanding any other provision of this Lease, Landlord shall not be liable for any consequential damages, nor shall Landlord be liable for loss of or damage to artwork, currency, jewelry, bullion, unique or valuable documents, securities or other valuables, or for other property not in the nature of ordinary fixtures, furnishings and equipment used in general office activities and functions. Wherever in this Lease Tenant agrees to look solely to such interest and proceeds for the recovery of any judgment, it being intended that Landlord and such other persons shall not be personally liable for any deficiency or judgment, the Landlord and such other persons shall not be liable for any consequential damages, nor shall Landlord be liable for loss of or damage to artwork, currency, jewelry, bullion, unique or valuable documents, securities or other valuables, or for other property not in the nature of ordinary fixtures, furnishings and equipment used in general office activities and functions.

(b) Sale or Conveyance by Landlord. In the event of a sale or conveyance of the Building by Landlord, Landlord will provide written notice to Tenant of the relevant sale, and the transferor shall thereby be released from any further liability under this Lease as to matters arising after the date of the transfer, and, in such event, Tenant agrees to look solely to the successor in interest of such transferor in and to the Building and this Lease for matters arising after the date of the relevant transfer. Tenant agrees to attorn to the successor in interest of such transferor. If Landlord transfers the Property and assigns and delivers any non-cash Deposit or provides a credit against the purchase price in any sale with respect to any cash Deposit to the grantee or transferee of Landlord’s interest in the Real Property, Landlord shall be released from any further responsibility or liability for the Deposit from and after the date of the transfer (directly or by way of a credit) of the Deposit. Landlord shall, promptly after request by Tenant, confirm to Tenant that the Deposit has been transferred to any successor of Landlord.

(c) Estoppel Certificates. Each party shall, at any time and from time to time within ten (10) business days following a written request from the other party, the other party’s lender, or, in the case of Landlord, its ground lessor or the potential purchaser of all or a portion of Landlord’s interest hereunder, execute, acknowledge and deliver to the other party or such lender or other third party a statement in writing, (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect), (ii) certifying that there are not, to such party’s knowledge, any uncured defaults on the part of the other party hereunder, and that such party has no defenses to or offsets against its obligations under this Lease, or specifying such defaults, defenses or offsets if any are claimed, (iii) certifying the date that Tenant entered into occupancy of the Premises, the IP Rent Commencement Date, the MT Rent Commencement Date, the applicable Base Years and Tenant’s Percentage Share, if determined at the time the certificate is requested, (iv) certifying the amount of the Basic Monthly Rental and the Rental payable under Paragraph 4 and the date to which Rental is paid in advance, if any, and certifying that Tenant is entitled to no rent abatement or other economic concessions not specified in this Lease (v) evidencing the status of this Lease as may be required either by a lender making a loan affecting, or a purchaser of, the Premises, the Building, the Real Property or any interest therein from Landlord, (vi) certifying the amount of the Deposit, if any, (vii) certifying that the leasehold improvements to be constructed in the Premises by Landlord, if any, are completed (or specifying any obligations of Landlord respecting such leasehold improvements), (viii) certifying the full amount of any tenant improvement allowance has been paid by Landlord to Tenant (or specifying any amount still owing to Tenant), and (ix) certifying such other matters relating to this Lease and/or the Premises as
may be customarily requested by a lender making a loan to either party or a purchaser of the Premises, the Building, the Real Property or any interest therein from Landlord that do not materially and adversely affect Tenant’s rights and/or obligations under this Lease. Any such statement may be relied upon by, and shall upon either party’s request be addressed to, any prospective purchaser or encumbrancer of all or any portion of the Real Property or any interest therein.

Tenant shall, within ten (10) business days following request of Landlord, deliver such other documents including Tenant’s financial statements as are reasonably requested in connection with the sale of, or loan to be secured by, the Real Property or any part thereof or interest therein, provided that for so long as Tenant is a publicly traded company, delivery of such statements will not be required, and Landlord, or any lender purchaser or other person will rely on the publicly available financial statements of Tenant and if Tenant is not publicly traded, the most recent financial statements of Tenant prepared in the ordinary course of Tenant’s operations will be deemed to satisfy the foregoing. Landlord will keep any non-public financial data delivered to Landlord confidential, except to the extent that (i) any such information was or becomes generally available to the public, (ii) any such information was or becomes available to Landlord on a non-confidential basis from a source other than Tenant, provided that such source is not to Landlord’s knowledge legally prohibited from transmitting the information, (iii) disclosure is reasonably necessary to comply with applicable law, (iv) disclosure is necessary or appropriate for the enforcement of the Lease (provided such disclosure shall be limited to matters required for such enforcement), or (v) disclosure is required by interrogatories, requests for information or documents in legal proceedings, a subpoena, a civil or administrative demand or investigation, regulatory investigation, or other similar process; provided, however, that in the event disclosure is required under this clause (v), Landlord shall provide Tenant with prompt notice of any such disclosure requirement so that Tenant may seek an appropriate protective order. In addition, Landlord shall be permitted to disclose such information to Landlord’s employees, legal and financial advisors, investors, lenders, prospective lenders or prospective purchasers of the Property (provided any such third party agrees to maintain the confidentiality of such information). Any party’s failure to deliver said statement in the time required shall be conclusive upon the party who fails to deliver such statement that: (i) the Lease is in full force and effect, without modification except as may be represented by the party requesting the statement, (ii) there are no uncured defaults in the performance of the party from whom the statement is requested and the party from whom the statement is requested has no right of offset, counterclaim or deduction against Rental under the Lease and (iii) no more than one month’s Basic Monthly Rental has been paid in advance.

(d) Tenant’s Financial Statements. On or before April 15 of each year throughout the Term, Tenant shall deliver to Landlord Tenant’s audited financial statements (“Financial Statements”) for the fiscal year of Tenant ended on the previous January 31, which Financial Statements shall include a combined balance sheet of Tenant and its combined subsidiaries as at the end of such fiscal year, a combined statement of operations of Tenant and its combined subsidiaries for such fiscal year, provided that for so long as Tenant is a publicly traded company, delivery of such statements will not be required, and Landlord, or any Lender will rely on the publicly available financial statements of Tenant and if Tenant is not publicly traded, the most recent financial statements of Tenant prepared in the ordinary course of Tenant’s operations that were issued no more than one (1) year prior to delivery will be deemed to satisfy the foregoing. Landlord will keep any non-public financial data delivered to Landlord confidential, except to the extent that (i) any such information was or becomes generally available to the public, (ii) any such information was or becomes available to Landlord on a non-confidential basis from a source other than Tenant, provided that such source is not to Landlord’s knowledge legally prohibited from transmitting the information, (iii) disclosure is reasonably necessary to comply with applicable law, (iv) disclosure is necessary or appropriate for the enforcement of the Lease (provided such disclosure shall be limited to matters required for such enforcement), or (v) disclosure is required by interrogatories, requests for information or documents in legal proceedings, a subpoena, a civil or administrative demand or investigation, regulatory investigation, or other similar process; provided, however, that in the event disclosure is required under this clause (v), Landlord shall provide Tenant with prompt notice of any such disclosure requirement so that Tenant may seek an appropriate protective order. In addition, Landlord shall be permitted to disclose such information to Landlord’s employees, legal and financial advisors, investors, lenders, prospective lenders or prospective purchasers of the Property (provided any such third party agrees to maintain the confidentiality of such information).

(e) Landlord’s Right to Perform. All terms and covenants of this Lease to be performed or observed by Tenant shall be performed or observed by Tenant at Tenant’s expense and without any reduction of Rental. If Tenant fails to pay any Rental hereunder or fails to perform any other term or covenant hereunder on its part to be performed, and such failure shall continue for the greater of ten (10) business days or any cure period provided in this Lease (or such shorter period as may be reasonable under emergency circumstances), after written notice thereof by Landlord, Landlord, without waiving or releasing Tenant from any obligation of Tenant hereunder, may make any such payment or perform any such other term or covenant on Tenant’s part to be performed but shall not be obligated to do so. All sums so paid by Landlord and all necessary costs of such performance by Landlord, together with interest thereon at the Interest Rate from the date of such payment or performance by Landlord, shall be paid (and Tenant covenants to make such payment) to Landlord on demand by Landlord, and Landlord shall have (in addition to any other right or
remedy of Landlord) the same rights and remedies in the event of non-payment thereof by Tenant as in the case of failure by Tenant in the payment of Rental hereunder.

(f) **Rules and Regulations.** Tenant agrees to faithfully observe and to comply with the Building Rules and Regulations attached hereto as Exhibit B and incorporated herein by this reference, and all reasonable modifications of and additions thereto from time to time put into effect by Landlord that are applicable to all tenants of the Building and of which Tenant shall have reasonable prior written notice. Landlord shall not be responsible to Tenant for the non-performance by any other tenant or occupant of the Building of any said Building Rules and Regulations, but shall enforce such Building Rules and Regulations in a non-discriminatory manner. In the event any of the Building Rules and Regulations conflict with any express provision of this Lease, the provisions of this Lease shall govern.

(g) **Attorneys’ Fees.** In case any suit or other proceeding shall be brought for an unlawful detainer of the Premises or for the recovery of any Rental due under the provisions of this Lease or because of the failure of performance or observance of any other term or covenant herein contained on the part of Landlord or Tenant, including any proceeding or action in a bankruptcy case, the unsuccessful party in such suit or proceeding shall pay to the prevailing party therein reasonable attorneys’ fees and costs, which shall include fees and costs of any appeal, all as fixed by the Court.

(h) **Reference of Legal Actions to Referee.** Landlord and Tenant agree that every legal action, suit and proceeding arising (directly or indirectly) from, based on or in any way relating to this Lease (a “Legal Action”) shall be decided by a single referee appointed pursuant to California Code of Civil Procedure Sections 638 to 645.2, inclusive, in accordance with this Paragraph 23(h). This is a “reference agreement” within the meaning of California Code of Civil Procedure Section 638. Landlord and Tenant expressly waive any right to a trial by jury in any Legal Action. The referee for the Legal Action shall be one of the following persons: a retired Judge or a retired Justice from the California Superior Court, the California Court of Appeal or the California Supreme Court; a retired District Judge from the United States District Court for the Northern, Eastern, Central or Southern District of California; or a retired Circuit Judge from the United States Court of Appeals for the Ninth Circuit who sat in California. If Landlord and Tenant are unable to agree, then the person to act as the referee shall be appointed by the Superior Court of the State of California in and for the City and County of San Francisco in accordance with Code of Civil Procedure Section 640. The referee shall hear and determine all issues in the Legal Action, whether of fact or of law, and report a statement of decision. The Legal Action shall be conducted and the issues shall be determined in accordance with all applicable laws of the State of California. Landlord and Tenant shall each pay one-half (1/2) of all of the costs of the referee, but the prevailing party in the Legal Action shall be entitled to reimbursement from the unsuccessful party for the prevailing party’s share of all of the costs of the referee. The prevailing party also shall be awarded reasonable attorneys’ and expert witness fees, and all other actual costs and expenses incurred by the prevailing party in the Legal Action. Landlord and Tenant may apply to the Superior Court of the State of California in and for the City and County of San Francisco for temporary injunctive or other provisional equitable relief in a Legal Action prior to the appointment of the referee, and such application and related proceedings prior to the appointment of the referee shall not be a waiver of the enforceability and application of this reference agreement to the Legal Action or any other Legal Action. This reference agreement shall be specifically enforceable by a complaint or petition or motion seeking specific enforcement of this reference agreement.

(i) **Waiver.** The failure of a party to object to or to assert any remedy by reason of the other party’s failure to perform or observe any covenant or term hereof or its failure to assert any rights by reason of the happening or non-happening of any condition hereof shall not be deemed a waiver of its right to assert and enforce any remedy it may have by reason of such failure on the part of such other party or the happening or non-happening of such condition or a waiver of its rights to enforce any of its rights by reason of any subsequent failure of such other party to perform or observe the same or any other term or covenant or by reason of the subsequent happening or non-happening of the same or any other condition. No custom or practice that may develop between the parties hereto during the Term shall be deemed a waiver of, or in any way affect, the right of a party to insist upon performance and observance by the other party in strict accordance with the terms hereof. The acceptance of Rental hereunder by Landlord shall not be deemed to be a waiver of any preceding failure of Tenant to perform or observe any term or covenant of this Lease, other than the failure of Tenant to pay the particular Rental so accepted, irrespective of any knowledge on the part of Landlord of such preceding failure at the time of acceptance of such Rental. Landlord’s acceptance of partial payment of rent does not constitute a waiver of any rights, including without limitation any right Landlord may have to recover possession of the Premises.
(j) **Light, Air and View.** Tenant agrees that no diminution or shutting off of light, air or view by any structure that may be erected (whether or not by Landlord) on property adjacent to the Building shall in any way affect this Lease, entitle Tenant to any reduction of Rental hereunder or result in any liability of Landlord to Tenant.

(k) **Signage.** Landlord agrees to protect, defend, indemnify and hold Tenant harmless from any and all claims, loss, cost, damage and/or expense (including, without limitation, attorneys’ fees and court costs) by any real estate broker or salesperson or other entity or party claiming to have dealt with Tenant for a commission or finder’s fee as a result of Landlord’s entering into this Lease, other than the Broker identified in Paragraph K of the Summary of Lease Terms; or (ii) use for any purpose any image of, rendering of, or design based on, the exterior appearance or profile of the Building, provided, however, that Tenant shall be permitted to use professional quality images of the Building and may use the name of the Building, as customary for publicly traded companies in annual reports and other public documents, and in marketing materials for the business of Tenant, websites, and otherwise for the purpose of showing the location of the offices of Tenant.

(l) **Building Name.** Tenant agrees that it shall not, without first obtaining the written consent of Landlord (which consent may be withheld in Landlord’s sole and absolute discretion): (i) use the name of the Building for any purpose other than as the address of the business conducted by Tenant in the Premises; or (ii) use for any purpose any image of, rendering of, or design based on, the exterior appearance or profile of the Building.

(m) **Governing Law.** This Lease shall in all respects be governed by and construed in accordance with the laws of California. If any provision of this Lease shall be invalid, unenforceable or ineffective for any reason whatsoever, all other provisions hereof shall be and remain in effect.

(n) **Definitions.** The terms “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The term “Landlord” or any pronoun used in place thereof includes the plural as well as the singular and the successors and assigns of Landlord. The term “Tenant” or any pronoun used in place thereof includes the plural as well as the singular and individuals, firms, associations, partnerships and corporations, and each of their respective heirs, executors, administrators, successors and permitted assigns, according to the context hereof. Words used in any gender include the other gender. If there be more than one Tenant the obligations of Tenant hereunder are joint and several. The Paragraph headings of this Lease are for convenience of reference only and shall have no effect upon the construction or interpretation of any provision hereof.

(p) **Time is of the Essence.** Time is of the essence of this Lease with respect to the payment of Rental and the performance of all obligations.

(q) **Submission of Lease.** Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for a lease, and this instrument is not effective as a lease or otherwise until its execution and delivery by both Landlord and Tenant.

(r) **Broker.** Tenant agrees to protect, defend, indemnify and hold Landlord harmless from any and all claims, loss, cost, damage and/or expense (including, without limitation, attorneys’ fees and court costs) by any real estate broker or salesperson or other entity or party claiming to have dealt with Tenant for a commission or finder’s fee as a result of Tenant’s entering into this Lease, other than the Broker identified in Paragraph K of the Summary of Lease Terms (the “Broker”). Landlord agrees to protect, defend, indemnify and hold Tenant harmless from any and all claims, loss, cost, damage and/or expense (including, without limitation, attorneys’ fees and court costs) by the Broker and any real estate broker or salesperson or other entity or party not claiming to have dealt with Tenant for a commission or finder’s fee as a result of Landlord’s entering into this Lease.

(s) **Signage.** Landlord shall provide internal Building standard signage for Tenant and the Premises consistent with the Building standard signage program. Subject to Landlord’s reasonable prior approval, Tenant
shall have the right to install signage at the entrance to any of the Premises and throughout the Building lobby subject to Tenant’s specifications and at Tenant’s sole cost and expense; provided, however, that, if Tenant leases the entire Building (excluding the Excluded Space), then Landlord approval shall not be required with respect to any internal signage that is not visible from the exterior of the Building. In addition to the foregoing, so long as Tenant leases at least fifty-one percent (51%) of the total rentable square footage of the Building (excluding the Excluded Space), then Tenant shall have the right, at its sole cost and expense but subject to Landlord’s reasonable prior approval, to install Building exterior identifying signage on the Building in multiple locations, so long as such signage and Tenant’s installation thereof comply with all applicable laws as determined by Landlord, provided notwithstanding the foregoing, the signs depicted in Exhibit E will be deemed satisfactory to Landlord so long as the signs comply with all applicable laws and Tenant obtains all governmental approvals required for such signs. Tenant shall be responsible for all installation, maintenance and repair costs during the Term and for the removal (including all costs associated therewith) of such signage at the expiration of the Term or at such time as Tenant no longer leases at least fifty-one percent (51%) of the total rentable square footage of the Building (excluding the Excluded Space). So long as Tenant leases at least two-thirds (2/3) of the total rentable square footage of the Building (excluding the Excluded Space), Tenant shall have the exclusive right to exterior identifying signage on the Building and Landlord shall not grant such exterior identifying signage rights to any other tenant of the Building. If Tenant leases less than two-thirds (2/3) but more than fifty-one percent (51%) of the total rentable square footage of the Building (excluding the Excluded Space), then Tenant’s right to install Building exterior identifying signage (as specified above) shall not be exclusive, and Landlord shall have the right to allocate exterior identifying signage pro rata among all tenants of the Building, which may result in Tenant’s being obligated to remove or reduce in size or quantity (at Tenant’s sole cost) some of its exterior identifying signage.

(s) **Retail Space.** Landlord agrees to discuss with Tenant its preferences for a use for the Retail Space, provided, however, that Landlord shall have the right, in its sole discretion, to decide who such tenant shall be. In no event shall patrons or employees of the Retail Space have access to the other portions of the Building, including restrooms, and the Retail Premises may not have a separate access door to the lobby.

(t) **Authority.** If Tenant is a corporation (or other business organization), Tenant and each person executing this Lease on behalf of Tenant represents and warrants to Landlord that (a) Tenant is duly incorporated (or organized) and validly existing under the laws of its state of incorporation (or organization), (b) Tenant is qualified to do business in California, (c) Tenant has full right, power and authority to enter into this Lease and to perform all of Tenant’s obligations hereunder, and (d) the execution, delivery and performance of this Lease has been duly authorized by Tenant and each person signing this Lease on behalf of the Tenant is duly and validly authorized to do so. Concurrently with signing this Lease, Tenant shall deliver to Landlord a true and correct copy of resolutions duly adopted by the board of directors or constituent partners or members of Tenant, certified by the secretary of Tenant to be true and correct, unmodified and in full force, that authorize and approve this Lease and authorize each person signing this Lease on behalf of Tenant to do so. Landlord and each person executing this Lease on behalf of Landlord represents and warrants to Tenant that (a) Landlord is duly incorporated (or organized) and validly existing under the laws of its state of incorporation (or organization), (b) Landlord is qualified to do business in California, (c) Landlord has full right, power and authority to enter into this Lease and to perform all of Landlord’s obligations hereunder, and (d) the execution, delivery and performance of this Lease has been duly authorized by Landlord and each person signing this Lease on behalf of the Landlord is duly and validly authorized to do so.

(u) **Amendments.** This Lease may not be amended or modified in any respect whatsoever, except by an instrument in writing signed by Landlord and Tenant.

(v) **Construction.** The Exhibits and Addenda referenced in the Summary of Lease Terms are a part of this Lease and are incorporated herein by this reference. In the event of any discrepancy between the Lease and any such Exhibit or Addendum, the Exhibit or Addendum shall control. This Lease is the entire and integrated agreement between Landlord and Tenant with respect to the subject matter of this Lease, the Premises and the Building. There are no oral agreements between Landlord and Tenant affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, offers, agreements and understandings, oral or written, if any, between Landlord and Tenant or displayed by Landlord to Tenant with respect to the subject matter of this Lease, the Premises or the Building. There are no representations between Landlord and Tenant or between any real estate broker and Tenant other than those expressly set forth in this Lease and all reliance with respect to any representations is solely upon representations expressly set forth in this Lease.

(w) **Counterparts.** This Lease may be executed in counterparts, all of which shall constitute the same Lease, notwithstanding that all parties to this Lease are not signatory to the same or original counterpart. Delivery of an executed counterpart of this Lease by facsimile or electronic mail shall be equally as effective as delivery of an
24. ADVERSE CONDITION. If at any time during the Term, Tenant, in Tenant’s reasonable judgment, is unable to, and actually does not, use all or a material portion of the Premises, or Tenant is able to conduct its operations in all or any portion of the Premises only at a significantly reduced level or under materially adverse conditions (“Adverse Condition”) as a result of any of the following to the extent, and only to the extent, the following are within the reasonable control of Landlord: (a) Landlord’s breach of its repair and maintenance obligations under Paragraph 9, or Landlord’s interference with Tenant’s business arising from the making of any repairs, alterations or improvements that rise to the level of an Adverse Condition; (b) Landlord’s breach of its obligation not to unreasonably interfere with Tenant’s use of or access to the Premises and common area under Paragraph 16; or (c) Landlord’s failure to provide the services Landlord is obligated to provide under Paragraph 10 for a period of three (3) consecutive business days, regardless of cause (“Adverse Condition Period”), then Tenant may elect, by notice to Landlord, to have Rental abate proportionally as provided below, provided that with respect to the Adverse Condition in question, Tenant shall have given notice to Landlord of the occurrence thereof, which notice shall designate the cause or suspected cause of the Adverse Condition, if known to Tenant, and the portion of the Premises that is not usable by Tenant or in which the Adverse Condition exists. Rent shall abate, in the proportion that the rentable area of the affected portion of the Premises bears to the rentable square foot area of the Premises, for the period during which the Adverse Condition continues provided that such period shall not commence to run until the day after Tenant gives Landlord notice of the Adverse Condition as required above. If an Adverse Condition continues for sixty (60) consecutive days, Tenant shall thereafter have the on-going right, until such Adverse Condition is eliminated, to terminate this Lease as to all or any portion of the Premises. The provisions of this Paragraph 24 shall not apply to a casualty or an eminent domain taking, which shall be governed by Paragraphs 19 and 20, respectively, nor shall they apply to any Adverse Condition that is outside the reasonable control of Landlord (such as a utility provider being unable to provide utility services or any Adverse Condition caused by or resulting from Tenant’s acts or omissions).

25. PARKING.

(a) Upon payment of the Parking Rental (defined below), Tenant shall have the right to license on an exclusive basis all of the parking spaces (“Tenant’s Allotted Spaces”) in the Parking Garage. The use of Tenant’s Allotted Spaces shall be for the parking of motor vehicles used by Tenant, its officers, employees, invitees and customers only, and shall be subject to all applicable laws and the reasonable, uniform and non-discriminatory rules and regulations adopted by Landlord from time to time for the use of the Parking Garage. The Parking Rental payable by Tenant hereunder shall include all taxes imposed on the use of the parking spaces by any governmental or quasi-governmental authority. Parking Rental shall be due and payable in advance, as additional rent, on the first day of each month during which parking spaces are licensed hereunder. Parking spaces may not be assigned or transferred separate and apart from this Lease, and upon the expiration or earlier termination of this Lease, Tenant’s rights with respect to all licensed parking spaces shall immediately terminate. Tenant and its agents, employees, contractors, invitees or licensees shall not unreasonably interfere with the rights of Landlord or others entitled to similar use of the Parking Garage. Access to the Parking Garage will be available on a twenty-four (24) hour basis, with in and out privileges, subject to Paragraph 25(b) below and Force Majeure.

(b) The Parking Garage shall be subject to the reasonable control and management of Landlord, who may, from time to time, establish, modify and enforce reasonable, uniform and non-discriminatory rules and regulations with respect thereto. Landlord reserves the right to change, reconfigure, or rearrange the parking areas, to reconstruct or repair any portion thereof, and to restrict the use of any parking areas and do such other acts in and to such areas as Landlord deems necessary or desirable without such actions being deemed an eviction of Tenant or a disturbance of Tenant’s use of the Premises and without Landlord’s being deemed in default hereunder; provided that Landlord shall use commercially reasonable efforts to minimize (to the extent consistent with applicable laws) the extent and duration of any resulting interference with Tenant’s parking rights. In addition to the foregoing, so long as Tenant leases the entire Building (excluding the Excluded Space), Tenant shall have the right to increase the number of parking spaces in the Building Garage, at Tenant’s sole election and cost, such cost being limited to the valet service and any subsequent taxes or fees that are applicable to the extra parking. Notwithstanding the foregoing, if increasing the number of parking spaces requires obtaining approval from the San Francisco Planning Department or any other governmental agency, then Tenant shall not commence any such process to increase the number of parking spaces without Landlord’s direct prior involvement in dealing with such governmental agency. Tenant shall not be obligated to pay any additional Parking Rental fee for any additional parking stalls created by Tenant’s in accordance with this Paragraph 25(b).
programs. Tenant acknowledges that its activities on the Premises are subject to FSHP. Although Landlord makes no

The City and County of San Francisco adopted a City-wide “First Source Hiring Program” on August 3, 1998 by Ordinance No. 264-98, codified at San Francisco Administrative Code Sections 83.1-83.18. The First Source Hiring Program (“FSHP”) is designed to identify entry level positions associated with commercial activities and provide first interview opportunities to graduates of City-sponsored training programs. Tenant acknowledges that its activities on the Premises are subject to FSHP.
representation or warranty as to the interpretation or application of FSHP to the Premises, or to Tenant’s activities thereon, Tenant acknowledges that (i) FSHP may impose obligations on Tenant, including good faith efforts to meet requirements and goals regarding interviewing, recruiting, hiring and retention of individuals for entry level positions; (ii) FSHP requirements could also apply to certain contracts and subcontracts entered into by Tenant regarding the Premises, including construction contracts; and (iii) FSHP requirements, if applicable, may be imposed as a condition of permits, including building permits, issued for construction or occupancy of the Premises. Tenant agrees to complete, sign and deliver to the First Source Hiring Administration (the “FSHA”) of the City and County of San Francisco (a) the First Source Hiring Agreement attached hereto as Exhibit F (or any replacement form promulgated by the FSHA) promptly upon execution of this Lease, and (2) the Workforce Projects attached hereto as Exhibit G (or any replacement form promulgated by the FSHA) promptly upon execution of this Lease and on an annual basis.

[Signature Page Follows]

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IN WITNESS WHEREOF, Landlord and Tenant have executed and delivered this Lease as of the day and year first above written.

LANDLORD:
270 BRANNAN STREET, LLC, a Delaware limited liability company
By SKS 270 BRANNAN, LLC, a Delaware limited liability company, its managing member
   By: /s/ Paul E. Stein
   Its: President

TENANT:
SPLUNK INC., a Delaware corporation
By: /s/ Godfrey R. Sullivan
   Its: President, Chief Executive Officer & Chairman
By: /s/ David Conte
   Its: Senior Vice President, Chief Financial Officer
Real property in the City of San Francisco, County of San Francisco, State of California, described as follows:

BEGINNING AT A POINT ON THE NORTHWESTERLY LINE OF BRANNAN STREET, DISTANT THEREON 275 FEET NORTHEASTERLY FROM THE NORTHEASTERLY LINE OF SECOND STREET; AND RUNNING THENCE NORTHEASTERLY ALONG SAID LINE OF BRANNAN STREET 137 FEET AND 6 INCHES; THENCE AT A RIGHT ANGLE NORTHWESTERLY 275 FEET; THENCE AT A RIGHT ANGLE SOUTHWESTERLY 137 FEET AND 6 INCHES; THENCE AT A RIGHT ANGLE SOUTHEASTERLY 275 FEET TO THE POINT OF BEGINNING.

BEING PORTION OF 100 VARA BLOCK NO. 351.

ASSESSOR’S LOT 026; BLOCK 3774
1. Sidewalks, halls, passages, exits, entrances, elevators, escalators and stairways shall not be obstructed by tenants or used by them for any purpose other than for ingress to and egress from their respective premises. The halls, passages, exits, entrances, elevators, escalators and stairways are not for the use of the general public and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence, in the judgment of Landlord, would be prejudicial to the safety, character, reputation and interests of the Building and its tenants.

2. Except as provided in Paragraph 23(r) of the Lease, no sign, placard, picture, name, advertisement or notice, visible from the exterior of leased premises shall be inscribed, painted, affixed or otherwise displayed by any tenant either on its premises or any part of the Building without the prior written consent of Landlord, and Landlord shall have the right to remove any such sign, placard, picture, name, advertisement, or notice without notice to and at the expense of the tenant.

   If Landlord shall have given such consent to any tenant at any time, whether before or after the execution of the Lease, such consent shall in no way operate as a waiver or release of any of the provisions hereof or of such Lease, and shall be deemed to relate only to the particular sign, placard, picture, name, advertisement or notice so consented to by Landlord and shall not be construed as dispensing with the necessity of obtaining the specific written consent of Landlord with respect to any other such sign, placard, picture, name, advertisement or notice.

   No signs will be permitted on any entry door unless the door is glass. All glass door signs must be approved by Landlord, subject to Paragraph 23(r). Signs or lettering shall be printed, painted, affixed or inscribed at the expense of the tenant by a person approved by Landlord.

3. The bulletin board or directory of the Building will be provided exclusively for the display of the name and location of tenants and approved subtenants only, and Landlord reserves the right to exclude any other names therefrom. Landlord reserves the right to reasonably restrict the amount of directory space utilized by Tenant in proportion to the total amount of space on the directory, provided it shall not do so during any time that Tenant leases the entire Building.

4. No curtains, draperies, blinds, shutters, shades, screens or other coverings, hangings or decorations shall be attached to, hung or placed in, or used in connection with, any window on any premises without the prior written consent of Landlord. In any event, with the prior written consent of Landlord, all such items shall be installed inside of Landlord’s standard draperies and shall in no way be visible from the exterior of the Building. No articles shall be placed or kept on the window sills so as to be visible from the exterior of the Building.

5. Landlord reserves the right to exclude from the Building between the hours of 6 P.M. and 8 A.M. and at all hours on Saturdays, Sundays and holidays all persons other than employees of Tenant, who do not present a pass to the Building signed by Landlord. Landlord will furnish passes to persons for whom any tenant requests the same in writing. Each tenant shall be responsible for all persons for whom it requests passes and shall be liable to Landlord for all acts of such persons.

   Except to the extent caused by the gross negligence or willful misconduct of Landlord’s agents or employees, Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person.

   During any invasion, mob, riot, public excitement or other circumstance rendering such action advisable in Landlord’s opinion, Landlord reserves the right to prevent access to the Building by closing the doors, or otherwise, for the safety of tenants and protection of the Building and property in the Building.

Exhibit B-1
6. No tenant shall employ any person or persons other than the janitor of Landlord for the purpose of cleaning the premises, unless otherwise agreed to by Landlord in writing, subject to Paragraph 10(f) of the Lease. Except with the written consent of Landlord, no person or persons other than those approved by Landlord shall be permitted to enter the Building for the purpose of cleaning the same. Landlord shall in no way be responsible to any tenant for any loss of property on the premises, however occurring, or for any damage done to the property of any tenant by the janitor or any other employee or any other person. Janitorial service shall include ordinary dusting and cleaning by the janitor assigned to such work and shall not include beating or cleaning of carpets or rugs or moving of furniture or other special services. Janitorial service will not be furnished to any individual office or room on nights when such office or room is occupied after 9:30 p.m. Window cleaning shall be done only by Landlord, and at such intervals and such hours as Landlord shall deem appropriate or as otherwise expressly provided in the Lease.

7. No tenant shall accept barbering or bootblackng services in its premises, except from persons authorized by Landlord, and at hours and under regulations fixed by Landlord.

8. Each tenant shall see that the doors of its premises are closed and securely locked and must observe reasonable care and caution that all water faucets or water apparatus are entirely shut off before the tenant or its employees leave such premises, and that all utilities shall likewise be carefully shut off, so as to prevent waste or damage, and for any default or carelessness the Tenant shall make good all injuries sustained by other tenants or occupants of the Building or Landlord. On multiple-tenancy floors all tenants shall keep the door or doors to the Building corridors closed at all times except for ingress and egress.

9. No tenant shall alter any lock or install a new or additional lock or any bolt on any door of its premises without the prior written consent of Landlord, which shall not be unreasonably withheld. If Landlord shall give its consent to such locks or bolts, the tenant shall in each case furnish Landlord with a key for any such lock, subject to Paragraph 10, below.

10. Landlord will furnish Tenant without charge four (4) keys to each door lock provided in the Premises by Landlord. Landlord may make a reasonable charge for any additional keys. Tenant shall not have any such keys copied or any keys made. Each tenant, upon the termination of the tenancy, shall deliver to Landlord all the keys of or to the Building, offices, rooms and toilet rooms. If, with Landlord’s consent, Tenant installs any lock incompatible with the Building master locking system, Tenant shall remove each incompatible lock and replace it with a building standard lock at Tenant’s expense. Notwithstanding the foregoing, Tenant may designate one or more secure areas of limited extent within the Premises that will require that Landlord be accompanied by a Tenant representative during any access to such areas, except during an emergency. If Tenant does so, Landlord and Tenant will cooperate regarding reasonable procedures for the cleaning of any such area, provided Tenant will bear any additional costs incurred as a result of such special procedures and will not receive a credit against Rental for any services not provided to the secure area at Tenant’s request. In the event of the loss of any keys so furnished by Landlord, Tenant shall pay Landlord therefor.

11. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein, and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose employees or invitees, shall have caused it.

12. No tenant shall use or keep in its premises or the Building any kerosene, gasoline or inflammable or combustible fluid or material or use any method of heating or air conditioning other than that supplied or approved in writing by Landlord.

13. No tenant shall use, keep or permit to be used or kept in its premises any foul or noxious gas or substance or permit or suffer such premises to be occupied or used in a manner offensive or 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 therein. No animals or birds shall be brought or kept in or about any premises or the Building, subject to the rights of Tenant under Paragraph 27 of the Lease.

Exhibit B-2
14. No cooking shall be done or permitted by any tenant in its premises or elsewhere in the Building or in roofed exterior areas, except that (i) the preparation and heating of food, coffee, tea, hot chocolate and similar items for tenants and their employees shall be permitted, and cooking shall be permitted in any kitchens or cafeterias installed in the Premises pursuant to the Work Letter and/or any approved Alteration and (ii) cooking by Tenant will be permitted on the roof deck, subject to reasonable precautions against fire and compliance with all laws. No such premises shall be used for lodging. Tenant, at Tenant’s sole cost and expense and subject to Landlord’s reasonable approval as provided in the Work Letter, shall have the right to install a kitchen, inclusive of venting, grease traps and other related infrastructure, in the Premises.

15. Except with the prior written consent of Landlord, no tenant shall sell, or permit the sale, at retail of newspapers, magazines, periodicals, theater tickets or any other goods or merchandise in or on any premises, nor shall any tenant carry on, or permit or allow any employee or other person to carry on, the business of stenography, typewriting or any similar business in or from any premises for the service or accommodation of occupants of any other portion of the Building, nor shall the premises of any tenant be used for the storage of merchandise or for manufacturing of any kind, or the business of a public barber shop, beauty parlor, or any business or activity other than that specifically provided for in such tenant’s lease.

16. Landlord will direct electricians as to where and how telephone, computer and electrical wires are to be introduced or installed, however in no event will use of the ceiling plenum for such purposes be unreasonably restricted. No boring or cutting for wires will be allowed without the prior written consent of Landlord. The location of telephones, call boxes and other office equipment affixed to all premises shall be subject to the written approval of Landlord. All electrical appliances must be grounded and must meet UL Label Standards.

17. No tenant shall install any radio or television antenna, loudspeaker or any other device on the exterior walls or roof of the Building, except for the rights granted under Paragraph 26 of the Lease.

18. No tenant shall lay linoleum, tile, carpet or any other floor covering so that the same shall be affixed to the floor of its premises in any manner except as reasonably approved in writing by Landlord. The expense of repairing any damage resulting from a violation of this rule or the removal of any floor covering shall be borne by the tenant by whom, or by whose contractors, employees or invitees, the damage shall have been caused.

19. No furniture, freight, equipment, packages or merchandise shall be received in the Building or carried up or down the elevators, except between such hours, through such entrances and in such elevators as shall be designated by Landlord. Landlord reserves the right to require that moves be scheduled and carried out during non-business hours of the Building. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on wood strips or similar supports of such thickness as is necessary to properly distribute the weight thereof. Landlord will not be responsible for loss of or damage to any such safe or property from any cause, and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of the tenant.

20. No tenant shall overload the floor of its premises or mark, or drive nails, screw or drill into, the partitions, woodwork or plaster or in any way deface such premises or any part thereof, other than small wall hooks appropriate for hanging the personal art or photos of Tenant’s employees.

21. There shall not be used in any space, or in the public areas of the Building, either by any tenant or others, any hand trucks except those equipped with rubber tires and side guards. No other vehicles of any kind shall be brought by any tenant into or kept in or about any premises in the Building.

22. Each tenant shall store all its trash and garbage within the interior of its premises. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage in San Francisco without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entryways and elevators provided for such purposes and at such times as Landlord shall designate.
23. Tenant agrees not to employ any person, entity or contractor for any work in the Premises (including moving Tenant’s equipment and furnishings in, out of or around the Premises) whose presence may give rise to a labor or other disturbance in the Building, and, if necessary to prevent such a disturbance in a particular situation, Landlord may require Tenant to employ union labor for the work.

24. Canvassing, soliciting, distribution of handbills and other written materials and peddling in the Building are prohibited, and each tenant shall cooperate to prevent the same.

25. Landlord shall have the right, exercisable without notice and without liability to any tenant, to change the name and address of the Building.

26. The requirements of tenants will be attended to only upon application at the office of the Building. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instructions from Landlord, and no employee will admit any person (tenant or otherwise) to any office without specific instructions from Landlord.

27. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all tenants of the Building, subject to Paragraph 23(f) of this Lease.

28. These Rules and Regulations may be changed from time to time, as Landlord may deem reasonably appropriate, and are in addition to, and shall not be construed to in any way modify, alter or amend, in whole or in part, the terms, covenants and conditions of this Lease.

Exhibit B-4
EXHIBIT C

WORK LETTER AND CONSTRUCTION AGREEMENT FOR INITIAL IMPROVEMENT OF THE PREMISES

1. General:
   (a) The purpose of this Work Letter is to set forth how the Tenant Improvements are to be constructed, who will do the construction of the Tenant Improvements, who will pay for the construction of the Tenant Improvements, and the time schedule for completion of the construction of the Tenant Improvements. The term “Tenant Improvements” shall collectively mean all improvements to be constructed in the Premises, whether to be constructed by Tenant or Landlord in accordance with this Work Letter, the plans for which shall be approved by Landlord in accordance with this Work Letter, but not including the Base Building Improvements.
   (b) Except as defined in this Work Letter to the contrary, all terms utilized in this Work Letter shall have the same meaning as the defined terms in the Lease.
   (c) The provisions of the Lease, except where clearly inconsistent or inapplicable to this Work Letter, are incorporated into this Work Letter.
   (d) Except for the Tenant Improvements to be constructed pursuant to this Work Letter and the work described on Exhibit A attached hereto (the “Base Building Improvements”), Tenant shall accept the Premises in its “as is” condition.

2. Commencement Date:
   (a) The Commencement Date shall be determined in accordance with Paragraph 2(a) of the Lease and this Work Letter. For purposes of the Lease and this Work Letter, “Force Majeure” shall mean any delay in the completion of the Tenant Improvements or the Base Building Improvements due to any of the following: war; insurrection; strikes or substantial interruption of work because of labor disputes; lock outs; riots; floods; tidal waves; earthquakes; fires; quarantine restrictions; epidemics; casualties; acts of God; acts of the public enemy; government restrictions, delays or priorities; freight embargoes; inability to obtain materials or reasonably acceptable substitute materials; unusually inclement or severe weather; lack of transportation; court order; or any other similar causes beyond the control or without the fault of Landlord, but not inability to fund or pay for the construction of the Base Building Improvements or Tenant Improvements to be constructed by the relevant party. Any party asserting Force Majeure shall provide prompt written notice of any Force Majeure delay to the other party, which shall specify the nature and anticipated duration of the relevant delay.

3. Selection of Designer/Architect:
   The Plans (defined below) shall be prepared by an architect selected by Tenant and reasonably approved by Landlord (the “Architect”) who is familiar with the plans and specifications for the Base Building Improvements and with all applicable laws, statutes, codes, rules or regulations, including regulations and procedures promulgated by Landlord (collectively “Laws”) applicable to tenant construction in the Building. Tenant acknowledges that it has received from Landlord a copy of the LEED Tenant Design and Construction Guidelines for Tenant’s consideration in preparing the Plans.

4. Delivery of Premises to Lessee:
   Landlord shall deliver the possession of the Premises to the Tenant upon Substantial Completion (defined below) of the Base Building Improvements and the Landlord Construct TIs (defined below).

5. Preparation of Plans and Construction Schedule and Procedures:
   (a) Landlord has delivered the design drawings for the Base Building Improvements (contractor pricing set) (the “Base Building Design Drawings”) to Tenant prior to the date of this Work Letter.

Exhibit C-1
After the Base Building Design Drawings have been finalized (anticipated to be by June 25, 2014), Landlord shall deliver
construction drawings for the Base Building Improvements that are at least 50% complete (the “50% Base Building Construction Drawings). On or before
Landlord’s delivery of the 50% Base Building Construction Drawings, Landlord shall deliver to Tenant Landlord’s measurements of the rentable square footage
of the Building and each floor of the Building. Tenant shall notify Landlord of any objections Tenant has to such measurements within ten (10) business days
after Tenant’s receipt of Landlord’s measurements.

Landlord shall thereafter deliver drafts of the 100% complete construction drawings for the Base Building Improvements (the
“100% Base Building Construction Drawings”). Landlord anticipates being able to deliver the 100% Base Building Construction Drawings to Tenant by
October 1, 2014.

On or before the later of November 30, 2014, or thirty (30) days after the Landlord delivers the 100% Base Building Construction Drawings, Tenant shall submit to Landlord for its approval space plans and renderings/design (the “Space Plans”) for the Tenant Improvements, including Tenant’s signs and which Space Plan shall also include any reception station of Tenant to be located in the lobby, prepared by the Architect. Concurrently with its delivery of the Space Plans to Landlord, Tenant shall provide to Landlord any comments Tenant has with respect to the design and finish detailing of the common areas of the Building upon which Tenant is entitled to comment under Paragraph 10(a) (collectively, the “Tenant Comment Items”) and shall notify Landlord whether Tenant wishes to require a different security system for the Building in accordance with Paragraph 10(b). Landlord shall consider Tenant’s comments on the Tenant Comment Items as provided in Paragraph 10.

The Space Plans shall include a designation of the Initial Premises and the Must-Take Premises satisfying the requirements of Paragraph 1(g) of the Lease, as well as the Landlord Construct TIs (as defined in subparagraph (e), below).

Tenant shall have the right, at its sole election, to elect to cause all or a portion of the Tenant Improvements for the Must-Take Premises to be constructed concurrently with Substantial Completion of the Tenant Improvements for the Initial Premises (the Tenant Improvements to be constructed in all or a portion of the Must-Take Premises are herein referred to as the “Landlord Construct MT Premises TIs”). If Tenant elects to have only a portion of the Tenant Improvements to be constructed in the Must-Take Premises constructed concurrently with the Tenant Improvements to the Initial Premises then: (a) the Landlord Construct MT Premises TIs must (i) consist of full floors of the Must-Take Premises and (ii) be capable of being operated following Substantial Completion thereof, independent of the remainder of the Must-Take Premises; and (b) such floors of the Must-Take Premises must be clearly designated by Tenant on the Space Plans. The Tenant Improvements to be constructed in the Initial Premises and the Landlord Construct MT Premises TIs are collectively referred to herein as the “Landlord Construct TIs.” If Tenant elects to cause the construction of any portion of the Tenant Improvements to be constructed in the Must-Take Premises to commence after construction of the Tenant Improvements to be constructed in the Initial Premises and the Base Building Improvements (the “Tenant Construct TIs”), Tenant shall design and construct the Tenant Construct TIs in accordance with Paragraph 11 below. In such event, Landlord shall have no obligation to cause the Tenant Construct TIs to be constructed but shall be obligated to fund any amount of the Tenant Improvement Allowance allocated to the Tenant Improvements to be to be constructed by Tenant in the Must-Take Premises, based on the amount per square foot of the Tenant Improvement Allowance specified in Paragraph 6(a) hereof and the number of rentable square feet in the Must-Take Premises to be improved with Tenant Construct TIs that are not improved as part of the Landlord Construct TIs (the “MT TI Allowance Allocation”) in accordance with the terms of this Work Letter.

Within ten (10) business days after receipt, Landlord shall either approve such Space Plans, or specify (in sufficient detail that Tenant can understand and respond to Landlord’s requirements) by notice to Tenant the changes required to be made to the Space Plans. Tenant shall make any required revisions to the Space Plans and re-submit to Landlord within ten (10) business days of Tenant’s receipt of Landlord’s comments. Landlord shall notify Tenant in connection with the approval of the Space Plans, if Landlord considers that any of the Tenant Improvements are non-standard for office use (the “Non-Standard Improvements”) and must be removed by Tenant prior to the expiration or earlier termination of the Lease and the Premises repaired. Tenant acknowledges and agrees that Non-Standard Improvements shall include, without limitation, Tenant’s interior and exterior signage and any of the facilities described in Paragraph 9. Following Landlord’s notification, Tenant may revise the Space Plans to exclude some or all of the Non-Standard Improvements that Landlord requires be removed and resubmit the

Exhibit C-2
Space Plans for Landlord’s review in accordance with the foregoing. This procedure shall be repeated until the Space Plans are finally approved by Landlord, except that Landlord’s and Tenant’s response times for reviews and submissions following the first ones shall be reduced to five (5) business days.

(g) By the earlier of February 14, 2015 or ten (10) weeks after Landlord has approved the Space Plans, subject to Landlord Delivery Delay (defined below), Tenant shall submit to Landlord for its approval (i) Working Drawings for the Landlord Construct TIs prepared by the Architect, and (ii) and Engineering Drawings (the Working Drawings and Engineering Drawings are referred to herein collectively as the “100% DD Drawings”). The Working Drawings shall be reflective of a 100% Schematic Design/100% Design Development architectural set inclusive of interior usage, specifically noting how any relevant portion of the Must-Take Premises interior space to be constructed as part of the Landlord Construct TIs is to be addressed, wall locations and ceilings and shall include any special Tenant Improvements (as described in Paragraph 9) that Tenant intends to construct. The Engineering Drawings shall show complete plans for telephone outlets, electrical, plumbing work, heating, ventilating and air conditioning, security and fiber optics and design build plans for the fire sprinklers. The Engineering Drawings shall be reflective of a 100% Schematic Design/100% Design Development mechanical, electrical, plumbing (MEP) set, inclusive of mechanical zoning, rooftop equipment locations and emergency generator. The 100% DD Drawings shall show any special Tenant Improvements (as described in Paragraph 9) and any structural implications resulting from additive improvements selected as a part of Paragraph 9. Tenant may elect to use Landlord’s engineering/design consultants for the Base Building Improvements for the design of the Tenant Improvements, subject to a not-to-exceed proposal for services to be reviewed and approved by Tenant, but if Tenant does not, then Landlord’s engineering/design consultants for the Base Building Improvements shall have the right to review and approve the MEP design through the 100% Schematic Design phase, provided the reasonable cost thereof shall be charged to the Landlord Construct TI Allowance Allocation (as defined below). In addition to the foregoing, Tenant shall deliver to Landlord a drawing suitable for establishing project budgets (roughly a 100% Schematic Drawing set) for the Base Building Improvements and Landlord Construct TIs no later than the earlier of February 1, 2015 or eight (8) weeks after Landlord has approved the Space Plans, subject to Landlord Delivery Delay.

(h) Within fifteen (15) business days of receipt, Landlord shall either approve the 100% DD Drawings or specify (in sufficient detail that Tenant can understand and respond to Landlord’s requirements) by notice to Tenant the changes required to be made to the 100% DD Drawings, which Tenant shall make and re-submit to Landlord within five (5) business days of Tenant’s receipt of Landlord’s comments. This procedure shall be repeated until the 100% DD Drawings are finally approved by Landlord, with Landlord’s and Tenant’s response times being five (5) business days for all reviews and submissions following the first ones.

(i) By the earlier of April 1, 2015 or six (6) weeks after Landlord has approved the 100% DD Drawings, subject to Landlord Delivery Delay, Tenant shall submit to Landlord final plans (the “Plans”), which shall be defined as, and shall consist of, complete architectural and engineering plans for all of the Landlord Construct TIs, ready to submit for permit review and construction contract pricing, and specifications necessary to allow the Contractor (defined below) to build the Landlord Construct TIs in accordance with the final Plans. Tenant shall cause the Plans to be prepared by a consultant and/or design build subcontractor selected by Tenant and reasonably approved by Landlord. The Plans shall be reflective of a 90% Construction Document set suitable for permitting and bidding.

(j) Within ten (10) business days of receipt, Landlord shall either approve such Plans or specify (in sufficient detail that Tenant can understand and respond to Landlord’s requirements) by notice to Tenant the changes required to be made to such Plans, which Tenant shall make and re-submit to Landlord within five (5) business days of Tenant’s receipt of Landlord’s comments. This procedure shall be repeated until the Plans are finally approved by Landlord, with Landlord’s and Tenant’s response times being five (5) business days for all reviews and submissions following the first ones.

(k) No later than eight (8) weeks after Tenant has submitted the Plans to Landlord, Landlord shall submit to Tenant a copy of the Project Budget that details the Total Cost (defined below). Tenant shall provide to Landlord any comments Tenant has on the Project Budget (subject in all respects to the provisions of Paragraphs 6(b) and (c)) within ten (10) business days after receipt of the Project Budget from Landlord. Without limiting the

Exhibit C-3
foreshortening, if the Total Cost (as defined in Paragraph 6(a), below), as shown in the Project Budget exceeds the Landlord Construct TI Allowance Allocation (as defined below), Tenant shall have the right to request changes to the Plans to reduce the Total Cost, established in accordance with Paragraph 5(g), pursuant to the procedure provided in Paragraph 6(b) below.

(l) Landlord shall enter into a contract to build the Landlord Construct TIs (the “Construction Contract”) with the contractor selected by Landlord to construct the Base Building Improvements (the “Contractor”) as soon as reasonably possible after final approval of the Plans. Landlord shall provide the Construction Contract to Tenant for its review and reasonable approval (which review and approval shall include, without limitation, reasonable approval of the cost to construct the Landlord Construct TIs, which cost shall not exceed the approved Project Budget unless approved by Tenant, which approval will not be unreasonably withheld or delayed), prior to its execution. Landlord agrees that the Construction Contract shall state that: (i) no costs or fees shall be included that are duplicative of costs and fees included in the Landlord’s construction contract for the Base Building Improvements; (ii) the Contractor shall properly apportion costs and expenses between the Landlord Construct TIs and the Base Building Improvements; (iii) the Contractor’s fee with respect to the Landlord Construct TIs shall not exceed the lesser of market or three percent (3%) of the total hard construction costs for the Landlord Construct TIs; and (iv) the Contractor has not colluded with any other contractor or subcontractor to fix prices, overhead, profit or costs in connection with any bidding relating to the Landlord Construct TIs. All costs payable under the Construction Contract shall be subject to the terms of the immediately preceding sentence and shall be at Tenant’s sole and entire cost, subject to Tenant’s ability to utilize the portion of the Tenant Improvement Allowance allocated to the Initial Premises and, if Tenant elects to cause Landlord to construct the Tenant Improvements in the Must-Take Premises, the portion of the Must-Take Premises to be improved by Landlord concurrently with the improvement of the Initial Premises (the “Landlord Construct TI Allowance Allocation”).

(m) Landlord shall cause the Contractor to bid all major subcontractor work relating to the Landlord Construct TIs to at least three (3) reputable and licensed subcontractors and/or design build subcontractors for the major trades on an open book basis with Tenant. Tenant shall have the right to select one (1) of the three (3) subcontractors for the major trades, provided that subcontractor selected by Tenant meets the same requirements placed on the other subcontractors.

(n) Tenant agrees and understands that Landlord, by its review and approval thereof, shall not be the guarantor of, nor responsible for, the correctness or accuracy of any such Space Plans, Working Drawings, Engineering Drawings, 100% DD Drawings or Plans or compliance of such Space Plans, Working Drawings, Engineering Drawings, 100% DD Drawings or Plans with applicable laws. Tenant also acknowledges and agrees that the Space Plans, Working Drawings, Engineering Drawings, 100% DD Drawings and Plans shall be prepared in compliance with the Base Building Improvements, including the building systems.

(o) Tenant shall pay to Landlord a fee (the “Construction Management Fee”) for Landlord’s services in connection with this Work Letter, for the Landlord Construct TIs and the Tenant Construct TIs, equal to one and 50/100 dollars ($1.50) per rentable square foot of the Premises, which Construction Management Fee shall be deducted from the Landlord Construct TI Allowance Allocation and/or the MT TI Allowance Allocation, as applicable, and paid pro rata based upon the total percentage completion of the Landlord Construct TIs and (if applicable) the Tenant Construct TIs.

(p) Any failure by Tenant to comply with the dates and time limits in this Work Letter, including without limitation, any failure by Tenant to approve Working Drawings, Engineering Drawings, 100% DD Drawings or Plans within the time periods set forth shall constitute “Tenant Delays,” subject to Paragraph 7 hereof.

(q) Any change that Tenant makes to the Plans that delays the Substantial Completion of the Landlord Construct TIs beyond the time that it would have otherwise taken to cause Substantial Completion of the Landlord Construct TIs shall also constitute Tenant Delays, subject to Paragraph 7 hereof.

Exhibit C-4
As used in Paragraphs 5(g) and 5(i), “Landlord Delivery Delay” shall mean any delay in Landlord’s delivering the 100% Base Building Construction Drawings to Tenant beyond October 15, 2014 and/or any delays by Landlord in responding to Tenant’s submissions under Paragraphs 5(f) and/or 5(h) beyond the time periods specified therein. Tenant shall be entitled to one (1) day of delay in delivering the documentation specified to be subject to Landlord Delivery Delay under Paragraphs 5(g) and 5(i) for each day of Landlord Delivery Delay.

6. Construction of Landlord Construct TIs:

(a) Landlord shall make arrangements to construct the Landlord Construct TIs as soon as reasonably possible after receipt of all necessary permits and after the Project Budget has been finalized, consistent with industry custom and practice. Landlord will pay an amount equal to fifty-five dollars ($55) per rentable square foot of the Premises (the “Tenant Improvement Allowance”) toward the cost of the design and construction of the Tenant Improvements, whether constructed by Tenant or Landlord, including the fees of the Architect, consulting fees, fees for engineering, mechanical and electrical services, construction and/or project management fees, information technology, telephone/data cabling and building permits associated with the Tenant Improvements, and the Construction Management Fee (the “Total Cost”). Notwithstanding the foregoing, in no event shall Tenant be permitted to use more than five dollars ($5) per rentable square foot of the Premises from the Tenant Improvement Allowance to pay architectural and engineering fees (combined). The Total Cost shall include all costs associated with the design and construction of the Tenant Improvements, including, without limitation, all building permit fees, payments to design consultants for services and disbursements, all preparatory work, premiums for insurance and bonds, general conditions, such inspection fees as Landlord may incur, reimbursement to Landlord for permit and other fees Landlord may incur that are fairly attributable to the Tenant Improvement work and the cost of installing any additional electrical capacity or telecommunications capacity required by Tenant. In no event shall any portion of the Tenant Improvement Allowance be used to pay for personal property.

(b) If the Total Cost as shown in the Project Budget exceeds the Tenant Improvement Allowance, Tenant shall have the right to request changes to the Plans to reduce the Total Cost. Any such changes to the Plans or the Project Budget shall be subject to the provisions of Paragraph 5(q) of this Work Letter. In the event the Total Cost of the Landlord Construct TIs exceeds the Landlord Construct TI Allowance Allocation, Tenant shall pay, as Rental, the difference (the “Tenant Costs”) by making progress payments to Landlord (for payment to the Contractor) on a pro rata basis with payments made by Landlord from the Landlord Construct TI Allowance Allocation (in proportion to the amount that the Tenant Costs bears to the Total Cost) from time to time as the Landlord Construct TIs are constructed, based upon statements and invoices submitted by Landlord to Tenant. Tenant shall make such payments within twenty (20) days after receipt of the applicable statement and invoice, and Tenant’s failure to make timely payments shall constitute a Tenant Delay, subject to Paragraph 7 hereof, and shall be a payment default under the Lease, subject to any applicable grace or cure periods provided in the Lease. If the Landlord Construct TI Allowance Allocation is exhausted, Tenant shall pay the full balance due on all subsequent invoices and statements.

(c) In the event that Tenant requests any changes to such Plans in accordance with Paragraph 6(b) above, Landlord shall not unreasonably withhold its consent to any such changes, provided the changes do not adversely affect the Building’s structure, systems, equipment, security system or appearance, but if such changes increase the Total Cost of the Tenant Improvements shown on the Plans, Tenant shall pay the increased costs (to the extent the increased Total Cost exceeds the Landlord Construct TI Allowance Allocation) in the manner set forth in the preceding subparagraph (b). The costs charged by Landlord to Tenant caused by Tenant’s requesting changes to the Tenant Improvements shall be the amount of money Landlord has to pay to cause the Tenant Improvements, as reflected by revised Plans, to be constructed above the costs that Landlord would have had to pay to cause the Tenant Improvements to be constructed if no changes had been made to the Plans (the “Differential”), plus an amount equal to two percent (2%) of the Differential to compensate Landlord for its time and efforts in connection with such changes. If such changes delay Landlord’s completion of the Base Building Improvements or the Landlord Construct TIs, then such delay shall constitute Tenant Delays, subject to Paragraph 7 hereof. If the Total Cost of the Tenant Improvements is less than the Tenant Improvement Allowance, the difference shall be applied as a credit against the first installment(s) of Basic Monthly Rental due under the Lease; provided, however, that in no
event shall Tenant be permitted to apply any portion of the Tenant Improvement Allowance to Basic Monthly Rental unless and until all Tenant Improvements for the Premises have been constructed in accordance with the Plans.

(d) Notwithstanding anything to the contrary herein, the Tenant Improvement Allowance shall be allocated pro rata between the Initial Premises, any portion of the Must-Take Premises to be improved with Landlord Construct TIs and any portion of the Must-Take Premises to be improved with Tenant Construct TIs. The Tenant Improvement Allowance allocated to the Initial Premises and any portion of the Must-Take Premises to be improved by Landlord as part of the Landlord Construct TIs, must be used within eighteen (18) months after the IP Rent Commencement Date, and the Tenant Improvement Allowance allocated to the Must-Take Premises must be applied to the Total Cost or, if the Tenant Improvement Allowance exceeds the Total Cost, applied against Monthly Basic Rental, at Tenant’s request, within eighteen (18) months after the MT Rent Commencement Date. If all or a portion of Must-Take Premises is improved with Tenant Construct TIs, then Landlord shall advance the MT TI Allowance Allocation in accordance with Paragraph 11(f) below.

(e) Any other actions of Tenant, or inaction by Tenant, that delays Landlord or the Contractor in completing the Landlord Construct TIs in accordance with the Plans shall also constitute Tenant Delays, subject to Paragraph 7 hereof. Whenever possible and practical, Landlord will utilize, for the construction of the Landlord Construct TIs, the items and materials designated in the Plans. However, whenever Landlord determines in its reasonable judgment that it is not commercially reasonable to use such materials, Landlord shall have the right, upon receipt of Tenant’s consent, which consent shall not be unreasonably withheld or delayed, after a written request for such consent from Landlord that shall reasonably specify the changes, to substitute comparable items and materials. If Tenant refuses to grant such consent, and Landlord is delayed in causing Substantial Completion of the Landlord Construct TIs because of Tenant’s unjustified failure to permit the substitution of comparable items and materials, such delay shall constitute Tenant Delays, subject to Paragraph 7 hereof, provided Landlord shall at all times act diligently and reasonably to order or requisition any substitute materials and/or complete any such changes.

(f) Tenant acknowledges that the length of any Tenant Delay is to be measured by the duration of the delay in Substantial Completion caused by the event or conduct constituting Tenant Delay, which may exceed the duration of such event or conduct due to the necessity of rescheduling work or other causes. Landlord shall use commercially reasonable efforts to mitigate any excess delays resulting from rescheduling work or other causes.

(g) The obligation of Landlord to make any one or more payments pursuant to the provisions of this Work Letter, including payment of the Tenant Improvement Allowance, or to proceed with the construction of the Landlord Construct TIs shall be suspended without further act of the parties during any such time as there exists an Event of Default under the Lease or any event or condition that, with the passage of time or the giving of notice or both, would constitute such an Event of Default. In the event the construction of the Landlord Construct TIs subsequently resumes, any delays resulting from such suspension of work shall constitute Tenant Delays.

7. Notice of Tenant Delays: Landlord shall provide written notice to Tenant no later than ten (10) business days after Landlord becomes aware of an act or failure to act by Tenant, that could give rise to a Tenant Delay under this Work Letter or if such Tenant Delay arises from a request by Tenant for any changes to the Plans or Base Building Improvements, at the time Landlord delivers its approval of the relevant change. Each such written notice shall specify the nature and the reasonably expected duration of any relevant Tenant Delay, which shall not exceed the expected actual delay arising from the relevant act, failure to act or change. If the Landlord does not provide notice of the relevant Tenant Delay in the time provided herein after the relevant act, failure to act or request for change, it will be deemed to have waived the Tenant Delay asserted to arise from the relevant act, failure to act or change (but not any later act, failure to act, or change).

8. Substantial Completion:

(a) The term “Substantial Completion” means that all of the following have occurred: (a) Landlord (and Landlord’s construction manager) and Tenant’s Architect mutually agree that the Base Building Improvements have been completed in accordance with the permitted drawings and specifications described in

Exhibit C-6
Exhibit A attached hereto, but subject to subparagraph (b), below and the Landlord Construct TIs have been completed in accordance with the final Plans and any change orders; (b) Tenant is legally permitted to occupy the space included in the Landlord Construct TIs (as evidenced by a temporary or final certificate of occupancy or final inspection and sign-off on the job card for the Landlord Construct TIs or reasonable equivalent); (c) all of the building systems serving the space included in the Landlord Construct TIs have been completed and are in good order and operating condition; and (d) completion and clean and orderly condition of all Building common areas that Tenant must travel through for access to the Initial Premises.

(b) If Landlord completes sufficient portions of the common area that Tenant has adequate access to the portion of the Premises improved with Landlord Construct TIs, then Landlord shall notify Tenant of such completion and Tenant, at its sole election, shall agree to either accept the Base Building Improvements and Landlord Construct TIs, in which case the IP Rent Commencement Date shall commence, or refuse to accept delivery of the Base Building Improvements and Landlord Construct TIs until Substantial Completion of all necessary portions of the common area. Tenant shall not be permitted to occupy the Landlord Construct TIs until it has accepted delivery of the portion of the Premises improved with Landlord Construct TIs. Tenant’s acceptance of the portion of the Premises improved with Landlord Construct TIs prior to completion of all portions of the common areas necessary to provide access to the portion of the Premises improved with Landlord Construct TIs shall not relieve Landlord of its obligation to diligently complete all remaining common areas, which completion will be subject to Tenants’ acceptance.

(c) Landlord shall notify Tenant of Landlord’s determination that Substantial Completion has occurred and provide Tenant reasonable documents and information regarding the satisfaction of the requirements thereof. Landlord and Tenant shall set a mutually convenient time, which shall occur no later than five (5) business days after delivery of such notice to Tenant, for Tenant, Landlord and the Contractor to inspect the Initial Premises to confirm the occurrence of Substantial Completion and develop an agreed-upon list of punch-list items to be completed by Landlord. Landlord shall use commercially reasonable efforts to complete the punch-list items within thirty (30) calendar days after Substantial Completion.

(d) Any disputes between Landlord and Tenant (or Tenant’s architect) under this Paragraph 8 shall be resolved in accordance with Paragraph 13 below.

(e) Upon Substantial Completion, Tenant shall, through assignment from Landlord that shall be reasonably satisfactory to Tenant or otherwise, be given the benefit of all Contractor and manufacturer warranties applicable to the Landlord Construct TIs.

9. Special Tenant Improvements: Landlord agrees that Tenant shall have the right to include in the Plans for the Tenant Improvements the facilities described below, provided, however, that all costs associated with the design and construction of such Tenant Improvements (including any changes to the Base Building Improvements required to construct such Non-Standard Improvements), shall be at Tenant’s sole costs and expenses and shall not be paid for from the Tenant Improvement Allowance. Any delays in completing the Landlord Construct TIs resulting from the inclusion of any of the Tenant Improvements described in this paragraph 9 in the Plans shall constitute Tenant Delays:

(a) A gym facility located within the Premises, the scope and specific location of which shall be subject to Landlord’s reasonable approval;

(b) Shower facilities, in addition to those included in the Base Building Improvements, located within the Premises, the scope and specific location of which shall be subject to Landlord’s reasonable approval;

(c) A roof deck containing up to 3,570 square feet on the sixth (6th) floor roof of the Building, the design of which shall be subject to Landlord’s prior approval;

Exhibit C-7
Any kitchen installations permitted by Paragraph 14 of the Building Rules and Regulations attached as Exhibit B to the Lease; and

Communicating stairs through some or a portion of the Premises, the design and specific location of which shall be subject to Landlord’s reasonable approval, which approval may include the requirement (as provided above) that, at the expiration or earlier termination of the Lease, Tenant remove the communicating stairs and restore each connecting floor to a condition necessary to allow the full functionality of the floor after removal of the communicating stairs.

In addition to the foregoing, Tenant shall have the right, at its sole cost and expense (not to be paid for from the Tenant Improvement Allowance), to connect 250 Brannan Street to the Building by common access and/or common infrastructure, such as conduit, should such connection be feasible, subject to Landlord’s reasonable approval. Tenant shall be responsible for all related costs to connect the buildings and all restoration costs attributed to the connection. The provisions of this Paragraph 9 are personal to Splunk Inc. and any Permitted Transferee and may not be exercised by any other Tenant.

Landlord will reasonably cooperate with Tenant during the planning and design stages of construction to promptly specify any changes to the Base Building Improvements, and any anticipated change to the Project Budget or Total Cost of constructing such Base Building Improvements, that may result from any Non-Standard Improvements constructed by Tenant pursuant to the foregoing.

10. Base Building Improvements:

(a) Tenant shall have the right to comment on the design and finish detail of the Building’s common areas. Landlord shall provide Tenant plans/Building standards showing Landlord’s selected finishes for Tenant’s review. Tenant shall have the right to request that Landlord substitute materials used in, and otherwise modify the design of, the Building common areas, provided, however, that any such substitute materials or modifications shall be subject to Landlord’s reasonable approval. Tenant agrees that it would be reasonable for Landlord to reject any requests that would likely have a significant impact on the construction schedule, permitting or the future marketability of the Building, among other things. If approved by Landlord, Tenant shall be responsible for all costs in excess of the finishes selected by Landlord that result from Tenant’s finish selection and any increased costs resulting from the design modifications requested by Tenant, and such costs shall not be paid for from the Tenant Improvement Allowance. If the Landlord approves Tenant’s changes to the finishes or design modifications, Landlord shall notify Tenant, at the time it issues its approval, whether such finishes must be removed and replaced by Landlord’s selected finishes, or if the design modifications must be reversed, upon the expiration of the Term, the earlier termination of the Lease or at such earlier time as Tenant no longer leases the entire Building (excluding the Retail Space). Any delays in completing the Base Building Improvements resulting from Tenant’s requested changes to the finishes or design modifications shall constitute Tenant Delays, subject to Paragraph 7 hereof.

(b) Subject to Landlord’s reasonable approval, Tenant shall have the right to specify the security system (which may include cameras, card access, biometrics or other improvements) to be installed by Landlord in the Building. If the cost of the security system selected by Tenant exceeds the cost for the system designated by Landlord, Tenant shall pay the increased cost of such security system, and such costs shall not be paid for from the Tenant Improvement Allowance.

11. Design and Construction of Tenant Construct TIs:

(a) If any portion of the Must-Take Improvements is not included in the final Plans prepared by Tenant and approved by Landlord in connection with the Landlord Construct TIs, and Tenant will construct Tenant Construct TIs, Tenant shall prepare 100% DD Drawings and Plans therefor in accordance with the procedures set forth in Paragraph 5 of this Work Letter with the following modifications applicable to the Tenant Construct TI planning process: (i) in subparagraph 5(e) Tenant shall submit any requested revisions of the approved Space Plan for the portion of the Premises in which the Tenant Construct TIs are to be constructed, for Landlord’s

Exhibit C-8
approval; (ii) in subparagraph 5(f), Landlord shall not unreasonably withhold its approval, (iii) in subparagraph 5(g), the Tenant will prepare the 100% DD Drawings for the Tenant Construct TIs after any revisions to the Space Plan are finally approved; (iv) the time periods in subparagraph 5(h) will apply to any Landlord approval of the 100% DD Drawings for the Tenant Construct TIs and the response and revision times for any changes to the 100% DD Drawings shall be as set forth subparagraph 5(f); (v) in subparagraph 5(i) Tenant will prepare the Plans for the Tenant Construct TIs after approval of the 100% DD Drawings; (vi) the time periods provided in subparagraph 5(j) will apply to approval of the Plans for the Tenant Construct TIs; and (vii) subparagraphs 5(k)-(m) and subparagraph 5(o) will not apply, and subparagraph 5(p) will be deemed modified as set forth in subparagraph 11(b), below.

(b) Tenant shall be responsible for obtaining all necessary permits for the Tenant Construct TIs. Promptly after receipt of the necessary permits, Tenant shall instruct the contractor selected by Tenant and approved in writing by Landlord (the “Tenant Contractor”) to build the Tenant Construct TIs at Tenant’s sole and entire cost, subject to Tenant’s ability to utilize the MT TI Allowance Allocation to pay for such costs. Tenant shall hire Landlord’s mechanical and electrical engineers either to perform the mechanical and electrical design work associated with the Tenant Construct TIs, or if they do not perform such work, to perform a peer review of such mechanical and electrical design work performed by Tenant’s mechanical and electrical engineers. Tenant shall be solely responsible for, and Landlord specifically reserves the right to require Tenant to make at any time and from time to time during the construction of the Tenant Construct TIs, any changes to the Plans necessary to obtain any permit or to comply with all applicable regulations, laws, ordinances, codes and rules or to achieve functional compatibility with the mechanical, plumbing, life safety and electrical systems of included in the Base Building Improvements and any third-party warranties applicable thereto. Tenant shall pay to Landlord a Construction Management Fee as provided for in Paragraph 5(p) to compensate Landlord for its services in connection with this Work Letter, which fee will be deducted from the MT TI Allowance Allocation.

(c) After acceptance of bids, the Tenant Contractor shall administer the construction of the Tenant Construct TIs in accordance with the Plans. If Tenant requests the installation of any Tenant Construct TIs that are mechanical or electrical in nature or impact the Building’s structure, systems, equipment, security system or appearance, and such Tenant Construct TIs do not conform to the approved Plans or conflict with elements of the approved Plans after such administration begins, then such request shall be deemed a change and shall require Landlord’s prior written approval. In the event that Tenant requests any changes to the Plans, Landlord shall not unreasonably withhold its consent to any such changes, provided the changes do not adversely affect the Building’s structure, systems, equipment, security system or appearance.

(d) The Tenant Contractor and its subcontractors and materialmen shall maintain: (i) commercial general liability insurance, naming Landlord as an additional insured, in an amount of not less than five million dollars ($5,000,000) for the Tenant Contractor (inclusive of coverage provided under an umbrella policy) and one million dollars ($1,000,000) for subcontractors on a combined single limit basis; (and ii) all worker’s compensation insurance required by law. In addition, if any portion of the Tenant Construct TIs are constructed as part of a design/build process, the Tenant Contractor shall maintain errors and omissions insurance coverage in an amount of not less than one million dollars ($1,000,000).

(e) In addition to the indemnity obligations of Tenant under the Lease, Tenant shall indemnify, defend and protect Landlord and hold Landlord harmless from any and all claims, proceedings, loss, cost, damage, causes of action, liabilities, injury or expense arising out of or related to claims of injury to or death of persons or damage to property occurring or resulting directly or indirectly from the presence in the Premises or the Building of the Tenant Contractor and its employees, subcontractors, materialmen and suppliers in or about the Premises or Building during the construction period, such indemnity to include, but without limitation, the obligation to provide all costs of defense against any such claims. This indemnity shall survive the expiration or sooner termination of the Lease.

(f) Landlord shall make progress payments from the MT TI Allowance Allocation on a pro rata basis with payments made by Tenant (i.e., Landlord’s portion of each Tenant’s progress payment shall be the same percentage of the total amount of such progress payment as the percentage that the MT TI Allowance Allocation is of the total cost for the construction of the Tenant Construct TIs) from time to time as the Tenant
Construct TIs are constructed, based upon statements and invoices submitted from the Tenant Contractor, but subject to a ten percent (10%) holdback (which Landlord shall disburse in accordance with standard construction practices) and appropriate lien releases. Landlord shall pay the balance of the MT TI Allowance Allocation upon receipt of properly executed final mechanics lien releases in compliance with California Civil Code Section 8138 (Unconditional Waiver and Release in Exchange for Final Payment; Form) from contractor and all subcontractors and upon Landlord’s reasonable determination that no substandard work exists that adversely affects the mechanical, electrical, plumbing, heating, ventilating and air conditioning, life-safety or other systems of the Building, the curtain wall of the Building, the structure or exterior appearance of the Building, or (if applicable) any other tenant’s use of such other tenant’s premises in the Building. Tenant shall pay the balance due on any invoice or statement to the extent the MT TI Allowance Allocation does not fully cover such amount.

(g) Any delay by Landlord in issuing any approvals hereunder that shall actually delay the completion of the Tenant Construct TIs beyond the time that it would have otherwise taken to complete the Tenant Construct TIs or any willful or negligent failure by Landlord to provide access to Tenant’s contractors for the purposes of constructing the Tenant Construct TIs that delays the Tenant Construct TIs beyond the time that it would have otherwise taken to cause Substantial Completion of the Tenant Construct TIs shall constitute “Landlord Delays.” Tenant shall provide written notice to Landlord no later than ten (10) business days after Tenant becomes aware of an act or failure to act by Landlord, that could give rise to a Landlord Delay under this Work Letter. Each such written notice shall specify the nature and the reasonably expected duration of any relevant Landlord Delay, which shall not exceed the expected actual delay arising from the relevant act or failure to act. If the Tenant does not provide notice of the relevant Landlord Delay in the time provided herein after the relevant act or failure to act, it will be deemed to have waived the Landlord Delay asserted to arise from the relevant act or failure to act. If a Landlord Delay occurs then Tenant will be entitled to a credit against the Basic Monthly Rent otherwise payable for the Must-Take Premises in the amount of the per diem rent for the Must-Take Premises, multiplied by the number of days of Landlord Delay, multiplied by a fraction having as its numerator the rentable area of the portion of the Must-Take Premises to be improved with Tenant Construct TIs, and as its denominator the rentable area of the Must-Take Premises.

12. Miscellaneous: If no other response time is stated in this Work Letter, a party shall have three (3) business days to respond to a written request for information, consent or approval (or similar request) from the other party. Tenant hereby designates Douglas Harr as its sole representative with respect to the matters set forth in this Work Letter, which representative shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter, and Landlord shall be entitled to rely upon the decisions and agreements made by such representative as binding upon Tenant. Tenant hereby designates David Tech as its sole representatives with respect to the matters set forth in this Work Letter, which representative, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Work Letter. Tenant’s representative shall be provided with reasonable advance written notice of, and have the right to attend construction meetings that relate to the Landlord Construct TIs. This Work Letter shall not be deemed applicable to any additional space added to the original Premises at any time or from time to time, whether by any options under the Lease or otherwise, or to any portion of the original Premises or any additions thereto in the event of damage or destruction of the Premises, condemnation of the Premises, or renewal or extension of the initial term of the Lease, whether by any options under the Lease or otherwise, unless expressly so provided in the Lease or any amendment or supplement thereto.

13. Dispute Resolution:

(a) Any disputes among or between the parties under Paragraph 8 of this Work Letter regarding whether Substantial Completion has occurred (a “Dispute”) shall be resolved in accordance with this Paragraph 13. If a Dispute arises, either Landlord or Tenant may promptly convene a telephonic or in person meeting of Landlord’s representative and Tenant’s representative (the “Initial Meeting”) to discuss the Dispute.

(b) If the Dispute cannot be resolved within five (5) days following the request for the Initial Meeting, then the Dispute shall be referred to an in-person meeting (the “Executive Meeting”) between Daniel Kingsley, on behalf of Landlord, and Douglas Harr, on behalf of Tenant, to be held within ten (10) days following the Initial Meeting.

Exhibit C-10
(c) Landlord and Tenant agree to use good faith efforts to settle the issue in question at the Initial Meeting and, if applicable, the Executive Meeting. If the issue is resolved at the Initial Meeting or the Executive Meeting, the representatives of Landlord and Tenant in attendance at the meeting shall execute a written summary of the agreed-upon resolution of the Dispute. The executed summary shall be binding on Landlord and Tenant.

(d) If the Dispute cannot be resolved at the Initial Meeting or the Executive Meeting, then the Dispute shall be determined by binding arbitration (“Arbitration”) in San Francisco, California before a single arbitrator and, unless the parties mutually agree otherwise, shall be administered by Judicial Arbitration & Mediation Services (“JAMS”) pursuant to its Streamlined Arbitration Rules and Procedures in effect on the date of this Agreement. A party desiring to initiate Arbitration under this Lease shall give notice to the other party and to the JAMS office in San Francisco, California, specifying the matter to be arbitrated. The arbitrator shall be a retired California or federal judge selected in accordance with the JAMS Rules. The party filing a notice of demand for arbitration must assert in the demand all claims then known to that party on which arbitration is permitted to be demanded. The Award (defined below) shall be in writing, shall be made within thirty (30) days after the conclusion of any hearing or upon a summary disposition of the matter, shall be accompanied by a written opinion explaining the basis or reason for the decision and shall be communicated promptly and simultaneously to each party in writing by facsimile and personal delivery. The arbitrator shall have the right to consult experts and competent authorities skilled in the matters under Arbitration, but any such consultation shall be made in the presence of both parties with full right to cross examine. The arbitrator shall give a counterpart copy of its written decision to each party (the “Award”). The arbitrator shall have no power to modify the provisions of this Work Letter, and the jurisdiction of the arbitrator is limited accordingly. The judgment on the Award rendered in an Arbitration initiated and conducted in accordance with this Paragraph 13 may be entered in any state or federal court of competent jurisdiction and shall be final and binding upon the parties. The Arbitration shall be conducted and determined at any location in the City and County of San Francisco, California, upon which the parties agree, or in one of such locations selected by the arbitrator if the parties are unable to agree on the location, in accordance with the then prevailing JAMS Rules. The Arbitration proceedings shall be governed exclusively by the substantive and procedural laws of the State of California applicable to contracts made in and between residents of and to be performed wholly within California. The arbitrator shall not have the power to commit errors of law or legal reasoning, and the award may be vacated or corrected on appeal to a court of competent jurisdiction for any such error. The foregoing agreement to arbitrate shall be specifically enforceable under applicable law in any court having jurisdiction thereof. The arbitrator shall determine which party is the prevailing party and shall award attorney’s fees and costs incurred in the underlying Dispute and Arbitration, including the fees of JAMS.

Exhibit C-11
Exhibit A

270 BRANNAN STREET

BUILDING SHELL CONDITION

Updated January 31, 2014 based on 50% Design Development Drawings

1. **LOBBY DESCRIPTION**
   A fully finished lobby will be provided at both the Brannan Street entrance at the 1st floor and the DeBoom Street entrance on the 3rd floor. Tenant shall have the right to review and approve the final design/finishes of the lobby. In addition, a fully finished court with landscaping and furnishings enclosed by a glass canopy will be constructed at the center of the building adjacent to the core.

2. **GARAGE DESCRIPTION**
   Twelve standard parking spaces (including one accessible space) will be constructed at the garage level. In addition, four service van stalls will be provided. Priority parking will be provided for fuel efficient and/or low emission vehicles. Two bicycle storage rooms will be located at the garage level and will include Class I secure stalls for 48 bicycles. Two changing rooms will be provided adjacent to the bicycle storage rooms. The changing rooms will include four showers (two per gender) and twelve clothes lockers (six per gender).

3. **RESTROOM DESCRIPTION**
   Two fully finished restrooms (one per gender) will be provided on each floor. Each restroom will include six toilet fixtures. Tenant shall have the right, at Tenant’s sole cost and subject to Landlord approval, to review, modify and approve of the final design and finishes, so long as Tenant modifications do not have any code or LEED related impacts.

4. **ROOF DECK ACCOMMODATIONS**
   The base building’s structural system, core and exit stairs have been designed to accommodate a roof deck of up to approximately 3,500 square feet and an occupancy load of 238 on the lower roof at the southern half of the building with access from the 6th floor elevator lobby.

5. **MICRO-RETAIL DESCRIPTION**
   Planning approvals require a micro-retail space of approximately 600 square feet to be located on Brannan Street adjacent to the building’s entrance. Utilities for such Micro-Retail shall be separately metered.
6. **Elevator Specifications**

Vertical transportation systems will be designed in accordance with applicable provisions of the State of California Elevator Code, Safety Code for Elevators and Escalators (ASME A17.1), Americans with Disabilities Act (ADA), and other codes as applicable. Tenant shall have the right, at Tenant’s sole cost and subject to Landlord approval, to review, modify and approve of the final design and finishes, so long as Tenant modifications do not have any code or LEED related impacts.

All elevators will be machine room less traction elevators using high efficiency AC motors and regenerative VVVF drives. These motors and drive systems require less power consumption relative to traditional elevator systems.

The following elevators will be provided:

<table>
<thead>
<tr>
<th>Elevator No.</th>
<th>Levels Served</th>
<th>Capacity</th>
<th>Platform Size</th>
<th>Hoistway Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1-7</td>
<td>3500# @ 350 fpm</td>
<td>6'-8”W x 5'-5”D</td>
<td>8'-8”W x 8'-0”D</td>
</tr>
<tr>
<td>2</td>
<td>B-7</td>
<td>3500# @ 350 fpm</td>
<td>6'-8”W x 5'-5”D</td>
<td>8'-8”W x 8'-0”D</td>
</tr>
<tr>
<td>3</td>
<td>B-7</td>
<td>4000# @ 350 fpm</td>
<td>7'-8”W x 5'-5”D</td>
<td>9'-8”W x 8'-0”D</td>
</tr>
</tbody>
</table>

7. **Structural Specifications**

The Building conforms to the current 2010 edition of the California Building Code with San Francisco Amendments which references the 2009 International Building Code. The specifics of the design are as follows:

**Gravity Framing:** The building is constructed with two-way mild steel reinforced flat-slab concrete floors and concrete columns which allow the slabs to be designed largely without beams and drop panels thereby maximizing the clear height between floors and providing the opportunity for exposed ceiling soffits. Typical clear height on the floors is 11’-8” on floors one through five and 10’-11” on floors six and seven. There are some atypical conditions and at the core in which these clear heights are slightly less.

**Earthquake Resistant Design:** Post-tensioned concrete shear walls extend from the foundation to the roof of the building providing lateral resistance to earthquakes. These shear walls have been clustered at both the core areas and the perimeter to allow for a more flexible arrangement of tenant space. This system not only exceeds the latest IBC code requirements, it also allows concrete shear walls to be thinner and shallower compared to a conventional concrete shear wall. This system also provides enhanced seismic performance with post-tensioned walls designed to re-center to the building after an earthquake. This re-centering ability is intended to limit both structural and non-structural seismic related building damage by providing a more resilient structure than that of a conventional, code-based building.
Foundation: The building is supported on spread footings near bedrock or on enhanced soils bearing material with isolated micropiles under the shear walls to resist uplift.

Loading Criteria: Floor slab is designed to carry live loads of 50 psf in office areas and 100 psf at the corridor and lobby areas. All stated allowable live loads are in addition to the dead load plus code required 15 psf for partition loads. Tenant shall have the right, at Tenant’s sole cost and subject to Landlord approval, to increase the live load capacity in any portion of the Building to accommodate Tenant’s needs, so long as Tenant modifications do not have any code or LEED related impacts.

8. Mechanical Specifications

Systems are designed in accordance with the latest edition of the following codes:

A. California Building Code (most recent adopted edition for proposed time of permitting).
B. California Mechanical Code (most recent adopted edition for proposed time of permitting).
C. California Plumbing Code (most recent adopted edition for proposed time of permitting).
D. California Fire Code (most recent adopted edition for proposed time of permitting).
E. California Electrical Code (most recent adopted edition for proposed time of permitting).
F. California Energy Commission (latest Title 24 Energy Efficiency Standards for Non-Residential Buildings for proposed time of permitting)
G. Local City of San Francisco Amendments and Regulations, including Cal Green Tier 1 Requirements.
H. Pacific Gas and Electric regulations and requirements.

Standards – The following reference standards are used for the design:

A. AMCA – Air Movement and Control Association International, Inc.
B. ANSI – American National Standards Institute.
C. ARI – Air Conditioning and Refrigeration Institute.
D. ASHRAE – American Society of Heating, Refrigeration, and Air Conditioning Engineers.
E. SMACNA – Fire and Smoke Damper Installation Guide.
G. SMACNA – Standards for Duct Construction.
H. EPA – Environmental Protection Agency
I. NEMA – National Electrical Manufacturer’s Association
J. UL – Underwriters’ Laboratories.
K. LEED – Leadership in Energy and Environmental Design
L. NFPA - National Fire Protection Association:
   1. NFPA 90A – Air Conditioning and Ventilating Systems.

Exhibit C-14
Design Conditions:

Outdoor Temperature
Summer - 83°F DB / 64°F MCWB (0.5% - CEC Title-24 for San Francisco, CA)
Winter - 41°F DB (0.2% - CEC Title-24 for San Francisco, CA)

Indoor Temperatures
Summer - 72°F ± 2°F
Winter - 70°F ± 2°F
Minimum Design Separation is 4°F

System Overview:
Variable Refrigerant Volume (VRV) mechanical system to provide heating and cooling, and
Energy Recovery Ventilation (ERV) units to provide ventilation with operable windows, will
provide a highly customizable, scalable and energy efficient system that can be easily tailored to
meet a tenant’s exact needs while maximizing comfort, significantly reducing operating costs and
providing 100% outside fresh air.

Description of Systems:
Two roof mounted 20,000 CFM Energy Recovery Ventilation (ERV) units are to provide fresh
air and general exhaust to the building. Each unit to include an energy recovery wheel for
indirect heat exchange between the outside air and exhaust air streams. VFD’s provided at the
supply and return fans.

Variable refrigerant volume (VRV/VRF) units consisting of air-cooled Condensing Units placed
on the rooftop with refrigerant lines to fan coil units (FCUs) placed on the ceiling, wall mounted,
or within closets. The proposed system is based on a two pipe refrigerant heat recovery fan coil
system which allows for a compact, quiet and energy efficient system without the need for a
chiller or boiler, making it completely expandable and scalable. VRV condensing units are
provided for the finished core areas, with fan coil units conditioning core areas with dedicated
ventilation from the ERV.

For tenant spaces, load calculations will need to be performed based on occupancy types and
specific tenant demand to determine the specific system requirements to be provided by the
tenant. Tenants will install the VRV condensing units and fan coil units for their spaces, based on
load calculations and zoning requirements, via new refrigerant line sets, distribution boxes, and
isolation valves. Capped ducts from the ERV will provide fresh air and general exhaust to the
tenant spaces sized on 0.20 CFM/SF.

Garage will be provided with dedicated exhaust fan with VFD to space. The garage space will
also have carbon monoxide detectors that will control the garage exhaust fan to limit carbon
monoxide levels. Make-up air will enter the garage from the parking garage ramp opening.
9. **Electrical Specifications**

   Systems are designed in accordance with the following codes:

   A. ANSI Electrical Systems  
   B. ANSI Handicapped Code - A117.1  
   C. California Occupational Safety and Health Act of OSHA  
   E. NFPA-72, National Fire Alarm and Signaling Code - 2010  
   G. California Building Code (most recent adopted edition for proposed time of permitting).  
   H. State of California Code Regulations, Titles 8, 17, 19, and 22, Division 7, 24 - Part 3  
   I. California Energy Commission (latest Title 24 Energy Efficiency Standards for Non-Residential Buildings for proposed time of permitting)  
   J. California Fire Code (most recent adopted edition for proposed time of permitting).  
   K. Local City of San Francisco Amendments and Regulations, including Cal Green Tier 1 Requirements.

   The following reference standards are used in design:

   A. AEIC- Association of Edison Illuminating Companies  
   B. ASTM- American Society of Testing and Materials  
   C. IEEE- Institute of Electrical and Electronic Engineers  
   D. ICEA- Insulated Cable Engineers Association  
   E. NEMA- National Electrical Manufacturers Association  
   F. NFPA- National Fire Protection Association  
   G. SMACNA- Guidelines for Seismic Restraints of Mechanical Systems (conduit supports only)  
   H. UL- Underwriters Laboratories  
   I. ADA- Americans with Disabilities Act  
   J. LEED – Leadership in Energy and Environmental Design

**Electrical System Overview:**

The Electrical service load capacity for the overall building has an estimated per usable square foot of 14.3 watts. The electrical service size for the building is designed for a 4000A, 277/480V, 3 phase, 4 wire service. There is a core electrical room on each floor level that houses a 3200a, 277/480v, bus duct riser. The tenant will install a circuit breaker bus plug and meter on the bus duct sized to serve the tenant space. As part of the build-out, the tenant will provide their own branch circuit panels and transformers to serve lighting and receptacle loads. The tenant suites are currently allotted for a minimum of 6.0 watts per usable square foot connected load for tenant’s equipment, convenience outlets, furniture, and other office loads. A minimum of 0.8 watts per usable square foot connected load is allotted for tenant's lighting loads. The electrical service is designed to have capacity to accommodate future growth. There is approximately 4.0 watts per usable square foot that can be utilized, if solely for additional future tenant's equipment, convenience outlets, furniture, and other office loads.
Design Criteria:
The main electrical power service for the building is fed underground from a Pacific Gas & Electric (PG&E) service transformer secondary at 480Y/277 volt, 3 phase, 4 wire from Brannan Street to a pad-mounted transformer located in a dry transformer room on the ground floor and accessible at the building entrance, and provided in accordance with PG&E rules, regulations, and standards.

Main 4000A service switchboard is located at the main electrical room and will be fed by 4000A bus duct. The main electrical room will be located at the basement floor level directly below the service transformer (transformer room).

The main switchboard will serve as a service entrance and shall be provided with main utility metering, main circuit breaker equipped with ground-fault interrupting devices, and distribution sections.

A 3200 amp, 480 volt bus riser will be routed up through the core electrical rooms by the Landlord to provide electrical service for the tenant on each floor. The tenant will provide install a circuit breaker bus plug and meter on the bus riser. Tenant branch circuit panels and transformers and distribution conduits will be provided by the tenant within the tenant suites as part of future tenant improvement projects.

The standard dry-type indoor step-down transformer, provided by the tenant, will be 480 volt, 3 phase, 3 wire, primary to 208Y/120volt, 3 phase, 4 wire secondary.

The electrical rooms will be stacked at every floor and will also be used as a shaft for feeders, originating from the main electrical room, serving electrical and security equipment on other floors. An 800 amp, 480 volt bus riser will be routed up through the core electrical rooms by the Landlord to provide electrical service for core and shell/base building requirements. The design concept will minimize the crossing and transiting of main conduits and systems through the entire building.

The main switchboard in the basement Main Electrical Room will serve all major HVAC loads. Additional miscellaneous motors shall be fed from the house panels.

Utilization Voltages:
1. 480VAC, 3-phase, 3-wire: motor loads ½ horsepower and larger.
2. 277/480VAC, 3-phase, 4-wire: fluorescent, LED, and 120/208V may be used for all non-mechanical loads to simplify the building's internal distribution.
3. 120/208VAC, 3-phase, 4-wire: convenience outlets, service equipment, appliances, and motors smaller than ½ horsepower.

System Sizing:
The building will be served by a 4000 amp, 480/277 volt, 3 phase, 4 wire main switchboard. Switchboard will be fed directly from the utility pad-mounted transformer.
Emergency Power Systems:
One elevator and all core and shell code required egress lighting, exit signs, fire alarms and security will be on emergency power via an emergency generator complying with NFPA 110. The emergency 80KW standby generator will provide power rated at 277/480 volt, 3 phase, 4 wire and will be located on the roof of Level 7.

Provisions of a future second tenant generator will be provided by (2)-4” empty conduits. The exact generator size will be determined depending on tenant requirement. The future tenant generator, provided by the tenant, will be located next to the house generator on the roof of Level 7. All code related egress lighting, exit signs, fire alarms and security required as a part of the tenant improvements will on the second tenant generator, or provided via battery backup power.

Normal Power Load Calculations:

<table>
<thead>
<tr>
<th>Load Description</th>
<th>Area (Sq. Feet)</th>
<th>VA/sf or Total HP Tenant Load</th>
<th>VA</th>
<th>Connected Watts (@ 0.8 psf)</th>
<th>A (@480V)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lighting</td>
<td>174,164</td>
<td>0.8</td>
<td>139,331</td>
<td>111,465</td>
<td>168</td>
</tr>
<tr>
<td>Site Lighting</td>
<td></td>
<td></td>
<td>5,000</td>
<td>4,000</td>
<td>6</td>
</tr>
<tr>
<td>General Receptacles</td>
<td>174,164</td>
<td>1.0</td>
<td>174,164</td>
<td>139,331</td>
<td>210</td>
</tr>
<tr>
<td>Receptacles</td>
<td>174,164</td>
<td>5.0</td>
<td>870,818</td>
<td>696,654</td>
<td>1,049</td>
</tr>
<tr>
<td>HVAC</td>
<td>174,164</td>
<td>5.0</td>
<td>870,818</td>
<td>696,654</td>
<td>1,049</td>
</tr>
<tr>
<td>Plumbing</td>
<td>174,164</td>
<td>0.5</td>
<td>87,082</td>
<td>69,665</td>
<td>105</td>
</tr>
<tr>
<td>Misc. Equipment</td>
<td>174,164</td>
<td>1.0</td>
<td>174,164</td>
<td>139,331</td>
<td>210</td>
</tr>
<tr>
<td>Elevators (3) 40hp</td>
<td></td>
<td></td>
<td>129,000</td>
<td>103,200</td>
<td>155</td>
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<tr>
<td>Subtotal:</td>
<td></td>
<td></td>
<td>2,450,375</td>
<td>1,960,300</td>
<td>2,951</td>
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<tr>
<td>25% Future Growth</td>
<td></td>
<td></td>
<td>612,594</td>
<td>490,075</td>
<td>738</td>
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<tr>
<td>Total:</td>
<td></td>
<td></td>
<td>3,062,968</td>
<td>2,450,375</td>
<td>3,689</td>
</tr>
</tbody>
</table>

Lighting Design:
Lighting is provided in all finished core areas. Emergency/egress lighting and exit signs are provided throughout the building. Lighting levels and quality will be in accordance with IES guidelines. The lighting design complies with or exceeds California Title 24 performance standards. Controls shall be via a networked, addressable lighting control system. All lighting will be automatically controlled to meet the requirements of California Title 24 and will be controlled via low voltage, relay based lighting control panel. Occupancy sensors will be provided in all restrooms, electrical rooms, technology rooms, equipment rooms, and storage rooms to the extent allowed by code. For all perimeter areas exposed to glass (within 20 feet of glazed perimiter) provide continuously dimming daylighting controls for the luminaries in the
day lit area. Parking garages shall be controlled through the use of occupancy sensors zoned every two grid bays. Sensor will step lighting from 50% (unoccupied) to 100% (occupied).

10. FIRE ALARM AND PROTECTION:
The fire alarm system meets the standards of NFPA and the San Francisco Fire Department for low-rise buildings. The system includes 24/7 monitoring of fire sprinkler flow and tamper switches, duct mounted smoke detectors, ceiling smoke detectors in Electrical and Telecommunications closets and elevator lobbies. Manual pull stations augment the automatic fire alarm system. Terminal boxes are installed in each electrical closet for connection of future tenant fire alarm devices. The fire alarm control panel is installed in the Main Electrical Room with an annunciator located near the main entrance.

The system indicates alarms by actuating audible horns and visual strobe lights throughout the building as well as reporting offsite to a central station monitoring service via telephone lines. The system is interconnected with and programmed to shutdown mechanical ventilation systems in case of smoke or fire, provide elevator recall, release smoke doors, and operate fire/smoke dampers.

The Fire Protection System completely protects the building shell and finished areas by a hydraulically designed combination wet pipe fire protection sprinkler system and Class I manual wet standpipe system designed to meet NFPA Standards 13 and 14 and the requirements of the San Francisco Fire and Building Departments. Typical sprinkler loops shall be included in the base building for an open floor configuration. Tenant design may require sprinklers to be modified depending on the final configuration of the spaces.

11. TELECOM:
Telephone/data spaces consist of a MPOE room at the basement level and telecommunications closets located on each floor for cabling and equipment for telephone, data, fiber optics, cable/CCTV, security and with the capacity to accommodate other programmed system communications as installed by tenant. Provided pathways consist of four 4-inch vertical sleeves from the main telecommunications room to the telecommunications closets on each floor and additional conduits stubbed out from the telecommunications closets to tenant spaces.

12. PLUMBING:
Systems are designed in accordance with the following codes:

A. California Building Code (most recent adopted edition for proposed time of permitting).
B. California Mechanical Code (most recent adopted edition for proposed time of permitting).
C. California Plumbing Code (most recent adopted edition for proposed time of permitting).
D. California Fire Code (most recent adopted edition for proposed time of permitting).
E. California Electrical Code (most recent adopted edition for proposed time of permitting).
F. California Energy Commission (latest Title 24 Energy Efficiency Standards for Non-Residential Buildings for proposed time of permitting)

Exhibit C-19
G. Local City of San Francisco Amendments and Regulations, including Cal Green Tier 1 requirements.
H. Pacific Gas and Electric regulations and requirements.
I. Approved Alternate Means AB 005, Dated December 5, 2012

Standards – The following reference standards shall be used for the design:
A. NFPA 13, as adopted by AHJ, Standard for the Installation of Sprinkler Systems.
B. NFPA 14, as adopted by AHJ, Standpipe and Hose Systems.
C. NFPA 20, as adopted by AHJ, Installation of Stationary Pumps.
D. NFPA 24, as adopted by AHJ, Standard for the Installation of Private Fire Service
E. ASCE 7, as adopted by AHJ, Minimum Design Loads for Buildings and Other Structures.

In addition to the finished toilet rooms and showers described above, building provides janitor closets at each floor.

Hot water for toilet rooms, janitor closets, and showers is provided by a storage-type electric water heater with circulation at each floor located within the janitor closets. Circulation pumps are provided to maintain hot water temperature at the fixtures. The building also will contain a rainwater capture, treatment and reuse system which distributes recycled water for irrigation and possibly toilet flushing purposes.

Additional waste, vent and cold water stub-outs are provided in each tenant space.

13. SECURITY SYSTEM:
The advanced building security systems will ensure the safety and security of the building’s tenants, visitors, and assets. The security system design will allow for future upgrades and flexibility to control the building. These systems will control and monitor all main entry points to the building as well as elevator and stair access to all floors and tenant spaces. The security systems are comprised of the following integrated systems:
• Access Control & Alarm Monitoring System (ACAMS)
• Video Surveillance System (VSS)
• Intrusion Detection System (IDS)
• Security Communications System (SCS)
EXHIBIT D

COMMENCEMENT DATE NOTICE

NOTICE is hereby given as of ______________, ____, by 270 BRANNAN STREET, LLC, a Delaware limited liability company ("Landlord"), to SPLUNK INC., a Delaware corporation ("Tenant"), of the determination of certain dates set forth below relating to that certain Office Lease dated as of April 29, 2014 (the "Lease") respecting certain premises (the "Premises") located in the building known as 270 Brannan Street, San Francisco, California.

Pursuant to Paragraph 2(a) of the Lease, Landlord hereby confirms that the Commencement Date (as defined in the Lease) is ________________________, 201_, that the IP Rent Commencement Date (as defined in the Lease) is ____________, 201_, that the IP Expiration Date (as defined in the Lease) is _______________ __, 202_, and that the Base Year for the Initial Premises is ____________, 201__.

Landlord hereby confirms that the Initial Premises contains ______ rentable square feet and the Must-Take Premise contains ______ rentable square feet.

This Notice supplements, and shall be a part of, the Lease.

IN WITNESS WHEREOF, Landlord has executed and delivered this Notice to Tenant as of the day and year first above written.

LANDLORD:

270 BRANNAN STREET, LLC, a Delaware limited liability company

By SKS 270 BRANNAN, LLC, a Delaware limited liability company, its managing member

By: ______________________________
Its: ______________________________

Exhibit D-1
EXHIBIT E
APPROVED SIGNS

Exhibit E-1
This First Source Hiring Agreement (this “Agreement”), is made as of April 29, 2014, by and between Splunk Inc., a Delaware corporation (the “Lessee”), and the First Source Hiring Administration, (the “FSHA”), collectively the “Parties”:

RECITALS

WHEREAS, Lessee has plans to occupy the building at 270 Brannan Street, San Francisco, California (the “Premises”), which required a First Source Hiring Agreement between the project sponsor and FSHA due to the issuance of building permit for 25,000 square feet or more of floor space or constructed ten or more residential units; and,

WHEREAS, the project sponsor was required to provide notice in leases, subleases and other occupancy contracts for use of the Premises (“Contract”); and,

WHEREAS, as a material part of the consideration given by Lessee under the Office Lease dated April 29, 2014, between Lessee and the project sponsor, Lessee has agreed to execute this Agreement and participate in the Workforce System managed by the Office of Economic and Workforce Development (OEWD) as established by the City and County of San Francisco pursuant to Chapter 83 of the San Francisco Administrative Code;

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

1. DEFINITIONS

For purposes of this Agreement, initially capitalized terms shall be defined as follows:

a. Entry Level Position: Any non-managerial position that requires no education above a high school diploma or certified equivalency, and less than two (2) years training or specific preparation, and shall include temporary, permanent, trainee and intern positions.

b. Workforce System: The First Source Hiring Administrator established by the City and County of San Francisco and managed by the Office of Economic and Workforce Development (OEWD).

c. Referral: A member of the Workforce System who has been identified by OEWD as having the appropriate training, background and skill sets for a Lessee specified Entry Level Position.

Lessee: Tenant, business operator and any other occupant of the building requiring a First Source Hiring Agreement as defined in SF Administrative Code Chapter 83. Lessee shall include every person tenant, subtenant, or any other entity occupying the building for the intent of doing business in the City and County of San Francisco and possessing a Business Registration Certificate with the Office of Treasurer.
2. OEWD WORKFORCE SYSTM PARTICIPATION
   a. Lessee shall notify OEWD’s Business Team of every available Entry Level Position and provide OEWD 10 business days to recruit and refer qualified candidates prior to advertising such position to the general public. Lessee shall provide feedback including but not limited to job seekers interviewed, including name, position title, starting salary and employment start date of those individuals hired by the Lessee no later than 10 business days after date of interview or hire. Lessee will also provide feedback on reasons as to why referrals were not hired. Lessee shall have the sole discretion to interview any Referral by OEWD and will inform OEWD’s Business Team why specific persons referred were not interviewed. Hiring decisions shall be entirely at the discretion of Lessee.
   b. This Agreement shall be in full force and effect throughout the Lessee’s occupancy of the building.

3. GOOD FAITH EFFORT TO COMPLY WITH ITS OBLIGATIONS HEREUNDER
   Lessee will make good faith efforts to comply with its obligations under this Agreement. Determination of good faith efforts shall be based on all of the following:
   a. Lessee will execute this Agreement and attachment Exhibit B-1 upon entering into leases for the commercial space of the building. Lessee will also accurately complete and submit Exhibit B-1 annually to reflect employment conditions.
   b. Lessee agrees to register with OEWD’s Referral Tracking System, upon execution of this Agreement.
   c. Lessee shall notify OEWD’s Business Services Team of all available Entry Level Positions 10 business days prior to posting with the general public. The Lessee must identify a single point of contact responsible for communicating Entry-Level Positions and take active steps to ensure continuous communication with OEWD’s Business Services Team.
   d. Lessee accurately completes and submits Exhibit B-1, the “First Source Employer’s Projection of Entry-Level Positions” form to OEWD’s Business Services Team upon execution of this Agreement.
   e. Lessee fills at least 50% of open Entry Level Positions with First Source referrals. Specific hiring decisions shall be the sole discretion of the Lessee.
   f. Nothing in this Agreement shall be interpreted to prohibit the continuation of existing workforce training agreements or to interfere with consent decrees, collective bargaining agreements, or existing employment contracts. In the event of a conflict between this Agreement and an existing agreement, the terms of the existing agreement shall supersede this Agreement.

Lessee’s failure to meet the criteria set forth in Section 3 (a.b.c.d.e.) does not impute “bad faith” and shall trigger a review of the referral process and compliance with this Agreement. Failure and noncompliance with this Agreement will result in penalties as defined in SF Administrative Code Chapter 83, Lessee agrees to review SF Administrative Code Chapter 83, and execution of the Agreement denotes that Lessee agrees to its terms and conditions.

4. NOTICE
   All notices to be given under this Agreement shall be in writing and sent via mail or email as follows:
   ATTN: Business Services, Office of Economic and Workforce Development
   1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103
   Email: Business.Services@sfgov.org

5. This Agreement contains the entire agreement between the parties and shall not be modified in any manner except by an instrument in writing executed by the parties or their respective successors. If any term or provision of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall not be affected. If Agreement is executed in one or more counterparts, each shall be deemed an original and all, taken together, shall

Exhibit F-2
constitute one and the same instrument. Agreement shall inure to the benefit of and shall be binding upon the parties to this Agreement and their respective heirs, successors and assigns. If there is more than one person comprising Seller, their obligations shall be joint and several.

Section titles and captions contained in this Agreement are inserted as a matter of convenience and for reference and in no way define, limit, extend or describe the scope of this Agreement or the intent of any of its provisions. This Agreement shall be governed and construed by laws of the State of California.

IN WITNESS WHEREOF, the following have executed this Agreement as of the date set forth above.

<table>
<thead>
<tr>
<th>Date: _</th>
<th>Signature: _</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Authorized Signer:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company:</th>
<th>Splunk Inc., a Delaware corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address:</td>
<td>250 Brannan Street</td>
</tr>
<tr>
<td></td>
<td>San Francisco, California 94107</td>
</tr>
<tr>
<td>Phone:</td>
<td></td>
</tr>
<tr>
<td>Email:</td>
<td></td>
</tr>
</tbody>
</table>

SPLUNK INC., a Delaware corporation

By: ____________________________

Its: __________________________

Exhibit F-3
EXHIBIT G

WORKFORCE PROJECTIONS

EXHIBIT B-1 WORKFORCE PROJECTIONS
FOR BUSINESS, COMMERCIAL, OPERATION AND LEASE OCCUPANCY

Business Name: ____________________________ Phone: ____________________________
Main Contact: ____________________________ Email: ____________________________

Signature of authorized representative* ____________________________ Date: __________

*By signing this form, the lessee agrees to participate in the Workforce System managed by the Office of Economic and Workforce Development (OEWD) and comply with the provisions of Exhibit B and First Source Hiring Agreement pursuant to San Francisco Administrative Code Chapter 83.

Instructions:
• Upon entering into leases for the commercial space of the building, the Lessee must submit to OEWD a signed Exhibit B and Exhibit B-1. Lessee will also complete and submit an Exhibit B-1 annually to reflect employment conditions.
• The employer must notify the First Source Hiring Program (Contact Info below) if an Entry Level Position becomes available.

Section 1: Select your Industry

☐ Auto Repair ☐ Entertainment ☐ Personal Services
☐ Business Services ☐ Elder Care ☐ Professionals
☐ Consulting ☐ Financial Services ☐ Real Estate
☐ Construction ☐ Healthcare ☐ Retail
☐ Government Contract ☐ Insurance ☐ Security
☐ Education ☐ Manufacturing ☐ Wholesale
☐ Food and Drink ☐ I don’t see my industry (Please Describe) ____________________________

Section 2: Describe Primary Business Activity

Section 3: Provide information on all Entry Level Positions

<table>
<thead>
<tr>
<th>Entry-Level Position Title</th>
<th>Job Description</th>
<th>Number of New Hires</th>
<th>Projected Hiring Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Please email, fax, or mail this form SIGNED to:
ATTN: Business Services
Office of Economic and Workforce Development
1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103
Tel: 415-701-4048
Fax: 415-701-4897
mailto: business.services@sfgov.org

IF(4/17/2014)

Exhibit G-1
I, Godfrey R. Sullivan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Splunk 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(s) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

Date: June 9, 2014

/s/ Godfrey R. Sullivan

Godfrey R. Sullivan

Chairman, President and Chief Executive Officer

(Principal Executive Officer)
I, David F. Conte, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Splunk 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(s) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 9, 2014

/s/ David F. Conte
David F. Conte
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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), Godfrey R. Sullivan, Chairman, President and Chief Executive Officer (Principal Executive Officer) of Splunk Inc. (the “Company”), and David F. Conte, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, each hereby certifies that, to the best of his knowledge:

1. Our Quarterly Report on Form 10-Q for the quarter ended April 30, 2014, to which this Certification is attached as Exhibit 32.1 (the “Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, 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: June 9, 2014

/s/ Godfrey R. Sullivan  
Chairman, President and Chief Executive Officer

/s/ David F. Conte  
Chief Financial Officer

Godfrey R. Sullivan  
(Principal Executive Officer)

David F. Conte  
(Principal Financial and Accounting Officer)